

Annual Report 2007

TeliaSonera



Contents

This is TeliaSonera	3
The Year in Brief	4
Letter from the CEO	5
The TeliaSonera Share	6
Corporate Strategy	8
Market and Customers	9
A Review of Our Operations	15
Corporate Responsibility	24
Report of the Directors	28
Consolidated Income Statements	39
Consolidated Balance Sheets	40
Consolidated Cash Flow Statements	41
Consolidated Statements in Changes in Equity	42
Notes to Consolidated Financial Statements	43
Parent Company Income Statements	92
Parent Company Balance Sheets	93
Parent Company Cash Flow Statements	94
Parent Company Statements in Changes in Shareholders' Equity	95
Notes to Parent Company Financial Statements	96
Proposed Appropriation of Earnings	115
Auditors' Report	116
Ten-year Summary Financial Data	117
Ten-year Summary Operational Data	118
Definitions	120
Corporate Governance Report	121
Board of Directors including Remuneration	125
Leadership Team including Remuneration	127
Glossary	129
Annual General Meeting 2008	130
Contact TeliaSonera	131

This is TeliaSonera



Mobility Services – providing freedom of movement for the individual



Broadband Services – the digital home has the power to transform lifestyles



Integrated Enterprise Services – powerful locally with a regional scope



Eurasia – stellar growth, great potential on the new frontier

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

TeliaSonera offers services that help people and companies communicate in an easy, efficient and environmentally friendly way. Our main purpose is to best serve our customers and create value for our shareholders through strong profits and cash flows.

We create value by continuously exploiting new business opportunities on our mobile and broadband networks, such as mobile data and IPTV, and expanding in the fast growing markets of Eurasia. We aim to lead the migration to new mobile and Internet-based services in our Nordic and Baltic markets.

In 2007, the number of subscriptions reached approximately 115 million in the majority-owned operations and associated companies, operating income, excluding non-recurring items, was SEK 27.5 billion and the number of employees 31,292. TeliaSonera is listed on the Stockholm and Helsinki stock exchanges.



The Year in Brief

Highlights of the Year

- » Net sales increased 5.8 percent to SEK 96,344 million (91,060).

- » Strong growth – 114.9 million subscriptions:
 - 5.8 million new subscriptions in the majority-owned Nordic, Baltic and Eurasian operations.
 - 12.9 million new subscriptions in the associated companies MegaFon and Turkcell.

- » Operating income, excluding non-recurring items, totaled SEK 27,478 million (26,751), with the largest increase, around 28 percent, in Eurasia, including Russia and Turkey.

- » EBITDA margin, excluding non-recurring items, was 32.2 percent (35.4).

- » Free cash flow was SEK 13,004 million (16,596).

- » Net income attributable to shareholders of the parent company increased to SEK 17,674 million (16,987) and earnings per share to SEK 3.94 (3.78).

- » Total proposed dividend of SEK 17,962 million (28,290) or SEK 4.00 per share (6.30) comprising:
 - Ordinary dividend of SEK 8,083 million (8,083) or SEK 1.80 per share (1.80).
 - Extraordinary dividend of SEK 9,879 million (20,207) or SEK 2.20 per share (4.50).

Financial Highlights

SEK in millions,

except per share data

	2007	2006	2005
Net sales	96,344	91,060	87,661
EBITDA, excl. non-recurring items	31,021	32,266	29,411
Operating income	26,155	25,489	17,549
Operating income excl. non-recurring items	27,478	26,751	20,107
Net income	20,298	19,283	13,694
of which attributable to shareholders of the parent company	17,674	16,987	11,697
Earnings per share (SEK)	3.94	3.78	2.56

Milestones 2007

» **Lars Nyberg appointed new President and CEO of TeliaSonera**

Lars Nyberg was appointed President and CEO on July 27, 2007, and assumed his position on September 3. Mr. Nyberg is also Chairman of Data-Card Inc. and board member of Autoliv Inc. Between 1995 and 2003 he was Chairman and CEO of NCR Corp, where he continued as Chairman until 2005. Previously, Mr. Nyberg held several managerial positions in Philips, and was a member of Philips Group Management Committee.

» **21.5 percent growth and new markets in Eurasia**

Our dedication to create value in Eurasia was rewarded by yet another year of stellar performance by our Eurasian operations. In 2007 we entered new growth markets and successfully integrated operators in Uzbekistan and Tajikistan.

» **770,000 TV subscriptions in the Nordic and Baltic countries**

We see television as an anchor for the new services that we will bring to households in the future. In 2007, our increased efforts to handle the migration from traditional fixed voice services was evidenced by a rise to 2,326,000 broadband subscriptions and 770,000 TV subscriptions in the Nordic and Baltic countries, of which 304,000 IPTV subscriptions in Sweden.

» **Skanova Access ensures market requirement for equal access**

Within business area Broadband Services we followed our ambition to strengthen our focus on IP-based services and initiated a split between traditional and new services. In addition, we decided to form an infrastructure subsidiary in Sweden, called TeliaSonera Skanova Access, to ensure market requirement for transparency and equal access.

Dear Shareholders,



Our net income attributable to parent company shareholders was SEK 17,674 million in 2007. That is a record for TeliaSonera. Group earnings were driven by strong sales growth and substantial profit contributions from our minority owned operations in Eurasia. The underlying market trends in 2007 were mostly unchanged from the year before.

I want to thank all our customers and all employees for their contributions to another good year.

TeliaSonera is a company with lots of resources, competence and many skilled and motivated people. However, we operate in one of the world's most rapidly changing and demanding industries. Customer needs, technology, regulations, competition and lines of business definition are changing. The shift from fixed to mobile and Internet-based communication demands a shift also in our behavior.

We need to have all our discussions starting from the customers' needs and our value proposition in relation to our competitors. We also need to have a much higher sense of urgency when launching new services, delivering our services or resolving our customers' problems. I am therefore introducing a more stringent performance and consequence management attitude. I think there is quite some support for this kind of change among many of our employees.

Five focus areas

When I joined the company, I together with the Leadership Team identified five priorities, or focus areas, for the short and medium term.

The first priority deals with our ambition to migrate our fixed telephony customers in primarily Sweden to new services. Our fixed business in Sweden generates approximately one third of our cash flow. This business has been declining for several years already and will ultimately disappear unless we can offer more. I believe we have a real opportunity to offer the market triple play including IPTV. Since our launch at the beginning of 2007 we have more than 300,000 IPTV subscriptions in Sweden. We have a total of 770,000 TV subscriptions in the Nordic and Baltic region.

Our ambitions require future investments in our networks and our ability to make those investments will be influenced by the outcome of ongoing discussions about regulation. Our standpoint is that in markets where more than one player can, or ought to be able to, invest, regulation is not needed.

The second priority is on our assets in Eurasia, including Turkey and Russia, where we participate in attractive, fast-growing and very profitable markets. We entered new growth markets in 2007 with the acquisition of operators in Uzbekistan and Tajikistan and a financial holding in Afghanistan's largest operator. We will continue to look for opportunities

in this part of the world. On investing in this region, we have the ambition to control and thereby consolidate. However, sometimes it is not possible to have a majority position. In case we are willing to take a minority position, we will focus on liquidity, real influence and control aspects.

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

The fourth priority is our ambition to create a world class service company. Progress has been made, as was demonstrated in the autumn when TeliaSonera improved scores across the board in last year's customer satisfaction survey. Still our customers have higher expectations to which we must respond. This is maybe the most challenging priority as it is both complex and requires a major change of processes, attitude and focus in many parts of the company. Quality of networks and services is fundamental for our success going forward.

The importance of the fifth priority is evident. We cannot have structurally higher costs than best-in-class. Intensified efficiency improvement is imperative for TeliaSonera to be able to continue shifting the product mix by investing in mobility and IP-based services. Efficiency measures to be implemented primarily in the Swedish and Finnish operations during 2008 and 2009 are estimated to give an annual gross savings effect of approximately SEK 5 billion compared to the cost base of 2007.

Outlook 2008

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

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

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

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

A new type of annual report to help save the environment

Our core business is to offer services that help people and companies communicate in an easy, efficient and, not least, environmentally friendly way. As a good corporate citizen we are also taking steps to reduce our own impact on the environment. One step is this new annual report. Published on our website, it offers a faster way to essential information, features interactivity that facilitates financial analysis and eliminates the environmental impact from print and distribution.

Stockholm, March 11, 2008

Lars Nyberg
President and CEO

The TeliaSonera Share

The TeliaSonera share rose eight percent during 2007, while the Stockholm Stock Exchange's All-Share Index fell six percent. The Board of Directors proposes to the Annual General Meeting an ordinary dividend of SEK 1.80 per share (1.80).

During 2007 an average of 22.2 million TeliaSonera shares were traded per trading day, corresponding to a value of SEK 1,230 million per day. TeliaSonera's share price rose during the year to SEK 60.50, an increase of eight percent. The total yield (share price development and dividend) reached 19 percent during the year.

From early 2003, just after the merger of Telia and Sonera, the price of the TeliaSonera share has increased from around SEK 25, but on average underperformed the Stockholm Stock Exchange. Compared to the Dow Jones STOXX Telecommunications Index, which includes the large telecom operators in Europe, the TeliaSonera share has developed largely in line with the index.

TeliaSonera's market capitalization totaled at year-end SEK 272 billion, which was seven percent of the total market value on the Stockholm Stock Exchange. In terms of market value, TeliaSonera was the third largest company on the Stockholm Stock Exchange at year-end and Europe's seventh largest telecommunications operator.

Ordinary dividend and capital distribution to shareholders

For 2007, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 1.80 (1.80) per share, totaling SEK 8.1 billion, or 46 percent of net income attributable to shareholders of the parent company. The proposal follows a review by the Board of Directors of TeliaSonera in October, 2007, of the company's capital structure and dividend policy.

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

company's cash at hand, cash flow projections and investment plans in a medium term perspective, as well as capital market conditions.

Accordingly, the Board of Directors proposes to the AGM an extraordinary dividend for 2007 of SEK 2.20 (4.50) per share, totaling SEK 9.9 billion.

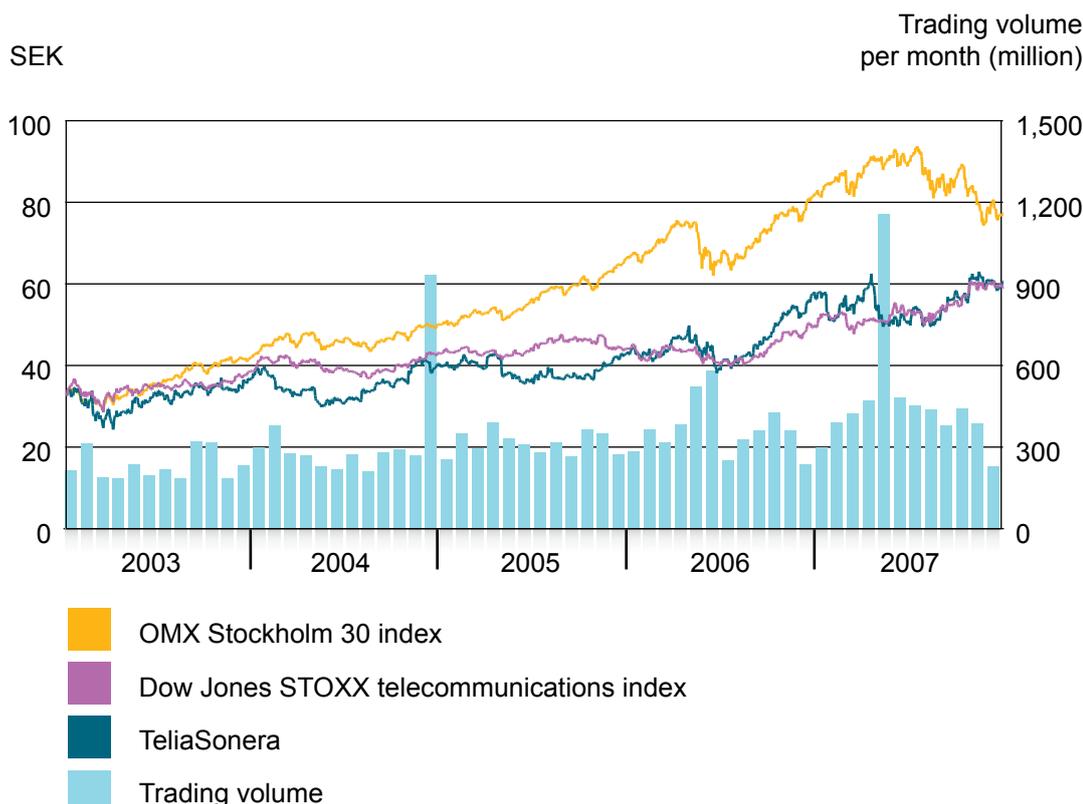
The Board of Directors proposes that the final day for trading in shares entitling shareholders to ordinary and extraordinary dividends be set for March 31, 2008, and that the first day of trading in shares excluding rights to ordinary and extraordinary dividends shall be set for April 1, 2008. The recommended record date at VPC for the right to receive ordinary and extraordinary dividends will be April 3, 2008. If the AGM votes to approve the Board's proposals, ordinary and extraordinary dividends are expected to be distributed by VPC on April 8, 2008.

Number of shareholders

The number of shareholders decreased during the year from 691,106 to 655,247. Ownership by the Swedish government as a percentage of outstanding shares decreased from 45.3 percent to 37.3 percent while ownership by the Finnish government remained unchanged at 13.7 percent. Holdings outside of Sweden and Finland increased from 16.7 percent to 22.4 percent. At year-end, Swedish institutional investors owned 18.2 percent (15.9) of the outstanding shares and Finnish institutional investors owned 3.0 percent (3.0). Swedish private investors owned 3.0 percent (3.2) and Finnish private investors 2.4 percent (2.2) of the outstanding shares.

Termination of U.S. registration

TeliaSonera in June 2007 terminated the registration of its shares under the U.S. Securities Exchange Act of 1934. TeliaSonera had terminated its Nasdaq listing and its U.S. ADR program in 2004 but remained subject to U.S. securities legislation, including the reporting obligations under the Securities and Exchange Act and the Sarbanes-Oxley Act. New U.S. rules entered into force in June 2007 which made it possible for TeliaSonera to terminate its reporting and certain other obligations under the U.S. securities laws.



The Largest Shareholders, as of December 31, 2007

Shareholders	Number of outstanding shares ¹⁾	Percent of outstanding shares/votes
Swedish State	1,674,310,553	37.3
Finnish State	616,128,221	13.7
Swedbank Robur Funds	104,535,802	2.3
SEB Funds	72,220,419	1.6
Capital Group Funds	71,870,500	1.6
Cevian Capital LP	71,698,500	1.6
SHB/SPP Funds	63,160,504	1.4
Nordea Funds	55,986,514	1.2
Skandia Life Insurance	42,424,857	0.9
First Swedish National Pension Fund	38,863,262	0.9
Shareholders outside Sweden and Finland	859,863,127	19.2
Total other shareholders	819,394,954	18.3
Total shares outstanding	4,490,457,213	100.0

Source: SIS Ägarservice AB

¹⁾ Each TeliaSonera share represents one vote at the General Meeting of Shareholders and no shareholder has any special voting rights.**The Largest Countries by Number of Shares, as of December 31, 2007**

Country	Number of outstanding shares	Percent of outstanding shares/votes
Sweden	2,627,907,033	58.5
Finland	859,118,053	19.1
United Kingdom	329,409,200	7.3
United States	314,157,856	7.0
Luxemburg	81,085,286	1.8
Jersey	50,072,391	1.1
Belgium	33,400,830	0.7
Switzerland	30,377,628	0.7
France	26,894,841	0.6
Japan	19,741,317	0.4
Total others	118,292,778	2.8
Total shares outstanding	4,490,457,213	100.0

Source: Swedish Central Security Depository (VPC)

The TeliaSonera Share

Listing: Stockholm Stock Exchange and Helsinki Stock Exchange

Stockholm Stock Exchange

Ticker symbol	TLSN
Highest price 2007	SEK 68.00
Lowest price 2007	SEK 47.70
At close 2007	SEK 60.50
Shares traded 2007, volume	5,548 million
Shares traded 2007, value	SEK 307 billion
Market capitalization Dec 31, 2007	SEK 272 billion

Helsinki Stock Exchange

Ticker symbol	TLS1V
Shares traded 2007, volume	632 million
Shares traded 2007, value	EUR 3.8 billion

Changes in Issued Share Capital

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

Corporate Strategy

Business concept

TeliaSonera offers reliable, innovative and user-friendly services for transferring and packaging of voice, images, data, information, transactions and entertainment. TeliaSonera is present in the Nordic and Baltic countries, in Spain and selected markets in Eurasia, Russia and Turkey.

TeliaSonera also provides wholesale carrier services between selected destinations in Europe and across the Atlantic.

Depending on the market position, TeliaSonera either offers a complete service portfolio or a focused range of services.

TeliaSonera serves and meets each customer in a way that creates value. This ability is based on leveraging size and transforming comprehensive customer knowledge into actions.

Vision and values

TeliaSonera's vision is that simplicity makes everything possible.

TeliaSonera's shared values, serving as a guide in its daily operations, are about showing respect, adding value and making it happen.

Strategy

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

The Nordic and Baltic markets

TeliaSonera aims to maintain its leading position in the Nordic and Baltic markets.

Present focus areas to achieve this goal are

- Quality of networks and services
- Simplicity in services and offerings
- World class service to our customers
- Successful management of migration from traditional fixed telephony services to mobile and IP based services
- Meeting customers' rapidly growing demand for high speed mobile data services
- Efficiency improvements in our traditional businesses
- Increased performance and consequence management

TeliaSonera's ambition is to grow both organically and through complementary acquisitions.

Russia, Turkey and Eurasia

In Russia, Turkey and selected Eurasian markets TeliaSonera aims, together with local partners, to create leading positions. TeliaSonera's ambition is to consolidate the various operations. TeliaSonera can however, where consolidation is not possible, accept to not consolidate the operations, provided that TeliaSonera has a real management influence over the operations and liquidity regarding its shareholdings.

TeliaSonera's ambition is to grow organically through the regions' strong economical growth and increased subscriber penetration as well as through acquisitions in new markets in the vicinity of the present operations in Eurasia.

Spain

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

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

Add Value

Show Respect

Make it Happen

Capital structure

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

Market and Customers

We are living in an all-communicating society. We spend more time communicating with friends, colleagues and customers at the same time as new technologies are gaining ground as means of carrying our communications. The demand for being "always-on", and expectations on others, friends as well as companies, stores and government offices, to always be available is growing simultaneously. Demand for capacity is virtually unlimited now and in the future. TeliaSonera believes that fixed lines will be the most efficient technology for many years to service fixed locations, i.e. homes and offices, in regions where fixed networks already exist. Complementary wireless technologies are being explored to support areas where economies are not supporting fixed network presence. In this context, an operator such as TeliaSonera is faced with both numerous opportunities and challenges.

The market is growing as more customers use a wider range of services, such as mobile Internet, TV over broadband, music downloading and online socializing. The increased usage generates a growing amount of data in the form of images, sound and data, to be transferred at higher and higher speeds. In parallel, customers are growing less content with being able to access the Internet just from the office or from home, but rather want to connect anytime, anywhere.

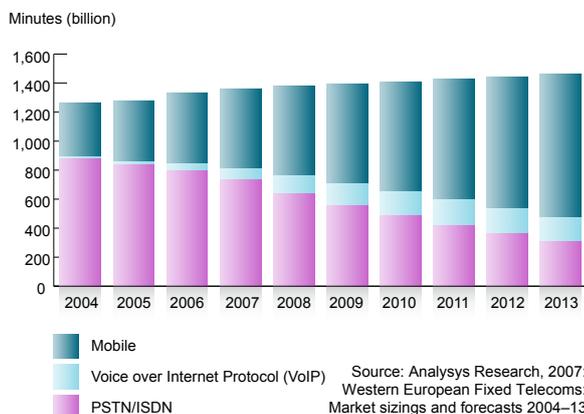
Customer trends

Customers are growing increasingly dependent on having constant access to electronic communication for work, entertainment and shopping in a market that is converging both in terms of services and devices, and where customers want to access the services using any device over different networks. Hence, network quality is of great importance. The number of services, devices and suppliers is increasing. Looking at the development over a longer period, this trend, coupled with more experienced consumers, will cause the demand for niched services to grow. Customers are likely to show less patience for non-performing offers. Therefore, in addition to quality, simplicity and convenience are becoming more important criteria.

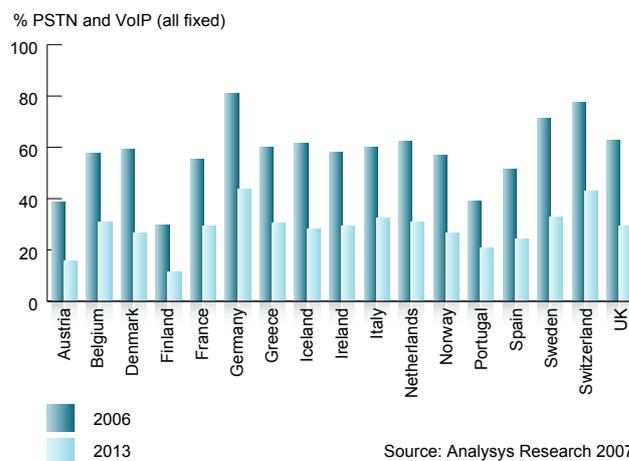
Migration of voice

Communication is a basic human need and its means have changed over time. Over the past few years, the total time spent talking on a phone has remained fairly stable although the type of phone has changed. Now less than 30 percent of the Finnish voice call minutes come from the fixed network. In Sweden about 75 percent of the minutes still come from the fixed network. In all our markets, to varying degrees, there is a revenue growth potential, but also a risk of losing revenues and profits, in moving traffic over to the mobile networks where our customers can place and receive calls on their personal phone, wherever and whenever it suits them.

Voice minutes Western Europe



Share of total call minutes originating in the fixed network 2006 and 2013



Need to be online – Internet overtakes TV

In an online society, we expect to be able to connect to the Internet anytime and anywhere. In 2007, a survey by the European Interactive Advertising Association, EIAA, shows that 57 percent of Europeans, or 169 million people, regularly accessed the Internet. Around 75 percent of all Internet users go online between five and seven days a week, an increase from 61 percent in 2004 compared with 86 percent that watch TV five to seven days a week. The average time spent online is almost 12 hours a week.

For the first time, Internet is overtaking TV as 16 to 24 year olds are accessing the Internet more frequently than they are watching TV. In Europe in 2007, 82 percent regularly accessed the Internet while 77 percent regularly watched TV.

Not only the younger generation is going online, the older population and the number of people aged 55 or older using the Internet each week rose 12 percent between 2006 and 2007, according to EIAA. Besides television, whether traditional broadcast, cable, satellite or Internet, customers are starting to view also the mobile as a means for watching TV. Since the screen is small, viewing patterns are somewhat different, but in Lithuania, one out of three under 35 years of age is planning to test mobile TV in the near future.

Online convergence – like the mobile, the computer becomes personal

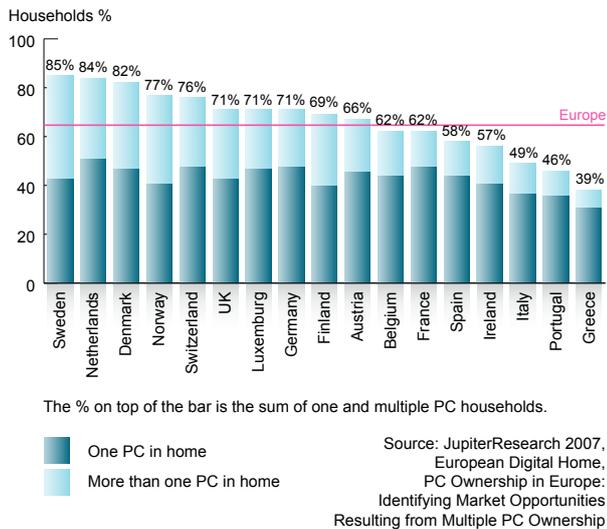
The mobile phone has long been a personal device whose brand and style is as important as the brand of jeans, and now the PC also seems to be going down the same path. Portable PCs, or laptops, are being carried around to cafés and other places outside the home and office. Families are no longer satisfied with having just one computer, just as few families are satisfied with only one TV set. PC penetration is reaching levels of 70 to 85 percent in TeliaSonera's Nordic and Baltic markets and the share of families having more than one computer is close to 50 percent.

As the PC turns into a more personal item, rather than a "company" or a "family" item, the share of laptops sold is gaining ground at the expense of desktops. Laptop shipments as a share of total PC shipments has grown from 40 to 65 percent in the Nordic countries over the past three years, according to figures from 2007 by Strategy Analytics who foresee an increase to above 75 percent in 2011.

As the number of laptops in the market increases, so does the market for mobile broadband PC cards, which in turn is a main driver behind the growth of mobile data. PC card sales grew 70 percent a year in Western Europe in 2006 and 2005.

The computer is no longer seen only as a productivity tool, but also as a tool for viewing, downloading and storing music, TV, films and magazines and the PC and the Internet are becoming the personal hubs for me-

PC penetration in Europe



dia and entertainment. However, the fact that the computer and Internet are seen as a hub for all media does not necessarily imply that only the PC and the broadband connection will be used to access the services. Rather, the technological development opens for new possibilities to offer customers the online services they want whenever and wherever they want. As such, the Internet is moving into the mobile and the TV, TV is moving into the mobile and the Internet, and the mobile is moving into the Internet and the TV.

This opens for customers to not only access the Internet through their TV screen, but also to interact with the TV show and with friends while watching a wide screen TV. Simultaneously, the Internet is used for watching television and listening to the radio as customers choose to watch their favorite program at another time than the specific time it is broadcast. In TeliaSonera's Trend Report 2007, 37 percent of respondents cited this as the prime reason for using Internet TV or radio.

Not only the TV and the Internet are converging: the take-up of portable media players has reached significant penetration rates. Many of these players are today equipped with a wireless connection so that the customer can easily download music tracks directly to their music player, and not have to go via their PC. MP3 player household penetration in the Nordic markets ranged from 37 percent in Finland to 47 percent in Sweden in 2007, according to estimates by Jupiter analysts who predict an increase to 45 and 52 percent, respectively, in 2012.

Online socializing – sharing with friends and peers

In the early days of Internet, search was the main service. Search is still today the most popular online activity, said 87 percent of respondents across Europe in a survey by EIAA from 2007, which also showed e-mailing was the second most popular activity at 81 percent, followed by communicating via social networking sites at 42 percent and instant messaging at 37 percent. As the number of services aimed for socializing is increasing, customers aren't only socializing over the Internet using e-mail or messaging, but also via social networking sites and online forums or blogs, where user created content is shared. Also, socializing in the virtual world should not be forgotten. Both private individuals and companies are entering virtual worlds, such as Second Life and Entropia Universe as well as community sites such as Facebook.

This trend creates multiple opportunities and challenges for an operator. Firstly, socializing on the Internet means possibilities to socialize not only in your home, but also when you are on the move, implying that the possibility to connect via the mobile phone or a wireless PC connection is driving demand for capacity and bandwidth in the mobile networks. Socializing is growing not only on the Internet but also through the opportunities offered by mobile phones. Approximately 78 to 80 percent of mobile customers have sent digital images or film clips to family or

friends and in some countries up to 25 percent of customers have used their mobiles for uploading images to YouTube or Flickr.

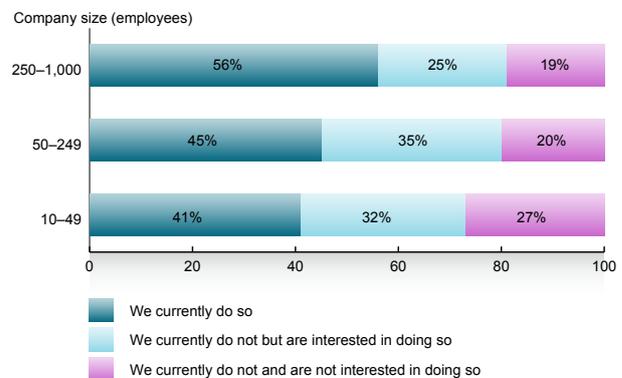
Online for work – anytime, anywhere

Working outside the office is becoming increasingly common. Wireless connection and access to the Internet and company intranet mean that the customer can be just as effective outside the office walls. Reasons for working away from the office include the opportunity to work more flexible hours and be able to work independent of location.

A large majority of companies expect wireless Internet access on trains, in hotel rooms, conference venues and at home. The trend is reflected in IT investments as most companies focus their investments on laptops, e-mail in mobiles or faster broadband.

Customers interested in buying bundled communication services from a single vendor

Which of the following best describes your company's disposition regarding sourcing telecommunications services (fixed, mobile, voice and data) from a single vendor?



Customers want a single point of contact and bundled solutions

A high-speed society with networked businesses and communities impacts our business customers' needs for reliable and time-saving solutions that enable them to focus on own core businesses. The industry is rapidly converging with more and more players offering integrated communications solutions including device bundles and data storage and transportation.

Technology trends

Technology trends are paving the way for new consumer trends. The technological evolution is gaining speed, which is evident particularly in the development of terminals, both mobile and smart residential gateways. The mobile terminal is becoming the Swiss army knife equipped with an increasing number of functionalities such as messaging, e-mail, camera, music, media player, TV and GPS navigators. Broadband is no longer just about access but a variety of IP-based services are being rapidly introduced on the market.

The need to always be online is driving the need for seamless access to the Internet, voice services and TV both on fixed connections and mobile solutions.

Mobility: trends driving the mobile revolution

Three trends are driving the mobile revolution, with the potential to bring gains to our customers and support profitable growth.

The first trend is mobile data take-up, which is exploding world wide. A barrier has been passed and the mobile data explosion will accelerate as terminals reach a usability level that will boost new services, complementary networks start to provide sufficient capacity and users are offered attractive flat rate offerings.

Entertainment is an important driver of mobile data services. Customers are increasingly using the mobile phone as a means of accessing

music, games and TV services. One service that is showing strong growth is digital music where a mobile operator plays an important part in delivering the music to the phone.

Increased speed in mobile data networks through technologies such as 3G and HSPA is meeting a growing demand for always being on-line both via the handset and a connected portable PC. Now HSDPA networks have up to 7.2 Mbps in the downlink. The increased speeds offered by mobile technologies will enable the mobile network to cater to better services and meet higher demands for bandwidth-hungry user generated content like video.

The second trend has to do with new innovation systems. Customer driven innovations like second generation web based communities, Web 2.0, have revolutionized Internet services and are starting to reach the mobility domain. This is also a third party and content wave and is often driven by communities. New promising business models for business-to-business to be sold to consumers, B2B2C, new revenue streams, including mobile advertisement, and new innovation systems are enabled through new terminal and software-oriented service architectures.

The third trend is about new user behavior. Emerging rich services place the mobile as the number one personal tool and companion. The mobile will be used for communication, for pleasure, such as TV, music and games, and simplicity, such as the mobile wallet, mobile ticketing,

mobile office and my remote control. This will drive demand for service quality, trust and security in coming years.

Better mobile handset browsers and increasing functionality are driving content services. Many high-end handsets also have capabilities enabling a multitude of new and exciting functionalities to be introduced in the handset by downloading of software applications.

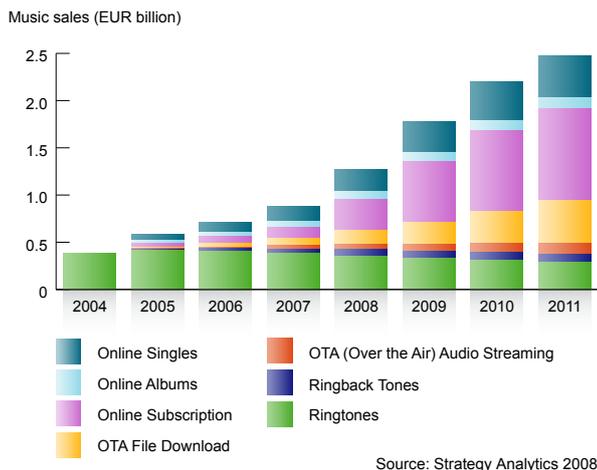
The mobile handset is also becoming more capable in terms of access since many handsets today already have GSM, GPRS, EDGE, 3G and WLAN functionality. This opens opportunities for new innovative ways of always being best connected for voice, data and TV.

Broadband: IP wave brings potential to make life easier for users

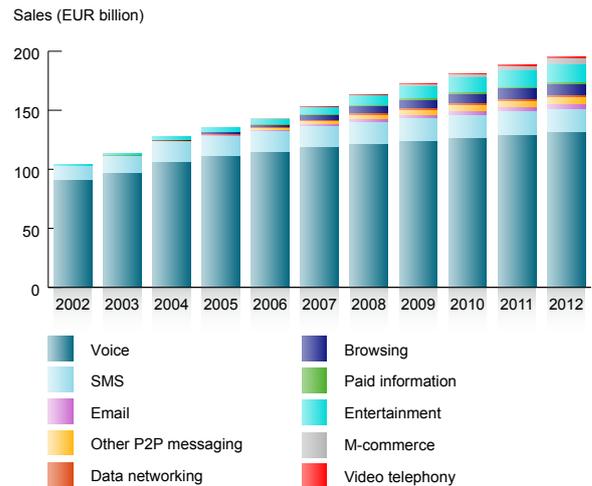
The wave of IP-based services introduced on the broadband market is growing stronger and is accompanied by complex technologies and a wide selection. The potential to make life easier for users presents a business opportunity.

A variety of IP-based services are being rapidly introduced on the broadband market. As the trend is growing stronger, actors in partnerships, using each others' components in open value chains, will trigger launches of new services. The rapid increase of new, dominant actors on the Internet indicates that new agile actors can quickly become leaders. Many services will be terminal-based but terminals and other gadgets

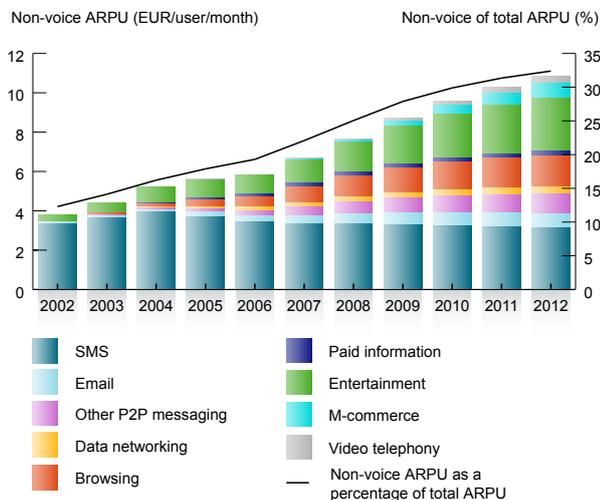
Western Europe digital music sales



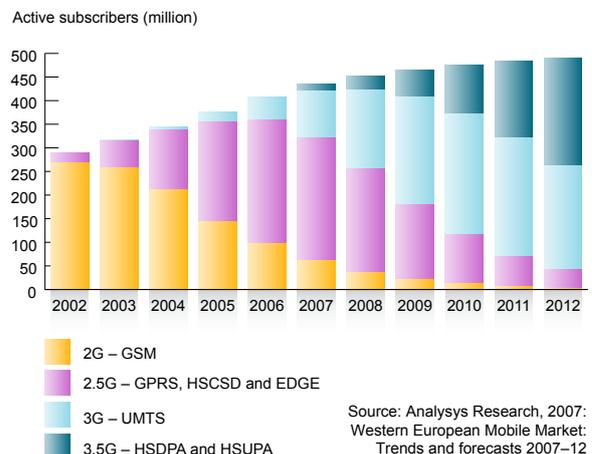
Mobile market revenue sources Western Europe



Non-voice ARPU¹⁾ Western Europe



Active subscribers by handset generation Western Europe



Please see page 129 for further definitions.

present a complexity in terms of their large number of interfaces. The complexity of these technologies and the many choices in the market present a business opportunity to simplify life for the customers.

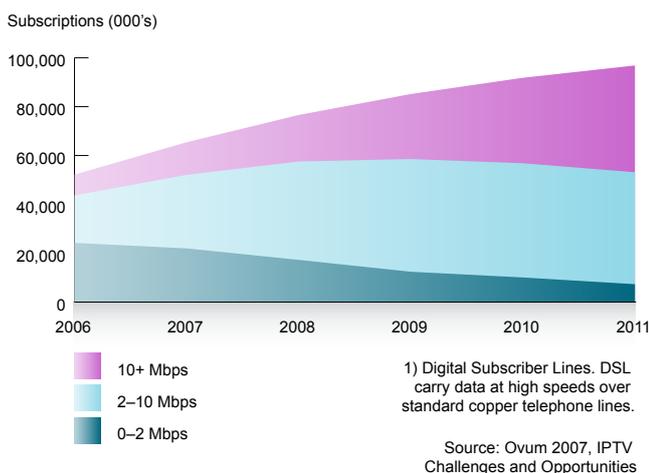
The rapid technological development is driving an increased functionality in the home, or office, gateway. Internet, the home network, telephony, TV, music, gaming, remote cameras and alarms in a single box which can be remotely managed by the operator ensures that new services can be launched that are easier for the end consumer to use.

Two of the major household hubs are in the process of converging. A PC can be used for watching TV and downloading films, and a TV can be used to access the Internet and to order and download films. Thus, if a customer has broadband access, we have the potential to offer our customers a wider set of services, one of the most interesting being television over Internet, IPTV. Taking full advantage of the possibility to have the TV in the living room connected to the Internet, adding on-demand based services such as video-on-demand and time shift, could potentially create a competitive advantage, provided that compelling services are developed.

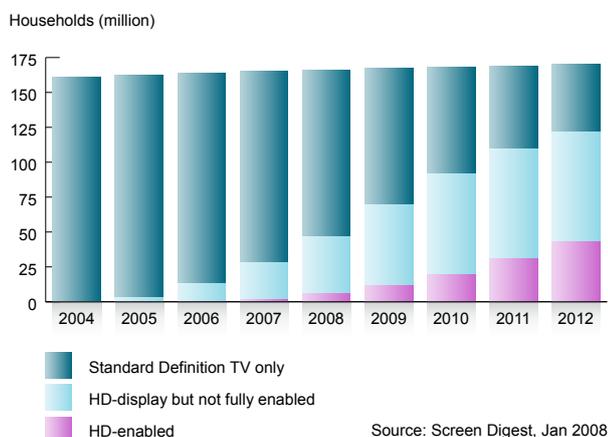
IPTV, video services and online gaming services are driving demand for increased bandwidth. ADSL2+ networks deliver up to 24 Mbps, but increasing demand for even higher speeds, especially from HDTV, is driving fiber and VDSL2 access investments.

Triple play, i.e. telephony, broadband and TV in one package, is becoming a must have for broadband operators. IPTV and video-on-demand are growing quickly.

Western Europe consumer DSL¹⁾ subscriptions by speed



HD-enabled v. HD-display readiness Western Europe



The installed base of HDTV-ready flat screen TV sets is growing rapidly and some TV providers have started HDTV transmissions, but the real uptake is still ahead of us.

Content and media services, often user generated, will remain the strongest drivers of broadband usage. Peer-to-peer, or P2P, download, i.e. download in decentralized networks where computers can communicate with each other without a central server, will coexist with the newly introduced P2P streaming services. Digital eco-systems with networked machine-to-machine systems and sensor networks will also evolve. These eco-systems will probably place new demands on the IP-based accesses and networks, in particular as a result of the vastly increased number of small transactions.

In the EU's present strategies towards the Information Society, i2010, digital eco-systems play an important role. The EU also predicts the development of IP-accesses towards "always best connected" by networked, mobile, seamless and scalable systems and services. Services and systems will also be embedded into parts of everyday life – intelligent, personalized, individualized, and centered on users and their needs. Services will be rich in content and experiences with visual and multi-modal interaction.

Market position

Competition and prices

TeliaSonera is in the business of providing high quality telecommunications services, including packaging and carrying content like sound, images, data, information, transactions and entertainment. Parts of these businesses are subject to tough price competition, particularly the fixed-voice business, which has been decreasing over the past few years.

The mobile business has also been faced with strong competition, and mobile voice prices in the Nordic region are declining. However, average revenue per customer is holding steady at approximately the same level since the price decline per minute is compensated by higher usage, increasing revenues from value-added services and datacom services. A risk factor in this context is the low flat rate pricing of mobile data, which could hamper the potential revenue growth, and result in increased costs due to higher data consumption.

Broadband pricing development is more stable in one respect as the amount billed to the customers is fairly stable in most markets. However, in the case of broadband, customers increasingly demand higher bandwidths, an increase that is rarely offset by corresponding price increases. However, to compensate for the decline, a number of related services are launched.

Market shares

TeliaSonera is the leading provider of telecommunications solutions in the Nordic and Baltic region and the mobile communications leader in Eurasia. TeliaSonera is present in 18 countries, including associated companies.

Competition is intense in all mobile markets, but particularly in the mature Nordic and Baltic mobile markets where the number of new customers, but not necessarily new SIM-cards, in the market are few. In these markets, competition is focusing on adding services and increasing service usage.

In Spain, TeliaSonera is rolling out its own 3G-network according to demand and license conditions. Yoigo, TeliaSonera's Spanish mobile operator is in a market entry phase, with efforts spent on building a customer base through an innovative market mix of pricing, distribution and service packaging.

In the Eurasian markets, the growth potential is even more important. With less developed fixed line services and a mobile market only partially penetrated, the growth potential lies not only in attracting voice calls to the mobile networks, but also in increasing the customer base significantly, and further ahead also in non-voice services.

The Eurasian economies are still growing at higher rates than their Western European counterparts, and the Economist Intelligence Unit predicts that the relatively high growth rates will continue. For example, in Azerbaijan gross domestic product growth is estimated at about 30 percent 2007.

Equally, TeliaSonera is a leader in broadband in Sweden as well as in the Baltic countries. In Finland, the situation is somewhat different with three equally strong providers. In Norway TeliaSonera is number two and

in Denmark number three, and a challenger to the national incumbents in both markets. For broadband, where service penetration is still growing, the competition is somewhat different in that the focus is on customer acquisition along with increased selling of additional services, like triple play offers including voice, Internet and TV.

A new market context

Since the telecom market is converging with industries such as media, entertainment and the IT industries, a new competition context is evolving with a value chain that in some respects covers a larger set of customer services. In the consumer market the convergence is centered on media, content and devices such as the mobile phone, TV and smart home gateways resulting in the offering of triple play.

Besides new roles opening up for operators, new business models are also opening for other companies to take a more active role in more parts of the value chain, in both offering and developing new services. Among companies like Nokia and Google many announcements were released on this theme in 2007, for example news that they were entering into the services business or the service development field. Likewise, the emerging market for mobile advertising opens for new business models and new business relations where traditional advertising platform companies as well as operators want to play a role. As a consequence, the value chain, its components and its relationships are changing. The emerging business context does not only consist of telecom operators but also of a series of other companies wanting to participate.

This market convergence, talked about for many years, but that is only now materializing, is resulting in increased competition, but more importantly also in new opportunities and a wider selection of services for our customers.

The transformation of the business context is not only happening in the consumer market but also in the business and IT services markets. From a traditional business split where the distinction between IT services and IT consulting services on one side, and telecom services on the other side, was fairly clear, there is no longer a clear separation. Companies are expanding their offerings by taking on a larger role in more parts of the value chain. Various related industries are now working in an eco-system with dependence on each other for partnerships, but also in competition with one another. We do however realize that totally different sets of skills are needed in the media, telecom and IT-services industries, respectively.

Consolidation

Over the past years, the European telecom market has started consolidating. Just as in any other industry, a growth phase is followed by a mature market phase, with pressure on top line growth and margins. As a result, the stronger players seek to strengthen their positions, and thereby start consolidation on the market. In our markets, there has been significant local consolidation over the past years, where the larger telecom operators have acquired the smaller peers in their own markets or in neighboring markets.

Market regulation

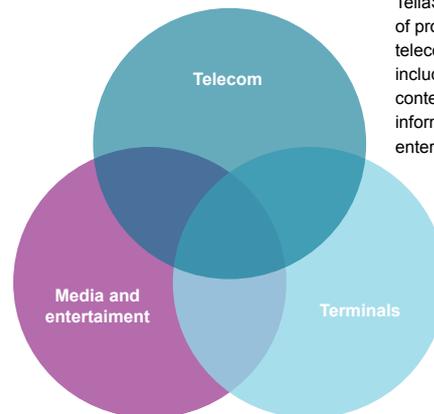
Regulation is part of the market environment in which we operate and we need to adapt to any changes. As a strong player in many markets, TeliaSonera is significantly impacted by alterations in regulation, since these can change our business conditions. Our standpoint is that in markets where more than one player can, or ought to be able to, invest, regulation is not needed.

The telecom market remains a regulated market. The latest and most important development in regulation is the proposals for a "Revised regulatory framework for electronic communications" published by the EU Commission in November 2007. Following decisions by the Council of Ministers and the European Parliament the revised framework is expected to be implemented in Member States by 2010, and is including following topics:

Frequency allocation

The proposals include a new market-based strategy for the allocation of frequencies with increased flexibility in the use and trade of frequencies.

Converging markets



TeliaSonera is in the business of providing high quality telecommunications services, including packaging and carrying content like sound, images, data, information, transactions and entertainment.

Functional separation

The Commission also has proposed to provide regulatory authorities with the additional remedy of functional separation. It implies that authorities would have the power to require market dominant operators to separate their access network activities without divestiture of assets, as an exceptional obligation subject to Commission oversight. The Swedish government has stated its intention to propose Swedish legislation on functional separation already in 2008. For TeliaSonera, it is of utmost importance that such legislation makes it possible for us to retain operational and financial control of all our activities in Sweden.

EU regulator

Another proposal is the establishment of a regulatory authority for electronic communications at the EU level, primarily with an advisory role towards the Commission. The present national regulatory authorities will remain unchanged.

Recommendation on relevant markets

The Commission also has published a revised recommendation concerning markets that may be subject to sector-specific ex ante regulation. The revised recommendation entails fewer markets for the national regulatory authorities to analyze than the previous recommendation from 2003. TeliaSonera's opinion is that sector-specific regulations, particularly on the developed Nordic markets, should gradually be withdrawn in order to stimulate investments and innovation, and that the telecom sector should eventually only be regulated by general competition legislation.

Network neutrality

In the U.S. there is a debate on network neutrality concerning the "openness" of the Internet. The debate relates essentially to the question of whether a network should be "neutral" to the content flowing through it, or whether a network provider could offer different levels of quality-of-service for this content.

In Europe, the Commission has concluded that the sector-specific regulatory issues raised in the net neutrality debate concern essentially barriers for competition that can be effectively addressed by the national regulatory authorities, NRAs, under the regulatory framework where appropriate. The competitive markets together with the current provisions on access and interconnection, should therefore be sufficient to protect "net freedoms" and to offer a suitably open environment for both European consumers and service providers. However, the Commission has proposed that the NRAs should be given the power to intervene if the quality of IP networks was to be degraded below acceptable levels.

Market & Brands

Majority-owned companies

Country	Trademarks	Ownership, (percent)	Services	No of Subscriptions, (thousands)	Market Position	Market Share, (percent) ¹⁾	Main Competitors	Logotypes
Sweden	Telia, Halebop	100	Mobile	4,807	1	43	Tele2, Telenor, "3"	
	Telia	100	Broadband	1,067	1	41	Telenor, Com Hem	
	Telia	100	Fixed Voice	4,295	1	67	Tele2, Telenor, Ventelo	
Finland	Sonera, TeleFinland	100	Mobile	2,449	1	40	Elisa, DNA	
	Sonera	100	Broadband	473	2	32	Elisa, Finnet, DNA	
	Sonera	100	Fixed Voice	497	2	29	Elisa, Finnet	
Norway	NetCom, Chess	100	Mobile	1,577	2	30	Telenor, Tele2	
	NextGenTel	100	Broadband	177	2	13	Telenor, Get, Tele2	
Denmark	Telia, debitel	100	Mobile	1,449	3	24	TDC, Telenor	
	Telia, Stofa, DLG Tele ²⁾	100	Broadband	187	3	11	TDC, Telenor	
	Telia, debitel, DLG Tele ²⁾	100	Fixed Voice	251	2	8	TDC, Tele2	
Lithuania	Omnitel, Ezys	100	Mobile	2,012	1	44	Bite GSM, Tele2	
	Teo	60	Broadband	259	1	50	Dokeda	
	Teo	60	Fixed Voice	789	1	93	Telekomuniaciju grupa, Cubio	
Latvia	LMT, Okarte, Amigo	60.3	Mobile	1,015	1	46	Tele2, Bite Latvia	
Estonia	EMT, Diil	59.3	Mobile	765	1	48	Tele2, Elisa	
	Elion	59.3	Broadband	163	1	66	Starman, STV	
	Elion	59.3	Fixed Voice	386	1	85	Starman, Tele2	
Spain	Yoigo	76.6	Mobile	427	4	1	Telefónica, Vodafone, Orange	
Kazakhstan ³⁾	K'cell	51	Mobile	6,017	1	49	VimpelCom	
Azerbaijan ³⁾	Azercell	51.3	Mobile	3,029	1	71	Bakcell	
Uzbekistan	Coscom	74	Mobile	690	3	12	MTS, VimpelCom	
Tajikistan	Indigo Tajikistan, Somoncom	60 59.4	Mobile	611	2	28	Babilon Mobile	
Georgia ³⁾	Geocell	97.5	Mobile	1,296	2	47	Magticom, VimpelCom	
Moldova ³⁾	Moldcell	100	Mobile	504	2	27	Orange	

Associated companies

Latvia	Lattelecom	49	Broadband	148	1	73	Baltkom TV, Izzi	
	Lattelecom	49	Fixed Voice	609	1	93	Telecom Baltija, Teledialogs SIA	
Russia	MegaFon	43.8	Mobile	35,656	3	21	MTS, VimpelCom	
Turkey	Turkcell	37.3	Mobile	34,800	1	57	Vodafone, Avea	
Ukraine ⁴⁾	Life		Mobile	7,600	3	14	Kyivstar, MTS, VimpelCom	

1) In Broadband & Fixed Voice TeliaSonera's market share estimate is based on the share of revenues, in Mobile the market share is based on the number of subscriptions except in Eurasia where it is based on interconnection traffic.

2) TeliaSonera holds 50 percent of DLG Tele.

3) For Kazakhstan, Azerbaijan, Georgia and Moldova, the number indicates Fintur Holdings B.V.'s ownership in the four companies. TeliaSonera holds directly and indirectly 74.0 percent in Fintur Holdings.

4) Turkcell's GSM subsidiary in Ukraine, in which Turkcell holds a 55 percent stake.

A Review of Our Operations

TeliaSonera offers services that help people and companies communicate in an easy, efficient and not least environmentally friendly way. Demand for being able to connect anytime and anywhere is growing constantly, be it for entertainment, socializing or work. The reasons are many and among them the opportunity to work more flexible hours, make time for other things, save time and money

otherwise spent on travelling and reduce the negative impact on the environment. All our business areas showed higher sales 2007. During the year we continued investing in future growth by expanding our presence in Eurasia to new markets, building our brand Yoigo in Spain and offering IP-based services with the ambition to migrate our fixed-voice customer base.



Mobility Services – providing freedom of movement for the individual



Broadband Services – the digital home has the power to transform lifestyles

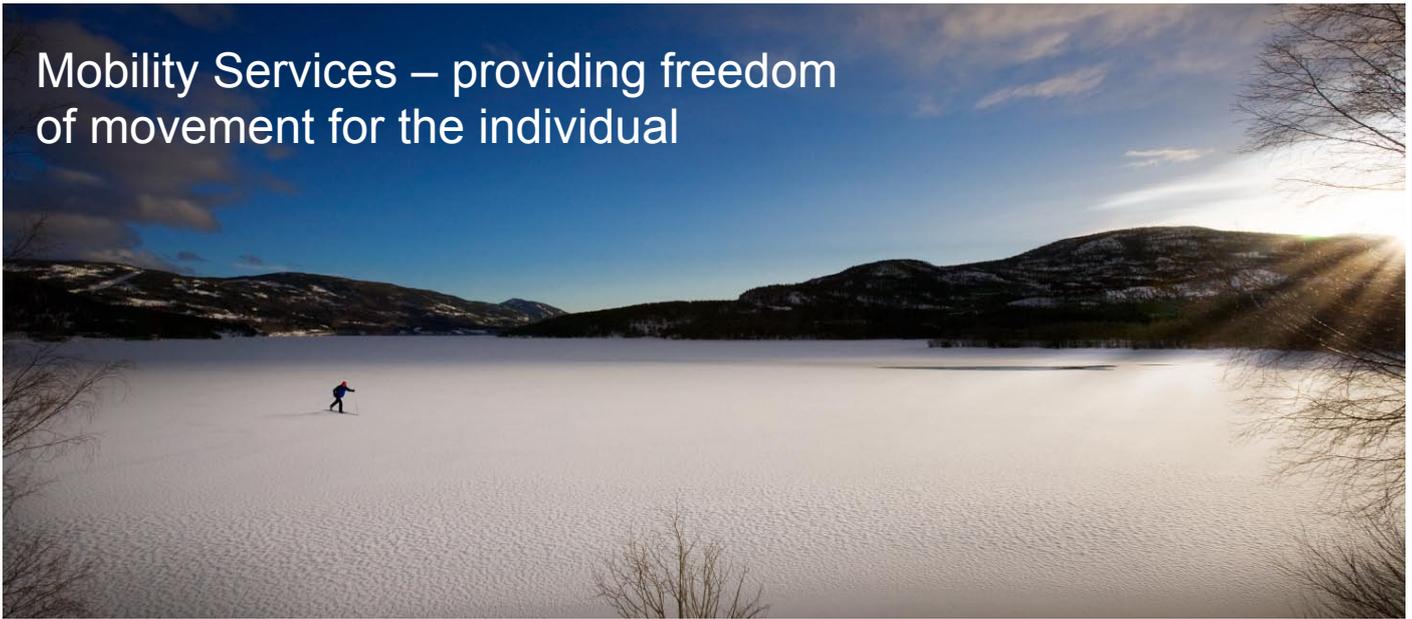


Integrated Enterprise Services – powerful locally with a regional scope



Eurasia – stellar growth, great potential on the new frontier

Mobility Services – providing freedom of movement for the individual



From Uvdal in the heart of Norway's winter land Frode Bakkan, Tele and Datacom manager at DHL in Norway, sends an urgent report to one of his customer support colleagues. The next minute he is out in the sun, into his skis and down the slopes at the foot of Hardangervidda, Europe's largest mountain plateau. Working for a global market leader in logistics, Frode needs to be able to get connected whenever and wherever required in order to ensure that DHL's employees around Norway get the support they need to serve their customers. "I can bring my laptop to DHL's offices, terminals and warehouses around Norway or even work from my cabin in Uvdal," he says. In the end, an easy-to-use communications tool that works anytime and anywhere helps professionals who need to deliver on time, on the go, and succeed all the way. Or for anyone who just wants to stay in touch and enjoy the beauty of nature.

Mobility in itself – communication, interaction, information and entertainment independent of location – is the raison d'être of our Mobility Services business. Simply put, customers are showing us they value freedom of movement for the individual and our purpose is to offer just that. Embedded mobile broadband in the portable PC, or laptop, is at the core of that vision. Launched in most of TeliaSonera's Nordic markets, the solution, for example the joint product offer with Dell laptops integrated with TeliaSonera 3G/HSPA services, is one of the important major steps in developing the mobile broadband market, both for enterprises and individual consumers. Allowing users to connect their laptops to a mobile network and surf the Internet at similar speeds as normal broadband access in the fixed network, the offer has been very well received. The success during 2007 marked the take off for mobile data and broadband, clear drivers for future growth and areas where we, for example by being the first operator to offer the SIM-card equipped laptop, are well positioned. TeliaSonera rolled out fast mobile Internet, or turbo 3G, in 2007 in all of its Nordic and Baltic markets, accompanied by attractive offerings for mobile broadband.

In Sweden, where the migration from fixed voice has the most pronounced effect on our business, mobile broadband and data usage has exploded. Usage is increasing both among consumers who have a mobile connection in their computer and those who use their mobiles to e-mail or listen to music, watch TV or play interactive games via TeliaSonera's mobile Internet portal Surfport, or surf the web directly. Mobile broadband was a big seller in Telia's retail stores and USB modems topped sales lists for several months in a row. 3G mobile phones sales accelerated and new models entered the top-ten sales lists. Alongside mobile broadband, the blockbuster hit of the summer were mobiles with GPS-navigation. In its other Nordic and Baltic markets, TeliaSonera is also well positioned to capitalize on this growth. Our Lithuanian operator Omnitel, the leader in

the Baltic region, has the best coverage of turbo 3G, or 3.5G, in Western Europe and is the country's largest laptop distributor.

TeliaSonera had over 14.5 million mobile subscriptions in total in the Nordic and Baltic region and in Spain at the end of 2007, a rise of eight percent from the previous year. We entered Spain late 2006 with the successful launch of low-price, easy-to-use services by our operator Yoigo and by year-end, the number of subscriptions had reached 427,000, outpacing the 2007 target of 350,000. Mobility Services total net sales increased 6.1 percent to SEK 44,519 million, with increased sales in all markets. In particular, the acquisition of debitel in Denmark in April, good underlying development in Sweden and Estonia and the Yoigo start-up in Spain drove sales higher.



"We provide freedom of movement for the individual. Mobility – that's our business and the customers are showing us they value it. We have strong positions and are unmatched in experience in most of our Nordic and Baltic markets. By letting our customers guide us and increasing speed to market, we are in an excellent position to develop our operations."

Kenneth Karlberg, President, Mobility Services

In the mature but rapidly changing Nordic markets, exploiting mobile broadband and mobile data is an opportunity for TeliaSonera to successfully handle the migration to new services as they drive usage growth and increase the number of subscriptions per user. However, there are challenges. Growing competition and regulatory intervention are putting pressure on prices and the needs of mobile users continuously change.

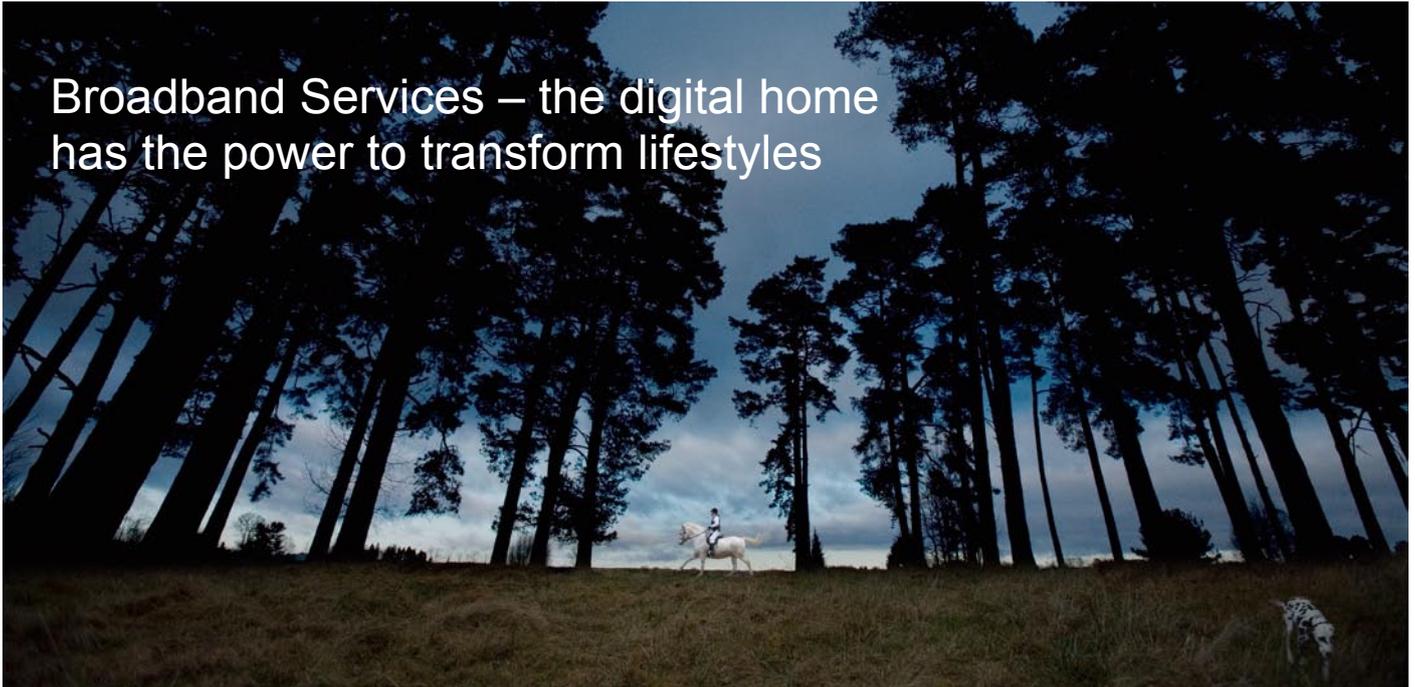
In order to stay in the forefront of the market to provide mobility for the individual, make a profit on these services and bring value to our shareholders, we work hard to bring innovative services to the market faster and at lower costs. Underlying technology drivers are higher network speeds, the development of IP telephony, new terminal design and

increased capacity of devices and, as a consequence, the development of content, such as TV and music. At the same time, actors from neighbouring sectors are entering the cellular territory and challenging existing business models of mobile operators. To grow and maintain our strong market positions amid the convergence of wireless and Internet industries we strive to give users better, more personal and more flexible mobile experiences. SurfOpen, unveiled in October 2007, is an Internet tool designed to make mobile surfing easier, improve security for subscribers and add new possible revenue streams, for example advertising. Available from the first quarter 2008, SurfOpen will simplify surfing by staying in sight at the top of the mobile display in a similar way as web browser icons.

As part of its growth strategy, TeliaSonera strengthened its position in 2007 by making complementary acquisitions and expanding distribution channels. In Denmark we acquired service provider debitel and signed an exclusive agreement with electronics chain Merlin. Merlin sells exclusively TeliaSonera mobile services at 48 stores across the country. In addition to the acquisition of debitel, which added some 300,000 new mobile subscriptions that have to a large extent been successfully transferred to TeliaSonera's network, the purchase of virtual mobile operator ZetCOM in Latvia, operating under the brand Amigo, also contributed to Mobility Services' solid sales development.

Across our markets, regulatory intervention affects prices and for example in 2007 the net effect on net sales from changes in interconnect fees was more than SEK 700 million negative. Managing the effects from regulation is part of our business. The impact from regulatory intervention varies from country to country and is in addition to EU regulation.

Broadband Services – the digital home has the power to transform lifestyles



Rush hour, traffic jam, bus delay, dark when you travel to work and dark when you come home. Home, to find no time left for a walk or to play with your kids, but only that you have missed the family's favorite TV-show, again. For a working couple today, that's life. Right? "On the contrary," says Monica Larsson, a full-time working accounting consultant. She is looking forward to another day of efficiently serving her customers after her morning round to the stables and an early walk with Dotsie. The two-year old Dalmatian happily tails her mistress, who recounts how she and her husband Bengt, a sales support officer at an international cleaning equipment company, can make the most of the few hours of daylight offered in Sweden during the winter time. A broadband connection allows them to work safely and efficiently from their 19th century farm house, and be entertained on their own terms. They control their own time, save money and spare the nature they live in. "This is how we want to live, this is our dream," says Monica. "On a beautiful day I use my lunch break to ride Mirabelle," she says. "Instead, I can work late in the evening and thanks to Telia's Internet-broadband TV I won't have to struggle with incomprehensible technology instructions to record a program I may miss, or drive five kilometers to rent a movie."

Features allowing viewers to choose what day and time to see a program, or time-shift TV, are currently available in Sweden and Finland as part of TeliaSonera's offer for Internet-broadband TV, or IPTV. Like video-on-demand, time-shift TV is a service that will add value and drive growth in the broadband business. TeliaSonera's sales of video-on-demand surged in Sweden during the summer 2007 and again over the Christmas and New Year holidays. Improving screen quality is adding to the development. As a high-speed broadband access provider TeliaSonera has an excellent opportunity to compete successfully in the TV market by delivering offerings that radically enhance the viewing experience for users and make the TV the center of the digital home for all kinds of Internet interaction. Network architecture will be impacted by the growth of new services. Our successful push for IPTV brought the number of IPTV subscriptions to 304,000 in Sweden. The total number of TV subscriptions, other Nordic and Baltic markets included, reached 770,000. In Finland, the building of a fiber optic network started 2007 in the country's 15 biggest cities.

Successfully managing the migration from traditional services to new IP-based services, including investments and costs, is crucial for TeliaSonera as our fixed business in Sweden generates approximately one third of the company's free cash flow. Looking ahead, TV will be the most important

component of the digital home and opens up for a new range of services that users are willing to pay for, including the high quality brought by high definition TV that we are the first major broadband operator in Sweden to test. Following a HDTV trial in Gothenburg, Sweden, TeliaSonera expects to gradually launch HDTV commercially from 2008.

TeliaSonera offers multi-service packages in all its Nordic and Baltic markets and focuses investments on bundled solutions that cater to TV and other value added services requiring higher bandwidth. To enable users to easily use their connection for more than surfing, TeliaSonera became the first operator in the world to launch Smart Broadband in 2007. At the heart of the new digital home is an intelligent box that connects data, sound and voice equipment. Available in Sweden, Smart Broadband puts an end to complicated installations and tangled cords. The device is the natural development of the digital home and an integrated home environment.



"Growth in broadband is driving sales. Offering bundled services in all our Nordic and Baltic markets, we see TV at the center of the digital home that will drive broadband growth ahead. We are shifting the product mix, including investments and costs, from traditional to new services to strengthen our positions."

Anders Bruse, President, Broadband Services

To further strengthen its focus on IP-based services as part of managing the migration, TeliaSonera is re-engineering its Broadband Services business and has initiated a separation of traditional and IP-based services, both supported by a shared unit for infrastructure.

Following our ambition to strengthen our focus on IP-based services and in order to continue taking responsibility for building and maintaining a fixed nationwide telecom infrastructure in Sweden, we decided in 2007

to establish a fully owned infrastructure subsidiary, called TeliaSonera Skanova Access AB. The company owns copper and fiber networks and ducts. Skanova Access ensures that the market's requirements for transparency and full control are met. This means that all telecom operators and TeliaSonera's own wholesale operations are treated equally and that the products are sold on equal terms. To ensure the company fulfills its obligations, an Equality Access Board, reporting to the CEO, was established. Skanova Access started its operations on January 1, 2008, with approximately 700 employees.

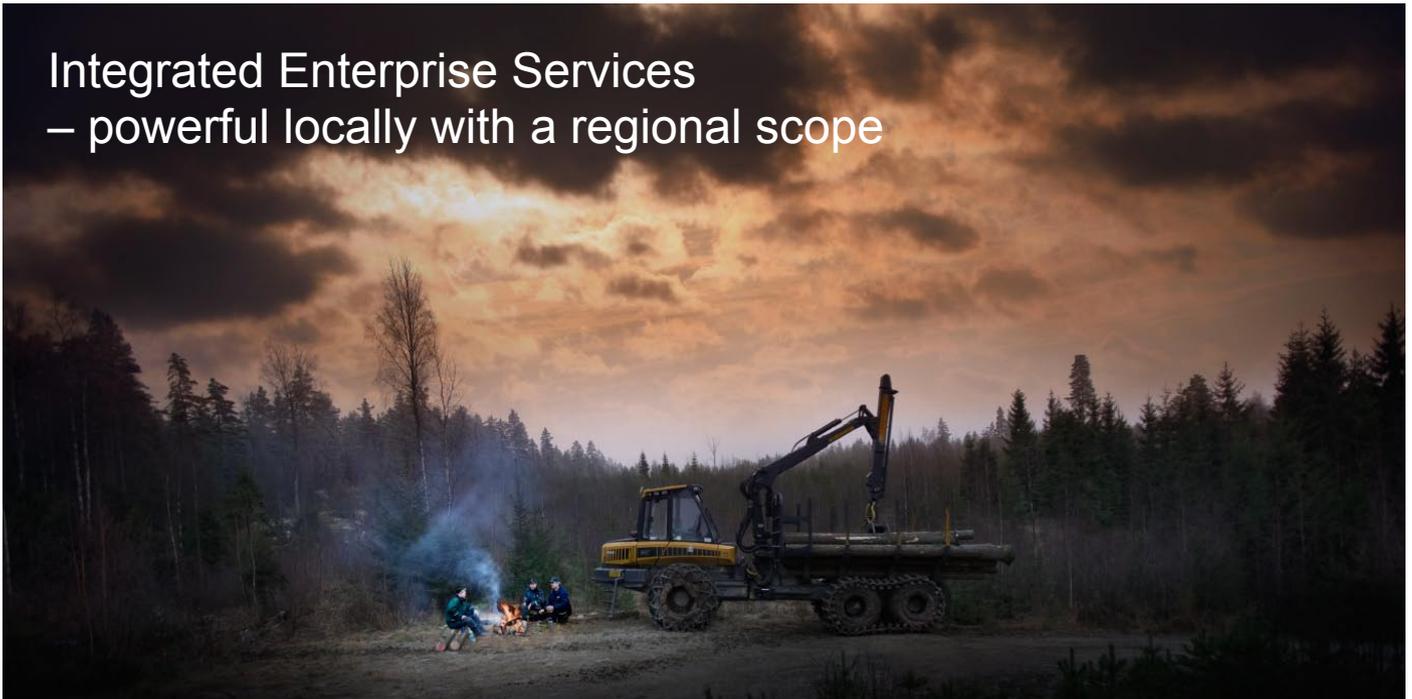
Our ambitions require future investments in our networks and our ability to make those investments will be influenced by the outcome of ongoing discussions about regulation. On January 17, 2008, the Government of Sweden decided on a proposal for consideration by the Council of Legislation "Functional separation for better broadband competition." The proposal followed a recommendation by the Swedish telecommunications regulator PTS from June 14, 2007, that TeliaSonera be forced to place its fixed access network in Sweden in a separate unit in the company. TeliaSonera believes legislation would hamper the willingness to invest and consequently be a disadvantage for consumers.

In terms of quality, IP and cross-border services TeliaSonera's wholesale business, International Carrier, is the leading European carrier with over 40,000 kilometers of network in 44 countries and operates globally. In the fast growing market for online gaming, International Carrier is the leading provider of services to the industry. In stiff competition with telecom companies from all over the world, International Carrier won first prize for Best Wholesale Carrier at the annual World of Communications Awards in London in November 2007.

Making prime time television, TeliaSonera, game developer SimBin and Swedish broadcaster TV4 in 2007 teamed up to launch Virtual Grand Prix, VGP, a world first in online gaming programming. Providing and fully managing the online infrastructure for VGP, TeliaSonera ensured gamers could play without being hampered by technical difficulties. International Carrier also provided Internet connections at the ShgOpen in Copenhagen where the world elite of e-Sport attended to compete in 2007. The competition was to be followed by the Gathering Event, the largest computer party in the world, which chose TeliaSonera as a supplier of Internet access, and together with Cisco, TeliaSonera provided computer festival Dreamhack with the fastest Internet access in the world. Similarly, Sweden's biggest online gaming portal Spelarenan placed all its connectivity and co-location business with TeliaSonera, citing a superior network, excellent understanding of the technical requirements of online gaming and a large customer base.

Gaming, along with music, TV, films and photos, is part of the entertainment brought to the home by broadband. At the Larsson country-side home, Internet access brings 17-year old Joel his favorite games, Counter Strike and Diablo 2.

Integrated Enterprise Services – powerful locally with a regional scope



Finland's Metsäliitto Group is one of Europe's largest forest industry companies and it is supplying wood and paper products in 30 countries. In order to operate efficiently Metsäliitto needs reliable information and communications technology solutions. "We face the same kind of challenges as other industries and have to be able to constantly increase our efficiency. TeliaSonera offers a standardized portfolio of voice and data services that has increased the availability and reachability of our wood supply purchasing foremen and other staff," says Metsäliitto Chief Information Officer Jarmo Toikka. "TeliaSonera is powerful locally which means a commitment face to face. At the same time its regional Nordic and Baltic scope presented a financially competitive offer." As a Nordic base industry leader Metsäliitto is committed to sustainable forestry. System-to-system communications from TeliaSonera supply harvesters with area maps and help secure a responsible sourcing of wood while person-to-person services like telephone and Internet meetings save time and money spent on travelling and help reduce emissions of carbon dioxide.

Strategic discussions with customers about their objectives allow TeliaSonera to provide customers with what they need and help increase productivity, and along with it, cash flow. By always striving to contribute to the development of our clients' core business, TeliaSonera aims to become a meaningful market player in the provision of complete solutions for communication in the Nordic countries.

Companies are increasingly moving toward purchasing communications services and support solutions from external providers rather than investing in internal maintenance. Demand for integrated, hosted services is growing. TeliaSonera offers a wide range of services, from voice and data solutions and networked IT services to systems integration and converging services, as well as highly standardized solutions for small and medium-sized companies.

As from January 1, 2008, TeliaSonera has renewed its business-to-business sales approach in order to improve service for customers and increase sales growth and efficiency. The business area Integrated Enterprise Services has been turned into a high powered sales force, Business Services, that will ensure one-stop shopping in a world where companies want to purchase their services from a single source. Meanwhile, Mobility Services and Broadband Services are responsible, on a profit-and-loss basis, for the basic offerings. Sales to business customers make up nearly 25 percent of Group revenue at TeliaSonera which

has more than half a million business customers. Valued at close to SEK 130 billion, the Nordic market for business services harbors great potential for growth.

Together with Microsoft and Finnish IT-company Mepco, we launched in 2007 a new services model in Finland for business support. We expanded My Sonera, the most flexible and adaptable service on the Finnish market, to small and medium sized enterprises and expanded our offering EasyBox from Finland to Denmark, targeting companies with no IT-department but a sizeable need for better and well-integrated service packages.



"We have the best days ahead of us in this industry. By creating an efficient, high-powered sales force, we have an excellent chance to increase market share in a region where business leaders understand the cash flow benefits of mobility and where white-collar productivity thinking is advanced."

Juho Lipsanen, President, Integrated Enterprise Services (as of January 1, 2008, President, Business Services)

TeliaSonera was first in the Nordics to launch a new generation virtual meeting service for business customers. TelePresence brings companies significant travel cuts, improved time management and reduced carbon dioxide emissions. New tools that generate benefits like lower travel spending and unlimited availability also are challenging the leadership of our customers who need to rethink the rules of how their companies work. As new services mean new requirements for leadership, it is important that we provide our customers with guidelines on how to handle issues like security and privacy.

Looking ahead, more enterprise market services will originate in the consumer services market. We are preparing for a new generation and are looking at how teenagers are using uniform communication, with video, voice, instant messaging and document sharing all in one. For business customers to adopt such services, they need a company that can deliver telecom carrier grade solutions ensuring security.

Executing our strategy to create growth by increasing our share of customers' investments in managed services, TeliaSonera strengthened its position in 2007 by acquiring know-how. Systems integrator Cygate, acquired in January 2007, in turn bought Didata Sverige, a Swedish subsidiary of global systems integrator Dimension Data, in April the same year. Finnish managed hosting specialist company Crescom was acquired in June, and to expand its distribution channels TeliaSonera increased its stake in the office solutions chain DataInfo in Finland to 100 percent in September.

TeliaSonera has 200 business customers in managed services in Sweden, which is four times more than in the middle of 2005. In 2007, TeliaSonera signed several multi-year agreements with leading companies in the Nordic region.



The virtual meeting service Telepresence helps companies reduce the need to travel. The four persons facing the camera are not in the same room as the other attendants but present via a link.

Eurasia – stellar growth, great potential on the new frontier



A new frontier for strong growth but also well chartered waters for TeliaSonera and its majority- and minority-owned companies in Eurasia. Eurasia is one of the world's most dynamic regions where TeliaSonera is committed to continue exploiting growth and creating value for its shareholders. Operating in a more than 370 million people market with strong economic growth and tremendous potential, TeliaSonera's businesses in Eurasia, including Russia and Turkey, continued their stellar performance in 2007. The business area increased its operating income by approximately 28 percent to SEK 10,883 million, driven by rising subscription numbers, increased usage and acquisitions.

In the early 1990s, and long before the merger between Telia and Sonera in 2002, we were founding partners of some of the operations in Eurasia that are now key contributors to TeliaSonera's strong earnings and shareholder return. The excellent performance by minority owned operators MegaFon in Russia and Turkcell in Turkey, the seven majority-owned operators in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia and Moldova, as well as assets in Afghanistan shows that TeliaSonera, with its vast local and international experience, is a company well equipped to be the leading telecom company in Eurasia.

Executing its growth strategy, TeliaSonera in 2007, added new growth markets to its footprint. The acquisition in July of mobile operator Coscom in Uzbekistan, Indigo and Somoncom in Tajikistan and a minority shareholding in Afghanistan's largest operator, Roshan, added countries where the combination of low penetration, large populations, strong economic growth and weak fixed line infrastructure leaves room for increasing demand for mobile services. With mobile penetration of only 21 and 30 percent, respectively, and a combined population of over 33 million, Uzbekistan and Tajikistan represent a valuable opportunity for rapid growth. Network rollout to expand coverage and capacity and re-branding started upon completion of the purchase and the operators were successfully integrated.

The emergence of a middle class together with increasing real wages, rising local consumption, foreign direct investment and the opening up of regulatory frameworks all add to the development in many of the Eurasian markets where exports of oil and gas are the largest underlying drivers of business activity and the strong economic growth. The share of telecommunications as a percentage of gross domestic product is still low in these countries and represents an opportunity for growth. Mobile penetration in the six markets where we have majority-owned operations ranged between 21 and 80 percent at the end of 2007, while penetration in Turkey was 83 percent and in Russia 119 percent. Increased usage

both in the form of customers talking more on the phone and using more non-voice services gives room for continued strong demand in Russia despite high population penetration figures.

TeliaSonera, either directly or via Fintur Holdings, (in which TeliaSonera owns 74 percent), offers mobile services through operators K'cell, Azercell, Coscom, Somoncom, Indigo, Geocell and Moldcell. Being a good corporate citizen, the company is an important contributor to the societies it operates in. TeliaSonera is a significant investor in the region and plays an important role as an infrastructure builder as well as an employer and a tax payer. Being part of the local fabric is a prerequisite for succeeding in the region, in addition to a deep understanding of, and the ability to manage, local culture and keeping strong internal control. Political and economic risk could be a challenge but Fintur and TeliaSonera, with their combined experience and strength, are well equipped to handle such risks, which are outweighed by the opportunities in the region.



"There is so much dynamism in this region and industry. Growth in Eurasia is strong. We have a long history here and know how to manage and grow our assets. We are committed to the region and will continue contributing to these societies and their rapid development. Overall I think the direction is clear – it's going up."

Tero Kivisaari, President, Eurasia

TeliaSonera's Eurasian operators offer a wide range of services for voice and data, good quality of networks and services and good customer support. All of them hold strong positions and the two largest of the Fintur companies, K'cell and Azercell, are market leaders in their respective countries, Kazakhstan and Azerbaijan.

The popularity of mobile services has grown dramatically due to larger network coverage; more developed international roaming and value added

services and attractive pricing for service and handsets. The introduction of WAP, GPRS and EDGE-based mobile services are projected to be adopted by a wider customer base. 3G services were launched in Georgia in 2007. 3G licenses are obtained in Uzbekistan and Tajikistan and expected to be obtained in Kazakhstan, Azerbaijan and Moldova in 2008. MegaFon became the first Russian mobile operator to offer services in all of the 85 federal regions, after its launch in the Altai region in Siberia in July. In addition, MegaFon was awarded a 3G licence in April.

Targeting the mass markets in these countries, TeliaSonera focuses on younger and low-to-medium income users, by offering prepaid services, high usage subscribers and corporate clients by offering advance pay services and key corporate clients by offering post paid services. Given the demographics of the region, the youth segment was in focus in 2007 with special offerings like youth clubs, special prices and bundles to accelerate growth in the prepaid segment. K'cell launched V-Club, a youth club that has attracted more than one million members and Geocell and Moldcell will concentrate their offers on young users in 2008.

Strong growth obviously means sizeable investment needs. With the very good geographical coverage of the cellular networks in Azerbaijan, Georgia and Moldova, most of the investments in these countries will in the future be related to capacity increases and the introduction of new services. In Kazakhstan, which is as large as Western and Central Europe combined, the situation is quite different and only around four per cent of the country is covered by a cellular network.

Corporate Responsibility

Corporate responsibility means managing the impact we have on the societies and communities where we operate. To run a sustainable business we must be committed to behaving ethically in all aspects of our business – in the marketplace, workplace and community and in caring for the environment.

The TeliaSonera share is included in the Dow Jones Sustainability Index and FTSE4Good. TeliaSonera is a member of the Carbon Disclosure Project, which aims to facilitate the dialogue between shareholders and corporations on implications presented by climate change.

Industry challenges

The telecom industry in general is facing challenges with regards to corporate responsibility, CR, but at the same time the increase in usage of mobile communication and Internet creates new opportunities to develop society. People who never have had access to telecommunication now have increased possibilities to connect to others. However, simultaneously, there is an increased risk for a growing digital divide. The industry also plays a role in protecting its customers in terms of privacy and from crimes committed on the Internet. Without doubt, the telecom industry plays an important role in creating new solutions for communication that drive economic, environmental and social benefits.

How we make it happen

Our framework for CR issues is designed to match our stakeholders' expectations and our shared values. Our business has an impact on the marketplace, the workplace, the environment and the community and our framework for defining what CR issues are relevant to TeliaSonera originates in these four areas. The framework forms the platform for our CR work.

TeliaSonera has a code of ethics that covers the entire Group. There are a number of other policies relevant for governing specific CR issues. The encompassing CR policy is being revised due to the broader scope of our CR work developed during 2007.

The Marketplace

In the marketplace we act in accordance with our ethical values. Fair business is one of our main issues to deal with and demands the involvement of the entire workforce. It is important to us that the suppliers we select also have high standards regarding ethical behavior and environmental performance. For this reason, TeliaSonera is developing Group-wide supply chain requirements regarding environmental and social issues.

Sustainable communications

TeliaSonera has the possibility to have a constructive impact on global sustainable development through the products and services we place on the market. Our products and services can render economic, social and environmental benefits. Our ambition is to offer sustainable products and services that also support our customers in their efforts to improve their CR performance. For example, we help to reduce climate impact by providing new techniques for communication. Services for telephone, Internet or video meetings can substantially cut the need for our customers to travel, while other services can be used to optimize traffic flows, electricity consumption and plan logistics.

Customer satisfaction increases

Strong relationships with our customers are fundamental for our long term progress. In order to evaluate the strength of the relationships and understand how we can improve our performance we use a standardized and well-established tool, the European Performance Satisfaction Index, EPSI, which allows us to compare our performance across our own footprint as well as benchmark with competitors and other industries.

In 2007 we improved our index rating by 2 percent to 67.3 from 66.1 across our wholly-owned businesses in Sweden, Finland, Norway, Denmark and Lithuania. The rise shows that TeliaSonera is developing in the right direction, but by the same token, customers have also significantly increased their expectations.

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

The EPSI Index scale:

51–60	Very bad/Bad
61–69	Average
70–74	Good/Strong
75–	Very strong/Excellent

Telia in Sweden ranked higher than its major competitors in all segments, which is unique as in general market leaders in the Nordic countries have less satisfied customers. Sonera in Finland showed the largest improvement and surpassed its closest competitor. In Denmark, Telia outpaced its largest rival. Chess in Norway maintained its advantage and NetCom ranked higher than the local incumbent. Omnitel in Lithuania achieved the highest customer satisfaction rating among mobile customers, closely followed by Chess in Norway, while the largest improvement was seen among mobility customers in Finland and Denmark.

Complaints

At the same time as TeliaSonera has improved its ratings, the industry has experienced a greater number of customer complaints over the past year. As an example, in Sweden, 30 percent of all corporate customers and 16 percent of consumers have logged complaints about their mobile operators. On average, the industry as a whole receives complaints from one in every four customers over a 12-month period.

Priority 2008

The annual measurements are mirrored on an operational level in order to ensure day-to-day improvement. Overall for TeliaSonera the product quality is outstanding in comparison with local competition while there is great potential to improve the service quality of our interactions with the customers.

Priority in 2008 is to shorten answering times and strive to resolve the customer request during the first call. We are also putting great emphasis on improving our customer service on the web.

The Workplace

We operate in one of the world's most rapidly changing and demanding industries. The telecom industry is facing a challenge related to the demands for a shift in the competence of our workforce resulting from the shift from fixed to mobile and Internet-based communication. Simultaneously, customer needs, technology, regulations, competition and lines of business definition are changing. This puts significant demands on the company as well as on its staff. It is more important than ever to have the right people in place and be prepared for the present and future challenges.

Our competence-shift activities address some key areas

The business area organization, in place since January 1, 2007, has forced a more international approach to all we do. This has made it essential to be able to work across borders and drive international solutions.

New business logics are pushing TeliaSonera to become even more commercial and customer-oriented, and employees must, to a higher degree, possess a combination of competences. The migration from traditional to new services is accelerating. Competence development activities and targeted recruitments have been conducted, but this area is still an issue that needs to be addressed. The organizational capabilities, such as processes and support systems that function well, must aim at a higher degree of excellence than today. Managerial competence must be focused more on organizational development and performance management.

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

- The Business Acumen Certificate, launched in 2007, aims to improve the general understanding of what drives the business. This is necessary as we have a legacy of technique and product orientation. In 2007, 120 employees were certified and will, together with another 150 to be certified in 2008, work as "change agents" within their own organizations. The program is run by the Stockholm School of Economics.
- The IT/IP program targets a number of key employees and is aiming at creating 200 "IT/IP Ambassadors". Following their participation, 50 members who took the course in 2007 will through a reversed mentorship train their own managers. The program is run together with Sweden's Royal Institute of Technology.
- TeliaSonera Business School for middle managers and a few key specialists is conducted with about 30 participants.
- The Top Talent program generates a pool of top talents coming from a cross-section of our operations and who are expected to become future top leaders. 25 individuals are taking part in 2007/2008.
- TeliaSonera International Trainee Program aims to attract external young talents that can form a future base for future top leaders and key specialists. The program started in February 2008 with 34 participants from our Nordic, Baltic and Eurasian operations.

Management succession – planning and diversity

A new process for tracking and logging talents and successors was introduced in 2007. The aim is to anchor the succession planning work more thoroughly in the business and market context. The positions that are most critical with regards to handling any challenges facing the company are identified by their financial impact and the uniqueness of the competence they require. Potential successors are matched with the description of the position, including needed qualifications. In addition, we also consider the time before the candidate is expected to be ready to take the position and the estimated risk to choose each successor.



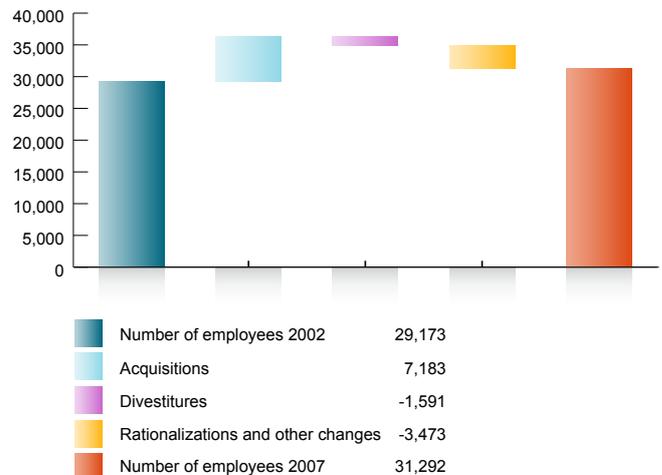
Imran Boghinov, 23 years old, works at Azercell's marketing department. Ayan Ahurlu, 21 years old, works at Azercell Corporate Communications, focusing on Corporate Responsibility.

The distribution of nationalities reflects the number of employees in general but with a bias towards Finland and Sweden. This is expected with the history of the company and the fact that the head office is in Sweden.

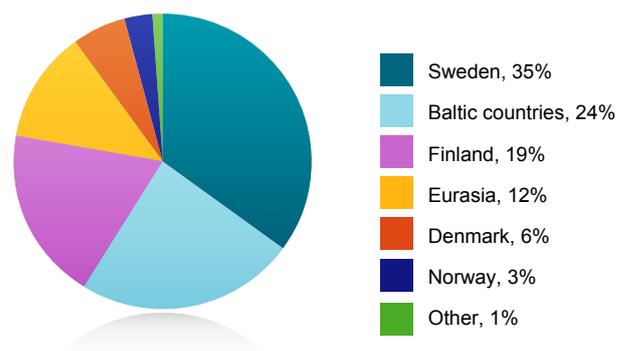
The objective of our succession planning is to significantly improve the present situation. The individuals chosen in the succession planning process will improve our current mix of nationalities and also improve the gender equality, the area with the largest room for improvement.

In the majority-owned operations the share of women has increased to 45 from 42 percent since the merger of Telia and Sonera late 2002. At the same time the share of female managers has increased to 23 from 19 percent.

Development of the number of employees



Distribution of nationalities



The share of women is highest in Moldova (55 percent), Azerbaijan (54 percent) and Tajikistan and Georgia (both 51 percent) but significantly lower in Denmark (33 percent) and Norway (30 percent).

The Environment

TeliaSonera impacts the environment primarily through our usage of materials and energy, transports and travels. Our focus is to continuously use resources more efficiently. The precautionary principle is the basis of our way to handle environmental matters.

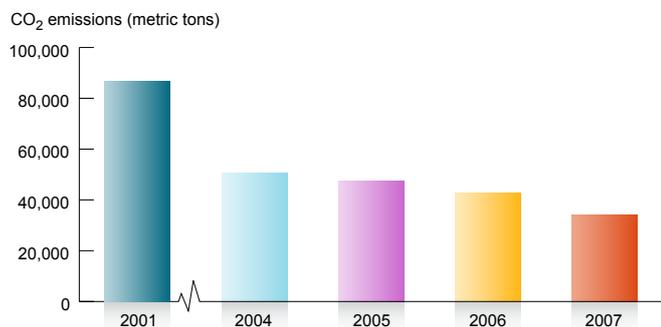
Telecom services as a driver to fight climate change

The environmental impact from telecom services is rather modest compared to the impact from other industries. The more important aspect is what telecom services can do to drive reduced emissions in society. TeliaSonera has compared the carbon-dioxide emissions from traveling by car and plane to emissions from using the phone. A car trip between Gothenburg and Stockholm, in Sweden, emits the same amount of CO₂ as talking on a fixed line telephone for 16 years. The amount of CO₂ emitted by a plane trip between Malmö and Stockholm equals that of talking on the fixed line for 30 years and on a mobile phone for 15 years. As an example, since 2001, TeliaSonera has replaced more than 40 percent of all its physical travel such as air and car trips in Sweden by virtual meetings.

We cut CO₂ emissions by purchasing green electricity

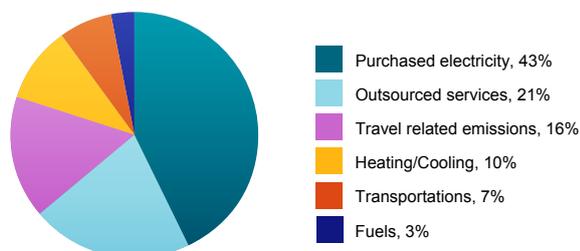
The energy consumption at TeliaSonera corresponds to approximately 56 percent of TeliaSonera's total CO₂ emissions. TeliaSonera's total carbon-dioxide emissions decreased by 12 percent in 2007 from 2006.

TeliaSonera in Sweden CO₂ emissions 2001–2007



CO₂ emissions by source, 2007

(Sweden, Finland, Norway, Denmark and Lithuania)



Carbon-dioxide emissions from our energy consumption decreased 28 percent. In Sweden, we decided in 2007 to buy only eco-labeled green electricity. In Finland a contract was signed in 2007 for green certified electricity supplies during 2008. The sources of eco-labeled electricity are hydro power, bio fuel, solar power and wind power. In Norway and Lithuania, the electricity produced is practically carbon-neutral. Our objective is to buy green electricity throughout the entire Group, but the possibility to buy green electricity varies with regards to the ability of each country to supply it.

The 640 km trip Stockholm–Malmö by car emits 116 kg of CO₂ and by plane 133 kg.

(Source: *The network for transport and Environment*)

One fixed line call emits 0.6 gram of CO₂/hour of talking and one mobile call emits 1.1 gram of CO₂/hour.

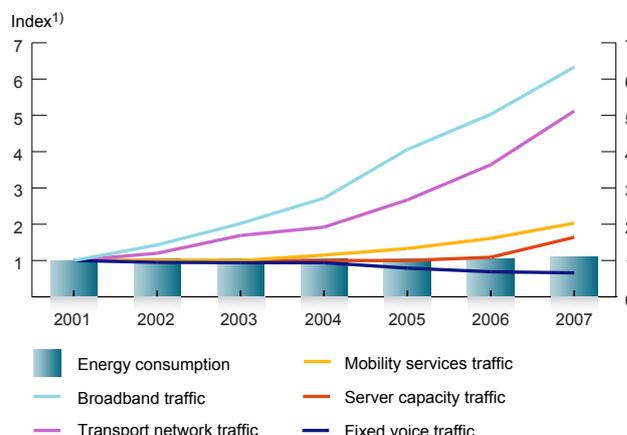
Increased energy efficiency

In Sweden, TeliaSonera's total energy consumption increased only slightly over the years 2001 to 2007. During the same period we increased our traffic in the networks substantially. This development is mainly due to increased energy efficiency in the operations of the base stations and a decrease in demand for office space.

Fuel cells for backup energy

TeliaSonera is investigating the possibility of using fuel cell energy as backup for the base stations, by running four test sites in Sweden. Our experience so far is that the technology still needs to be developed to

Energy efficiency TeliaSonera in Sweden



1) The starting point of the index is 1 for 2001

match the particular needs of a base station. Our ambition is to have in place an adapted solution for fuel cells as backup energy in 2009.

A systematic way of managing environmental and quality matters

In Sweden, TeliaSonera has had certified management systems since 1992. An integrated management system in accordance with ISO 14001 and ISO 9001 was implemented in 2001. The system ensures a systematic approach to handling environmental and quality issues relevant to our operations. TeliaSonera's changeover to a business area structure on January 1, 2007, led to the creation of a corporate strategy for handling the CR issues that put an increased focus on all units in the Group regarding environmental and social issues.

The Community

TeliaSonera, being a large provider of communication, has a great impact on society as a whole. We play an important role together with our competitors in the development of national and global networks for communication.

Increasing accessibility

Our networks provide opportunities for people to gain access to communication and a whole new range of services. However, all citizens are not likely apt to use the new tools for communicating. There might be thresholds to access, such as education, age and finances. This so-called digital divide is growing in today's society. TeliaSonera contributes to a broader range of accessibility by offering low cost brands in all our markets, such as Halebob in Sweden and Yoigo in Spain.

Customer protection

TeliaSonera in Denmark, Norway and Sweden participate in an industry cooperation to fight sexual exploitation of children on the Internet, and the cooperation will include Finland as of 2008. We block our customers' access to sites listed by the authorities.

We work closely with the World Childhood Foundation to support its efforts in the Baltic countries, Russia and Eastern Europe to help abandoned girls become healthy independent individuals reducing the risk that they will be recruited for criminal activity and subject to sexual abuse and trafficking.

Principles on freedom of expression and privacy

Since May 2007, six global ICT companies, including TeliaSonera, together with human rights organizations, e.g. Amnesty International and Human Rights Watch, and the Berkman Center for Internet & Society at Harvard Law School, Berkley Law School and the University of St. Gal-

len, are engaged in a formal multi stakeholder process to develop globally applicable principles applying international human rights law to the ICT industry. This process provides guidance on how to promote the right to freedom of expression and the right to privacy in the new digital age. Stakeholders around the world raise this complex issue as one of the most important to be addressed by the ICT industry. All participants learn about strategies to promote freedom of expression and privacy. The draft principles set out the participating companies' commitment to freedom of expression and privacy as essential human rights, and the belief that these rights should only be restricted in narrowly defined circumstances based on internationally recognized standards and the rule of law.

The adoption of the Data Retention Directive, (2006/24/EC) will be formally incorporated into national legislation by January 2009 and will require close attention to privacy issues. The implementation for the Internet environment can be postponed for 18 months. The Directive has left Member States with the responsibility to, subject to privacy constraints, further define key areas such as types of data, periods of retention, how to collect, how to store, how to secure, how to access and compensation of costs.

The requirements defined by this Directive are, subject to privacy constraints, amended by Member States for other purposes. TeliaSonera's ambition is to minimize the consequences of the data retention regulation for its customers and on its commercial activities and to obtain harmonization of these "minimizations" at the national level as well as throughout the European markets.

Eurasia

The Eurasian markets provide us with an excellent opportunity for growth, but there are also some challenges since our operations in these markets operate in an environment that is very different from that of TeliaSonera's Nordic and Baltic markets. During 2006, a code of ethics was developed and thoroughly implemented in all majority-owned Eurasian operations with the intention of ensuring that the TeliaSonera ethical values are abided by. We are convinced that we add value to these markets through our presence and by ensuring our local operations are run in accordance with the code.

TeliaSonera owns, either directly or via its 74 percent owned Fintur Holdings, mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia and Moldova. Most of the Eurasian operators are jointly owned with local partners, but Fintur is the majority shareholder in the companies. Being a good corporate citizen the company is an important contributor to the societies it operates in. TeliaSonera also has minority owned operators in Russia and Turkey and has a financial interest in Afghanistan. The operators in Eurasia are not part of the corporate reporting of CR issues in 2007. Our ambition is to include them in the reporting for 2008.

The updated TeliaSonera CR policy and framework will be implemented in our majority-owned Eurasian markets. Due to the differences in maturity, the focus of the CR activities will be somewhat varied in these markets. However, the framework will be the same.

Crisis management

TeliaSonera has developed a systematic approach to handling crises that might strike the company. In 2007 a crisis management plan and organization was put in place on a corporate as well as business area level. The system will be subject to testing and training on a yearly basis. Examples of possible crises include: extreme weather, infrastructural impacts and major disturbances in critical customer services.

Corporate responsibility reporting

TeliaSonera presents the full scope of its sustainability performance in the separate CR Report 2007. Based on the Global Reporting Initiative's Guidelines, the yearly reporting encompasses wholly owned companies in Sweden, Norway, Finland, Denmark and Lithuania, which also applies to the CR section of the Annual Report.

Code of Ethics

TeliaSonera launched a new code of ethics in May 2007. The code commits all employees in fully owned companies as well as contractors, suppliers and service providers to:

- **Do the right thing**
- **Be a good citizen**
- **Win with ethics**
- **Act with respect**
- **Value integrity**
- **Communicate clearly**
- **Avoid conflicts of interests and handle information with care**
- **Handle assets with care**
- **Blow the whistle**
- **Improve continually**

Report of the Directors

Highlights of the Year

TeliaSonera reported improved sales and earnings also in 2007, increasing net sales by 5.8 percent to SEK 96.3 billion and net income by 5.3 percent to SEK 20.3 billion. The number of subscriptions increased by 20 percent to 36 million in the majority-owned operations. In TeliaSonera's associated companies, the number of subscriptions also increased by 20 percent to 79 million.

EBITDA margin, excluding non-recurring items, decreased to 32.2 percent (35.4 percent in 2006), mainly due to the start-up in Spain and other investments in future growth, especially in mobility and IP-based services.

Operating income, excluding non-recurring items, increased by three percent to SEK 27.5 billion due to further improved earnings in associated companies. The share of Eurasian operations increased to about 40 percent of TeliaSonera's operating income (30 percent in 2006).

Earnings per share increased by four percent to SEK 3.94.

During 2007, TeliaSonera strengthened its position in managed services through targeted acquisitions, strengthened its position in the Danish mobile market by acquiring debitel Danmark A/S, and expanded its presence in the growing mobile markets in Eurasia by acquiring operators in Uzbekistan and Tajikistan.

Lars Nyberg took over as the new President and Chief Executive Officer of TeliaSonera in September 2007.

TeliaSonera changed its business organization on January 1, 2007 from a country-based profit center organization into a product-based business area organization. On January 1, 2008, TeliaSonera further refined its business organization. Starting January 1, 2008, Integrated Enterprise Services will no longer be a separate business area, and its operations will be reported as part of Mobility Services, Broadband Services and Other operations.

The Board of Directors proposes a total dividend of SEK 4.00 per share, including ordinary and extraordinary dividend, equaling a total of SEK 18.0 billion.

Financial Results

SEK in millions, except earnings per share and margins	2007	2006
Net sales	96,344	91,060
Operating expenses (except depreciation, amortization and impairment losses)	-66,011	-59,947
Depreciation, amortization and impairment losses	-11,875	-11,203
Income from associated companies and joint ventures	7,697	5,579
Operating income	26,155	25,489
Financial revenues and expenses, net	-904	-263
Income after financial items	25,251	25,226
Income taxes	-4,953	-5,943
Net income	20,298	19,283
Attributable to:		
Shareholders of the parent company	17,674	16,987
Minority interests in subsidiaries	2,624	2,296
Earnings per share (SEK)	3.94	3.78
EBITDA excluding non-recurring items ^{1) 2)}	31,021	32,266
Margin (%)	32.2	35.4
Operating income excluding non-recurring items ²⁾	27,478	26,751
Margin (%)	28.5	29.4

Net sales

Net sales increased 5.8 percent to SEK 96,344 million (SEK 91,060 million in 2006). The net effect of acquisitions and divestments was positive 2.7 percent and the net effect from exchange rate changes was negative 0.5 percent. Organic growth was 3.6 percent. All business areas showed higher sales.

Net sales SEK in millions	2007	2006	Change, %
Mobility Services	44,519	41,949	6.1
Broadband Services	41,273	40,880	1.0
Integrated Enterprise Services	13,729	12,940	6.1
Eurasia	10,338	8,508	21.5
Other operations	647	527	22.8
Eliminations of internal sales	-14,162	-13,744	
Group	96,344	91,060	5.8

In Mobility Services, net sales rose 6.1 percent with increased sales in all markets. In particular, the acquisition of debitel in Denmark in April, good underlying development in Sweden and Estonia and the Yoigo start-up in Spain drove sales higher.

In Broadband Services, net sales increased 1.0 percent due to higher sales in all markets except Sweden. Particularly the good underlying development in Wholesale and in Estonia, and the acquisition of NextGen-Tel in Norway in June 2006 contributed to higher sales.

In Integrated Enterprise Services, net sales increased 6.1 percent. The improvement was attributable to the acquisitions of Cygate, Didata and Crescom in 2007.

In Eurasia, net sales rose 21.5 percent, lifted by continued strong growth, especially in Kazakhstan and Azerbaijan, and the acquisition of operations in Uzbekistan and Tajikistan.

The number of subscriptions rose by 18.7 million to 114.9 million. The number of subscriptions in the majority-owned operations rose to 36.1 million and in the associated companies to 78.8 million.

Profitability

EBITDA, excluding non-recurring items, decreased to SEK 31,021 million (SEK 32,266 million in 2006) and the margin was 32.2 percent (35.4), despite higher net sales in all business areas and higher EBITDA in Eurasia. The profitability was impacted by the change in the product mix and related investments in growth, especially in mobility and IP-based services. In Spain, costs for building the Yoigo brand resulted in an EBITDA of SEK -1,443 million (-337). In addition, acquisitions during the year as well as price erosion and regulatory intervention had a negative effect on the margin level.

1) EBITDA is an abbreviation for Earnings Before Interest, Tax, Depreciation and Amortization. TeliaSonera defines EBITDA as Operating income before Depreciation, amortization and impairment losses, and before Income from associated companies and joint ventures.

2) For details of non-recurring items, see "Non-recurring items" below.

EBITDA, excluding non-recurring items			Change,	Change,
SEK in millions	2007	2006	SEK million	%
Mobility Services	13,332	13,845	-513	-3.7
Broadband Services	12,926	13,629	-703	-5.2
Integrated Enterprise Services	-162	360	-522	n/a
Eurasia	5,255	4,757	498	10.5
Other operations	-348	-318	-30	-9.4
Eliminations	18	-7	25	
Group	31,021	32,266	-1,245	-3.9

Operating income, excluding non-recurring items, increased to SEK 27,478 million (26,751) due to higher income from associated companies in Russia and Turkey.

Operating income, excluding non-recurring items			Change,	Change,
SEK in millions	2007	2006	SEK million	%
Mobility Services	8,998	9,610	-612	-6.4
Broadband Services	7,906	8,295	-389	-4.7
Integrated Enterprise Services	-590	44	-634	n/a
Eurasia	10,883	8,527	2,356	27.6
Other operations	219	243	-24	-9.9
Eliminations	62	32	30	
Group	27,478	26,751	727	2.7

Financial items totaled SEK -904 million (-263), of which SEK -1,174 million (-472) related to net interest expenses. The comparative year was positively impacted by a capital gain of SEK 183 million from a sale of shares.

Income taxes amounted to SEK -4,953 million (-5,943). The effective tax rate decreased to 19.6 percent (23.6). The decrease was mainly related to recognition of deferred tax assets of approximately SEK 850 million, mainly in Finland, after a positive ruling concerning certain old tax losses, and to higher income from associated companies in Russia and Turkey.

Minority interests in subsidiaries were SEK 2,624 million (2,296) of which SEK 1,895 million (1,654) related to the Eurasian operations and SEK 702 million (650) to the Baltic operations of Broadband Services and Mobility Services.

Net income attributable to shareholders of the parent company increased to SEK 17,674 million (16,987) and earnings per share to SEK 3.94 (3.78).

Return on capital employed was 19.4 percent (19.5) and return on equity increased slightly to 18.6 percent (17.2).

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

Non-recurring items

The following table presents non-recurring items for 2007 and 2006. These items are not included in "EBITDA excluding non-recurring items" or in "Operating income excluding non-recurring items" as analyzed above, but are included in the total results for TeliaSonera and for each of the business areas.

Non-recurring items	2007	2006
SEK in millions		
Within EBITDA	-688	-1,153
Restructuring charges, synergy implementation costs, etc:		
Mobility Services	-363	-418
Broadband Services	-464	-847
Integrated Enterprise Services	-135	-278
Other operations	142	383
Capital gains:		
Broadband Services	132	-
Telia Finans	-	7
Within Depreciation, amortization and impairment losses	-635	-13
Impairment losses, accelerated depreciation:		
Broadband Services	-635	-13
Within Income from associated companies and joint ventures	-	-96
Impairment losses, capital gains/losses, provisions and other:		
Mobility Services	-	-96
Within Financial net	-	183
Capital gains:		
Sale of Elisa shares	-	183
Total	-1,323	-1,079

The ongoing restructuring and streamlining programs have led to significant implementation costs and provisions in 2006 and 2007, mainly related to operations in Sweden and Finland, impacting each of the business areas Mobility Services, Broadband Services and Integrated Enterprise Services. The results for Broadband Services are also impacted by write-downs related to the fixed access network in Finland and certain product and IT platforms in Sweden.

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

Non-recurring items for TeliaSonera's other operations have been positively affected by reversals of provisions. In 2007, SEK 155 million of the restructuring provision related to the international carrier operations were reversed due to better than expected success in restructuring activities. In 2006, a similar reversal of SEK 101 million was recorded. Additionally in 2006, SEK 500 million was reversed after a settlement of a dispute regarding a real estate in the U.K.

Capital gains include a gain of SEK 132 million from selling part of TeliaSonera International Carrier's network in the U.K. in 2007, and a gain of SEK 183 million from selling the Elisa shares in 2006.

Review of the Business Areas

TeliaSonera changed its business organization on January 1, 2007 from a country-based profit center organization into a product-based business area organization. The comparative information for 2006 has been restated accordingly. On January 1, 2008, TeliaSonera further refined its business area organization, by discontinuing Integrated Enterprise Services as a separate business area, and instead reporting its operations as part of Mobility Services, Broadband Services and Other operations. This Report of the Directors presents TeliaSonera's segment results for the business area organization that was in place up to the end of 2007.

Higher sales in all markets in Mobility Services

Strong mobile volume growth continued throughout 2007, driven by higher traffic volumes and an increased number of subscriptions. Growth in mobile data traffic continued strengthening during the year, especially in the fourth quarter. Price pressure persisted in all markets due to intense competition and regulatory intervention, the latter in the form of reduced interconnect fees.

To meet a growing demand for higher network speeds and data services, TeliaSonera launched turbo 3G in most Nordic and Baltic markets in 2007, and in Sweden demand for mobile broadband was particularly strong. In addition, a range of content services were launched in most of the markets, including Mobile TV Client, Music Shop and Windows Live Messenger.

SEK in millions, except margins and operational data

	2007	2006
Net sales	44,519	41,949
EBITDA excl. non-recurring items	13,332	13,845
Margin (%)	29.9	33.0
Operating income	8,635	9,096
Operating income excl. non-recurring items	8,998	9,610
CAPEX	4,168	3,252
MoU	190	182
ARPU, blended (SEK)	230	233
Churn, blended (%)	28	26
Subscriptions, period-end (thousands)	14,501	13,434

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

Net sales increased 6.1 percent, with subscription growth and increased usage for both mobile data and voice, offsetting the downward pressure on prices. Net sales rose in all markets. The consolidation of debitel in Denmark, higher volumes in Sweden and continued good customer intake in Spain, where sales totaled SEK 589 million, contributed the most to the rise. Reduced interconnect fees that TeliaSonera receives from other operators in the Nordic and Baltic countries lowered sales by approximately SEK 725 million.

The number of subscriptions increased by 1.1 million to 14.5 million, with 403,000 new subscriptions in Spain, the consolidation of debitel in Denmark adding 268,000 and the purchase of ZetCOM in Latvia adding 137,000. In Sweden, the number of subscriptions increased by 310,000 excluding the deactivation of 106,000 old NMT subscriptions in the fourth quarter. In Finland and Estonia, the number of subscriptions rose slightly, while Norway and Lithuania showed a decrease of 64,000 and 62,000, respectively.

Blended churn was 28 percent (26 percent in 2006).

EBITDA, excluding non-recurring items, decreased by SEK 513 million, despite higher net sales in all markets and a positive net increase of SEK 246 million from the reversal of provisions for historical interconnect fees in Sweden. In Spain, costs for building the Yoigo brand resulted in an EBITDA of SEK -1,443 million (-337). In addition, price erosion, increased promotional spending and interconnect price reductions, especially in Norway, affected EBITDA negatively. Certain negative items in Denmark totaling approximately SEK 160 million, mainly related to balance sheet corrections, burdened EBITDA. In Denmark, the consolidation of debitel in April also had a dilutive impact on the margin, since the transfer of traffic to TeliaSonera's network was not yet completed.

CAPEX rose 28 percent to SEK 4,168 million, driven by investments to secure the network quality and increase coverage and capacity, including the start-up investments in Spain, extended 3G/HSPA roll-out and functionalities in all Nordic and Baltic markets.

In May 2007, TeliaSonera's Norwegian operator NetCom signed a MVNO agreement with Tele2 Norge AS. Under the agreement, Tele2 Norge will transfer all traffic from Telenor's network to NetCom's network before April 1, 2008. TeliaSonera estimates that after fulfillment of the

transfer, the agreement will have a positive annual impact of approximately SEK 500 million on sales.

In June 2007, the European Union approved a price cap for pan-EU mobile-phone calls and also set ceilings on the wholesale prices for roaming calls. Total sales in the home markets related to roaming are less than five percent of TeliaSonera's total net sales. TeliaSonera estimates that the negative effect on EBITDA for 2008, excluding assumptions of increasing traffic due to lower prices, will be less than SEK 500 million.

SEK in millions, except margins	2007	2006
Net sales	44,519	41,949
of which Sweden	12,528	12,029
of which Finland	9,602	9,517
of which Norway	8,985	8,910
of which Denmark	6,119	5,191
of which Lithuania	2,484	2,412
of which Latvia	2,654	2,495
of which Estonia	2,305	2,071
of which Spain	589	5
EBITDA excl. non-recurring items	13,332	13,844
Margin (%), total	29.9	33.0
Margin (%), Sweden	39.4	37.3
Margin (%), Finland	31.6	25.9
Margin (%), Norway	34.3	37.4
Margin (%), Denmark	13.2	18.6
Margin (%), Lithuania	36.8	40.2
Margin (%), Latvia	45.2	47.5
Margin (%), Estonia	34.9	37.7
Margin (%), Spain	neg	neg

Growth initiatives and migration in Broadband Services

Growth in broadband and the migration from fixed voice persisted. Bundling of services continued. By year-end TeliaSonera offered multi-service packages in all Nordic and Baltic markets and kept its market position in most of its markets. Investments were focused on bundled solutions to cater to TV and other value-added services requiring higher bandwidth. Price erosion continued in the form of increased bandwidth at the same price.

TeliaSonera sees television as an anchor for the new services we will bring to the households in the future. Increased efforts to handle the migration from traditional fixed-voice services were evidenced by the move into the TV-market, mainly in Sweden. The year was a success for TeliaSonera ending with approximately 770,000 TV subscriptions, of which 304,000 IPTV subscriptions in Sweden.

SEK in millions, except margins and operational data	2007	2006
Net sales	41,273	40,880
EBITDA excl. non-recurring items	12,926	13,629
Margin (%)	31.3	33.3
Operating income	6,939	7,435
Operating income excl. non-recurring items	7,906	8,295
CAPEX	5,369	4,605
Broadband ARPU (SEK)	270	289
Subscriptions, period-end (thousands)		
Broadband	2,326	1,990
Fixed voice	6,218	6,497
Associated company, total	757	720

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

Net sales increased 1.0 percent. Overall strong growth in broadband sales and acquisitions more than compensated for the decline in fixed voice. In absolute terms, sales were strongest in Wholesale, even though certain negative items of approximately SEK 120 million mainly related to a provision for changed LLUB pricing in the fourth quarter had an impact. Development was strong in the Baltic countries. In Norway, net sales rose due to the consolidation of NextGenTel in June 2006. In Sweden, increased broadband sales did not compensate for the decrease in sales of fixed-voice services.

The number of subscriptions for broadband access rose by 17 percent to 2.3 million, with an increase of over 40 percent in Lithuania. Meanwhile broadband ARPU was affected by price erosion and fell 6.6 percent to SEK 270 as broadband access remained the key revenue source. The number of fixed voice subscriptions declined by four percent to 6.2 million. During the year, the total number of TV subscriptions rose by 74 percent to 770,000, of which 379,000 IPTV subscriptions. In Sweden only, the successful push for IPTV resulted in a total of 304,000 subscriptions at year-end and also helped attract new broadband customers.

Despite higher sales EBITDA, excluding non-recurring items, decreased by SEK 703 million with the largest drop, SEK 999 million, in Sweden, mainly due to the continued decline in fixed voice, and investments in future growth, such as IPTV. Certain negative items in Wholesale of approximately SEK 120 million, mainly related to a provision for changed LLUB pricing in the fourth quarter, and higher costs for weather-related damages in Sweden impacted profitability. In addition, price erosion in the form of increased bandwidth at the same price had an effect. On the other hand, EBITDA increased about SEK 490 million in Wholesale. A net increase of SEK 136 million from the reversal of provisions in Sweden also impacted positively.

CAPEX rose 17 percent mainly due to increased investments in broadband platforms to cater to the improved bandwidth and quality needed for IPTV and other services for the digital home. Investments were also made in common infrastructure, including the core network.

In June 2007, the Swedish telecommunications regulator (PTS) submitted to the Government of Sweden a recommendation that TeliaSonera be forced to place its fixed access network in Sweden in a separate unit of the company. TeliaSonera believes legislation would hamper the willingness to invest and consequently disadvantage consumers.

SEK in millions, except margins	2007	2006
Net sales	41,273	40,880
of which Sweden	18,679	19,516
of which Finland	6,215	6,207
of which Norway	891	506
of which Denmark	1,959	1,847
of which Lithuania	2,104	1,960
of which Estonia	1,780	1,576
of which Wholesale	10,542	10,011
EBITDA excl. non-recurring items	12,926	13,629
Margin (%), total	31.3	33.3
Margin (%), Sweden	35.7	39.3
Margin (%), Finland	23.6	26.5
Margin (%), Norway	22.1	19.6
Margin (%), Denmark	13.7	17.8
Margin (%), Lithuania	43.6	47.2
Margin (%), Estonia	26.8	32.8
Margin (%), Wholesale	27.8	24.4

Integrated Enterprise Services growing through acquisitions

Net sales increased 6.1 percent, lifted by the consolidation of Cygate, Didata and Crescom, which together had a positive effect of 6.3 percent. Sales related to the distribution of mass-market services produced by business areas Mobility and Broadband Services decreased by SEK 367 million, mainly due to the migration from fixed voice services as well as price erosion in mobile and broadband services. Sales of integrated enterprise services and equipment sales increased by SEK 888 million, mainly due to the consolidation of acquired companies. The share of integrated enterprise services and equipment sales was about 43 percent of net sales.

SEK in millions, except margins	2007	2006
Net sales	13,729	12,940
EBITDA excl. non-recurring items	-162	360
Margin (%)	neg	2.8
Operating income	-725	-234
Operating income excl. non-recurring items	-590	44
CAPEX	532	324

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

EBITDA, excluding non-recurring items, turned negative in 2007 mainly due to the migration from traditional services altering the product mix and lowering the gross margin. Ongoing efficiency measures were not sufficient to offset these negative effects.

CAPEX was SEK 532 million (SEK 324 million in 2006), including investments in managed services, such as server operations.

Expansion and continued strong development in Eurasia

TeliaSonera further strengthened its footprint in the fast growing markets of Eurasia in 2007 by acquiring mobile operators in Uzbekistan and Tajikistan and a minority shareholding in Afghanistan's largest mobile operator. With low mobile penetration rates and a combined population of over 33 million, Uzbekistan and Tajikistan represent a valuable opportunity for rapid growth.

The competitive and regulatory environment is putting margins under growing pressure in all markets. Price erosion, increased sales and marketing efforts and overall cost inflation impacted margins negatively, particularly in Kazakhstan, where competition for new subscribers was intense. Market leadership was maintained in Azerbaijan and Kazakhstan and the strong positions were kept in Uzbekistan, Tajikistan, Georgia and Moldova.

SEK in millions, except margins and operational data	2007	2006
Net sales	10,338	8,508
EBITDA excl. non-recurring items	5,255	4,757
Margin (%)	50.8	55.9
Income from associated companies		
Russia	4,181	2,780
Turkey	2,725	2,020
Operating income	10,883	8,527
Operating income excl. non-recurring items	10,883	8,527
CAPEX	3,114	2,699
Subscriptions, period-end (thousands)		
Subsidiaries	12,147	7,352
Associated companies	78,083	65,169

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

Consolidated operations

Net sales rose 21.5 percent, fueled by strong subscription growth and increased usage in all markets, particularly in Kazakhstan and Azerbaijan. Consolidated since July 1, 2007, the operations in Uzbekistan and Tajikistan affected net sales positively by 3.2 percent. Net sales rose 27.6 percent in local currencies.

The number of subscriptions rose by 65 percent to 12.1 million, including 1.3 million subscriptions from the acquired operations in Uzbekistan and Tajikistan. Subscription growth during the year excluding acquisitions was 47.5 percent, or 3.5 million subscriptions, and was driven by 2.5 million net additions in Kazakhstan mainly due to increased subscriber acquisition campaigns.

EBITDA, excluding non-recurring items, increased by SEK 498 million as a result of higher sales. The margin, however, decreased from 55.9 percent to 50.8 percent due to price erosion, higher promotional spending and the dilutive effect from the acquired operations in Uzbekistan and Tajikistan. Overall inflation also drove costs higher, particularly for salaries, rents and energy.

CAPEX increased by 15 percent, equaling 30 percent of net sales, and was kept relatively high in order to build additional capacity, improve coverage and maintain a high service quality in the networks. Additional investment needs came from acquired operations in Uzbekistan and Tajikistan.

In December 2007, TeliaSonera finalized the negotiations to introduce a local partner to its Uzbek mobile operator Coscom. In the transaction, TeliaSonera received certain assets in exchange for 26 percent of TeliaSonera's 100 percent ownership in Coscom and a net cash consideration of approximately SEK 200 million (USD 30 million). The Uzbek partner was also granted a put option, giving the partner the right to sell the 26 percent stake back to TeliaSonera after December 31, 2009, when certain pre-agreed criteria are fulfilled.

SEK in millions	2007	2006
Net sales	10,338	8,508
of which Kazakhstan	5,582	4,803
of which Azerbaijan	2,958	2,453
of which Uzbekistan	139	–
of which Tajikistan	184	–
of which Georgia	1,123	945
of which Moldova	365	317

Associated companies – Russia

MegaFon (associated company, 43.8 percent holding) in Russia continued to demonstrate strong performance and increased its subscription base by 20 percent to 35.7 million (29.7). MegaFon increased its market share in terms of subscriptions from 19 to over 20 percent, and also strengthened its position in terms of revenue. The Russian mobile market continued showing strong volume and revenue growth. The total market grew by 13 percent to 172 million. Mobile SIM-card penetration rose from 105 to 119 percent.

TeliaSonera's income from Russia rose by 50 percent to SEK 4,181 million (SEK 2,780 million in 2006), fueled by continued strong sales and earnings growth at MegaFon. The result was also positively impacted by SEK 240 million in the form of a gain from the sale of Petersburg Transit Telecom by Telecominvest and a partial reversal of write-downs on old equipment in MegaFon. The Russian ruble depreciated against the Swedish krona which had a negative impact of SEK 110 million. The comparative year was positively affected by a net of SEK 272 million from exchange rate fluctuations relating to MegaFon's borrowings and divestments.

Associated companies – Turkey

Turkcell (associated company, 37.3 percent holding, reported with a one-quarter lag) in Turkey increased its subscription base by 13 percent to 34.8 million (30.8), as a result of an expanded distribution channel network and well-received offerings. In Ukraine, the number of subscriptions rose by 65 percent to 7.6 million (4.6).

TeliaSonera's income from Turkcell, which showed continued strong sales and earnings growth, rose by 35 percent to SEK 2,725 million (2,020). The Turkish lira depreciated against the Swedish krona, which had a negative impact of SEK 165 million.

In 2007, Turkcell distributed to its shareholders a total net cash dividend of approximately SEK 2,800 million (USD 400 million), corresponding to 65 percent of the distributable income for the fiscal year 2006. TeliaSonera's share was approximately SEK 1,000 million.

Other operations¹⁾

SEK in millions	2007	2006
Net sales	647	527
EBITDA excl. non-recurring items	-348	-318
Income from associated companies	740	725
Operating income	361	633
Operating income excl. non-recurring items	219	243
CAPEX	347	215

1) Includes TeliaSonera Holding, Corporate Head Office and Common Services.

Income from associated companies includes a SEK 631 million gain from sale of Eltel Network in 2007 by TeliaSonera's associated company Telefos AB, and a SEK 562 million gain from the sale of MTN Uganda in 2006 by TeliaSonera's associated company Overseas Telecom AB.

Non-recurring items were positively impacted by reversals of provisions related to the restructuring and integration of international carrier operations, by SEK 155 million in 2007 and by SEK 101 million in 2006. Additionally, in 2006, non-recurring items were positively impacted by a SEK 500 million reversal of a provision related to the settlement of a dispute regarding a real estate in the U.K.

Financial Position, Liquidity and Capital Resources

Balance sheet

SEK in millions	2007	2006
Assets		
Goodwill and other intangible assets	83,909	74,172
Property, plant and equipment	52,602	48,195
Investments in associated companies and joint ventures, deferred tax assets and other financial assets	48,633	41,826
<i>Total non-current assets</i>	<i>185,144</i>	<i>164,193</i>
Current assets (except cash and cash equivalents)	23,750	23,586
Cash and cash equivalents	7,802	11,603
<i>Total current assets</i>	<i>31,552</i>	<i>35,189</i>
<i>Non-current assets held-for-sale</i>	<i>6</i>	<i>10</i>
Total assets	216,702	199,392
Equity and liabilities		
Shareholders' equity	117,274	119,217
Minority interests	9,783	8,500
<i>Total equity</i>	<i>127,057</i>	<i>127,717</i>
Long-term borrowings	41,030	24,311
Other long-term liabilities	19,114	17,017
<i>Total non-current liabilities</i>	<i>60,144</i>	<i>41,328</i>
Short-term borrowings	2,549	3,418
Other current liabilities	26,952	26,929
<i>Total current liabilities</i>	<i>29,501</i>	<i>30,347</i>
Total equity and liabilities	216,702	199,392

Goodwill and other intangible assets increased in 2007 due to the acquisitions of debitel in Denmark and the MCT operations in Uzbekistan and Tajikistan, and due to positive exchange rate differences.

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

CAPEX increased to SEK 13.5 billion (SEK 11.1 billion in 2006) and the CAPEX-to-sales ratio to 14.0 percent (12.2), driven mainly by increased investments in network capacity and coverage in all business areas, and new services especially within Mobility Services and Broadband Services.

The carrying value of associated companies and joint ventures increased due to income from these companies, and due to positive exchange rate differences, and was partly offset by dividends received from Turkcell and Telefos.

Net deferred tax asset increased to SEK 2.4 billion (1.9), due to recognition of deferred tax assets of approximately SEK 850 million, mainly in Finland, after a positive ruling concerning certain old tax losses, and due to positive exchange rate differences, the increase being partly offset by the utilization of deferred tax assets.

Net working capital (inventories and non-interest-bearing receivables, less non-interest-bearing liabilities) remained negative at SEK -4.8 billion (SEK -4.5 billion in 2006). Increases due to sales growth and acquisitions were offset by decreases due to growth in operating expenses and by timing effects.

Although dividends paid during the year exceeded the amount of net income, total equity remained approximately at the previous year's level, due to positive exchange rate differences totaling SEK 8.9 billion (negative SEK 9.6 billion in 2006). See the Consolidated Statements of Changes in Equity for further details.

The equity/assets ratio, adjusted for proposed dividends, also remained stable at 50.3 percent (49.9).

Net debt increased to SEK 34.7 billion from SEK 15.0 billion mainly due to dividend payments of SEK 28.3 billion to shareholders in May 2007, only partly offset by free cash flow. The net debt/equity ratio, adjusted for proposed dividends, increased to 31.8 percent (15.0).

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

Cash flows

SEK in millions	2007	2006
Cash from operating activities	26,529	27,501
Cash used in capital expenditure	-13,525	-10,905
Free cash flow	13,004	16,596
Cash used in other investing activities	-2,180	-2,179
Cash flow before financing activities	10,824	14,417
Cash used in financing activities	-14,726	-19,382
Cash and cash equivalents, opening balance	11,603	16,834
Net cash flow for the period	-3,902	-4,965
Exchange rate differences	101	-266
Cash and cash equivalents, closing balance	7,802	11,603

Cash flow from operating activities decreased in 2007, mainly due to lower EBITDA and higher cash payments for taxes. The decrease was partly offset by higher dividends from associated companies. In 2006, cash flow from operations was improved by a tax refund of approximately SEK 1.5 billion.

Cash used in capital expenditure (cash CAPEX) increased significantly in 2007. As a result, free cash flow (cash flow from operating activities less capital expenditure) decreased in 2007 due to lower cash flow from operating activities and higher capital expenditures.

Net cash used in other investing activities was at the same level as in 2006.

Despite higher cash return paid to shareholders than in 2006, net cash used in financing activities decreased in 2007, due to net borrowing.

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

Acquisitions, investments and divestitures

During 2006 and 2007, TeliaSonera has made a number of significant acquisitions and divestitures.

- In June 2006, TeliaSonera entered the Spanish mobile market by acquiring the majority of Xfera for a net payment of SEK 617 million. TeliaSonera increased its ownership from 16.6 percent to 76.6 percent. TeliaSonera also assumed additional debt of SEK 3.8 billion through the consolidation of Xfera.
- In June 2006, TeliaSonera expanded into the Norwegian broadband market by acquiring NextGenTel for a purchase price of SEK 2.3 billion. NextGenTel is a strategic acquisition, strengthening TeliaSonera's position in the home markets. TeliaSonera's intention is to exploit the competence and operations of NextGenTel when driving growth in other countries.
- In January 2007, TeliaSonera finalized the acquisition of Cygate and consolidated the company as of February 2007. Cygate further acquired Didata Dimension Data Sverige AB (now Didata Sverige AB), a Swedish subsidiary of the global systems integrator Dimension Data Holdings plc, on April 12, 2007. Didata has been consolidated as of June 1. The Finnish managed-hosting specialist company Crescom Oy was consolidated as of July 1, 2007. These acquisitions underline TeliaSonera's strategy to strengthen its position within managed services. The total purchase price paid in cash was SEK 0.7 billion.
- On April 11, 2007, the acquisition of debitel Danmark A/S was closed. The transaction also included debitel's joint venture DLG-debitel I/S operating under the brand DLG Tele. The acquisition strengthens TeliaSonera's position in the Danish mobile market. debitel has been consolidated as of April 1 and, following a new shareholders' agreement, DLG Tele as of July 1. The total purchase price paid in cash was SEK 1.3 billion.
- On May 7, 2007, TeliaSonera raised its shareholding in Eesti Telekom to 58.3 percent through the acquisition of 4.61 percent of the outstanding shares in the company for a cash consideration of approximately SEK 485 million.
- On July 16, 2007, TeliaSonera closed the acquisition of MCT Corp. for SEK 1.8 billion. To expand its presence in the growing markets in Eurasia, TeliaSonera acquired 100 percent of the shares in MCT with shareholdings in four Eurasian GSM operators, Coscom in Uzbekistan, Indigo Tadzshikistan and Somoncom in Tajikistan and Roshan in Afghanistan. Coscom, Indigo Tadzshikistan and Somoncom are consolidated as of July 1. TeliaSonera holds 12.25 percent in Roshan.
- On August 9, 2007, Telefon AB, 25.6 percent owned by TeliaSonera, closed the sale of its entire shareholding in Eltel Networks. The transaction had a positive effect of SEK 631 million on earnings in the third quarter 2007.
- In December 2007, TeliaSonera finalized the negotiations to introduce a local partner to its Uzbek mobile operator Coscom. In the transaction, TeliaSonera received certain assets in exchange for 26 percent of TeliaSonera's 100 percent ownership in Coscom and a net cash consideration of approximately SEK 200 million (USD 30 million). The Uzbek partner was also granted a put option, giving the partner the right to sell the 26 percent stake back to TeliaSonera after December 31, 2009, when certain pre-agreed criteria are fulfilled.

Credit facilities

TeliaSonera believes that its bank credit facilities and open-market financing programs are sufficient for the present liquidity requirements. TeliaSonera's cash and short-term investments totaled SEK 8.9 billion at the end of the year (SEK 12.8 billion at the end of 2006). In addition, the aggregate principal unutilized amount available under the committed credit facilities amounted to SEK 12.6 billion at year-end (10.1).

Moody's Investors Service lowered TeliaSonera's credit rating in October 2007 to A3 for long-term borrowing and Prime-2 for short-term borrowing, with a "Stable outlook" reference. TeliaSonera's rating from Standard & Poor's Ratings Services remained unchanged during the year, at A- for long-term borrowing and A2 for short-term borrowing.

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

Risks and Risk Management

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

TeliaSonera has an established risk management framework in place to regularly identify, analyze, assess, and report business and financial risks and uncertainties and to mitigate such risks when appropriate. Risk management is an integrated part of TeliaSonera's business planning process.

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

Risks related to the industry and market conditions

Competition and price pressure

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

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

Regulation

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

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

Emerging markets

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

Other risks associated with operating in emerging market countries include foreign exchange restrictions, which could effectively prevent TeliaSonera from receiving profits or selling its investments, if such restrictions were introduced in countries where TeliaSonera has significant

operations. Another risk is the potential establishment of foreign ownership restrictions or other potential actions against entities with foreign ownership, formally or informally.

Allegations of possible health risks

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

Risks related to TeliaSonera's operations and strategic activities ***Impairment losses and restructuring charges***

Factors generally affecting the telecommunications and technology markets, and changes in the economic, regulatory, business or political environment, as well as TeliaSonera's ongoing review and refinement of its business plans, could adversely affect its affairs. TeliaSonera could be required to recognize impairment losses with respect to assets if management's expectations of future cash flows attributable to these assets change, including but not limited to goodwill and fair value adjustments that TeliaSonera has recorded in the merger of Telia and Sonera, in the acquisition of NetCom and in connection with other acquisitions TeliaSonera has made or may make in the future.

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

TeliaSonera has also significant deferred tax assets resulting from earlier recorded impairment losses and restructuring charges. Significant adverse changes in the economic, regulatory, business or political environment, as well as in TeliaSonera's business plans, could also result in TeliaSonera not being able to use these tax assets in full to reduce its tax obligations in the future, and would consequently lead to an additional tax charge when such tax asset is derecognized.

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

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

TeliaSonera has made substantial investments in telecom networks and licenses and also expects to invest substantial amounts over the next several years in the upgrading and expansion of networks. From time to time, TeliaSonera may also establish start-up operations, such as Xfera Móviles S.A. in Spain, which require substantial investments and expenditure in the build-up phase. The success of these investments and start-ups will depend on a variety of factors beyond TeliaSonera's control, including the availability of new and attractive services, the costs associated with providing these services, the timing of their introduction, the market demand and prices for such services, and competition. A failure to realize the benefits expected from these investments and start-ups may adversely affect TeliaSonera's business and results of operation.

Acquisitions, strategic alliances and business combinations

TeliaSonera may participate in the consolidation of the telecommunications industry through acquisitions, strategic alliances or business combinations. A failure in such transactions could harm TeliaSonera's business and results of operations. For example, due to competition in the identification of acquisition opportunities or strategic partners, TeliaSonera

may make an acquisition or enter into a strategic alliance on unfavorable terms. There are also the risks that TeliaSonera will not be able to successfully integrate and manage any acquired company or strategic alliance, the acquisition or strategic alliance will fail to achieve the strategic benefits or synergies sought, and that management's attention will be diverted away from other ongoing business concerns. In addition, any potential acquisition could negatively affect TeliaSonera's financial position, including its credit ratings, or, if made using TeliaSonera shares, dilute the existing shareholders.

Limited number of suppliers

TeliaSonera is reliant upon certain suppliers, of which there are a limited number, to manufacture and supply network equipment and related software as well as handsets, to allow TeliaSonera to develop its networks and to offer its services on a commercial basis. TeliaSonera cannot be certain that it will be able to obtain network equipment or handsets from alternative suppliers on a timely basis if the existing suppliers are unable to satisfy TeliaSonera's requirements. In addition, like its competitors, TeliaSonera currently outsources many of its key support services, including network construction and maintenance in most of its operations. The limited number of suppliers of these services, and the terms of TeliaSonera's arrangements with current and future suppliers, may adversely affect TeliaSonera, including by restricting its operational flexibility.

Ability to recruit and retain skilled personnel

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

Risks related to associated companies and joint ventures

Limited influence in associated companies and joint ventures

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

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

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

the material provisions of the cooperation arrangements could have a negative effect on TeliaSonera's business in Sweden.

Other risks related to owning TeliaSonera shares

Volatility in share prices

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

Actions by the largest shareholders

The Kingdom of Sweden holds 37.3 percent and the Republic of Finland holds 13.7 percent of TeliaSonera's outstanding shares. Accordingly, the Kingdom of Sweden, acting alone, may have and the Kingdom of Sweden and the Republic of Finland, 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 Kingdom of Sweden and the Republic of Finland in deciding these matters could be different from the interests of TeliaSonera's other shareholders.

In addition, any sale by the Kingdom of Sweden or the Republic of Finland 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. Other than the current lock-up period for the Kingdom of Sweden, preventing it to sell any shares before April 1, 2008, without the consent of Deutsche Bank and UBS Investment Bank, the Kingdom of Sweden and the Republic of Finland are not under any contractual commitment that would restrict their ability to sell any shares.

Financial risk management

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

TeliaSonera manages the liquidity risk by depositing its surplus liquidity in banks or investing it in short-term interest-bearing instruments, with good credit ratings. In addition to available cash, TeliaSonera has committed revolving credit facilities and overdraft facilities. In total the available unutilized amount under committed facilities was SEK 12.6 billion at year-end.

TeliaSonera's operational currency *transaction exposure* is not significant. TeliaSonera's *conversion exposure*, however, is significant and is expected to continue to grow due to the ongoing expansion of business operations outside Sweden. TeliaSonera does not typically hedge its conversion exposure. At year-end, the conversion exposure amounted to SEK 170 billion (SEK 147 billion at year-end 2006). Strengthening of the Swedish krona by ten percentage points against all currencies in which TeliaSonera has conversion exposure would have had a negative impact of SEK 17 billion (15) on the TeliaSonera Group's equity as of December 31, 2007.

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

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

TeliaSonera has a significant amount of *pension obligations*, with a net present value of SEK 20.8 billion (21.5) at year-end. TeliaSonera maintains pension funds to secure these obligations, with plan assets totaling SEK 19.3 billion (19.0), based on market values at year-end. A decrease of one percentage point in the weighted average discount rate would have increased the pension obligations by SEK 3.5 billion (3.6) as of December 31, 2007. The effect would, however, be partly offset by a positive impact from the fixed income assets in the pension funds. A similar reduction in the interest rates would have increased the value of the fixed-income plan assets by SEK 1.0 billion (1.0).

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

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

Research and Development

During 2007, TeliaSonera brought the research and development (R&D) activities closer to the business and market, and strengthened its focus on business development. Because of the globalization and IP development, TeliaSonera radically increased usage of open platforms from vendors, third parties and software oriented solutions. Typically all activities are driven by market demand and together with end users and partners TeliaSonera is exploring new opportunities to get an early proof of concept and reduced time to market. The long term R&D part of the innovation process is often based on external cooperation with public funding authorities.

In 2007, TeliaSonera incurred R&D expenses of SEK 1,732 million (SEK 1,837 million in 2006).

As of December 31, 2007, TeliaSonera had approximately 580 patent "families" and approximately 2,400 patents and patent applications, none of which, individually, is material to its business.

Environment

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

The major environmental impacts from the operations of TeliaSonera Group are generated from travel and transport, energy utilization and material usage. For more information about TeliaSonera's environmental and social impacts, see section "Corporate Responsibility." TeliaSonera publishes a yearly corporate responsibility report according to the guidelines produced by the "Global Reporting Initiative" (GRI), and synchronized with the annual report.

To further reduce its impact on environment, TeliaSonera has in its 2007 Annual Report switched to web-based reporting and has therefore decided to discontinue printing paper-form annual reports.

Parent Company

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

The parent company's financial statements are prepared and presented in accordance with the Swedish Annual Accounts Act, other Swedish legislation, and standard RFR 2.1 "Accounting for Legal Entities" and other statements issued by the Swedish Financial Reporting Board.

Net sales for the year declined to SEK 17,809 million (SEK 19,705 million in 2006), due to migration to mobile services and lower priced IP-based services. SEK 12,811 million (14,424) was billed to subsidiaries. Income after financial items increased strongly as a result of dividend payments from subsidiaries and was SEK 23,845 million (7,631). Net income was SEK 20,001 million (3,228).

The balance sheet total increased to SEK 182,436 million (171,672). Shareholders' equity decreased to SEK 63,013 million (71,262) and retained earnings to SEK 44,848 million (52,595) as the strong result did not fully compensate for the ordinary and extra dividend payments of SEK 28,290 million in 2007.

Free cash flow increased to SEK 20,668 million (6,221), and cash flow before financing activities was SEK 7,916 million (-6,927). Net debt increased to SEK 88,210 million (64,968). Cash and cash equivalents totaled SEK 2,790 million (7,593) at year-end.

The equity/assets ratio (including the equity component of untaxed reserves and adjusted for proposed dividends) was 32.6 percent (32.4).

Total investments for the year amounted to SEK 13,269 million (17,332), including SEK 2,705 million (2,382) in property, plant and equipment, primarily for the fixed network. Other investments totaled SEK 10,564 million (14,950), of which SEK 2,024 million attributable to the acquisitions of Cygate and debitel Danmark, and SEK 8,015 million to transfers of shareholdings within the Group.

As a result of the organizational restructuring implemented in 2007, the number of employees at December 31, 2007 net increased to 2,567 from 2,408 at year-end 2006.

TeliaSonera Shares

TeliaSonera's issued and outstanding share capital as of December 31, 2007 totaled SEK 14,369,463,081.60 distributed among 4,490,457,213 shares. All issued shares have been paid in full and carry equal rights to vote and participate in the assets of the company. At the general meeting of shareholders, each shareholder is entitled to vote for the total number of shares she or he owns or represents. Each share is entitled to one vote.

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

In May 2007, the Government of Sweden sold 8.0 percent of TeliaSonera and lowered its shareholding to 37.3 percent from 45.3 percent. As of December 31, 2007, the company had two shareholders with more than ten percent of the shares and votes: the Swedish State with 37.3 percent of the shares and votes and the Finnish State with 13.7 percent of the shares and votes. The Swedish State and the Finnish State entered into a shareholders' agreement at the time of the merger, which remained in force until December 9, 2007. TeliaSonera is not aware of any other agreements between major shareholders of the company regarding the TeliaSonera shares.

As of December 31, 2007, TeliaSonera's pension funds held 0.03 percent of the company's shares and votes. No TeliaSonera shares are held by the company itself or by its subsidiaries.

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

In case of a "change of control" in TeliaSonera AB, the company could have to repay certain loans at short notice, since some of TeliaSonera's financing agreements contain customary "change of control" clauses. These clauses generally also contain other conditions including, for example, that the "change of control" has to cause a negative change in TeliaSonera's credit rating in order to be effective. The CEO may resign within a month from a "change of control" of TeliaSonera AB and be entitled to severance pay as further described in Note 32 to the consolidated financial statements.

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

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

Remuneration to Executive Management

See Note 32 to the consolidated financial statements for remuneration to management.

The Board of Directors' proposal for the remuneration guidelines, to be adopted at the Annual General Meeting on March 31, 2008, and substantially the same in wording as the remuneration guidelines adopted by the Annual General Meeting on April 24, 2007, is as follows:

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

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

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

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

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

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

Changes in the Board of Directors and Management

The Extraordinary General Meeting (EGM) of TeliaSonera AB was held on January 17, 2007, and the EGM decided to elect the following persons as new members to the Board of Directors: Maija-Liisa Friman, Conny Karlsson, Lars G Nordström and Jon Risfelt. The General Meeting decided to relieve the following Board members of their duties: Carl Bennet, Eva Liljebloom, Lennart Läftman, Lars-Erik Nilsson and Sven-Christer Nilsson. The General Meeting further decided that the number of Board members elected by the General Meeting be seven without deputy members. Caroline Sundewall, Timo Peltola and Tom von Weymarn continued as Board members. Tom von Weymarn continued as the Chairman of the Board.

On September 3, 2007, Lars Nyberg took over as President and Chief Executive Officer of TeliaSonera, appointed by the Board of Directors on July 27, as the successor to Anders Igel, who left the company on July 31, following a decision by the Board of Directors on June 11, 2007.

In April 2007, Tero Kivisaari was appointed as head of business area Eurasia, when the previous head of the business area Erdal Durukan decided to leave TeliaSonera. Cecilia Edström has been appointed as head of Group Communications, after Ewa Lagerqvist left TeliaSonera in October 2007. Until Cecilia Edström assumes her duties, Karin Moberg is the acting head of Group Communications. Karin Eliasson was appointed as head of Group Human Resources and started in January 2008, when Rune Nyberg retired.

Significant Events after Year-End 2007

TeliaSonera launched a new, wholly owned telecom network infrastructure subsidiary, TeliaSonera Skanova Access AB, in Sweden on January 1, 2008. By establishing Skanova Access, TeliaSonera ensures that the market's requirements for transparency and control are met. The company employs about 700 people and net sales for corresponding operations in 2007 are estimated to approximately SEK 7 billion.

Fintur Holdings B.V. (Fintur), of which TeliaSonera's direct and indirect ownership is 74 percent, finalized in January 2008 an acquisition of an additional 14.3 percent interest in Geocell LLC (Geocell) for a total consideration of approximately SEK 210 million (USD 33 million), increasing Fintur's ownership in Geocell to 97.5 percent from 83.2 percent.

On February 12, 2008, TeliaSonera announced that an agreement for the privatization process of the Republic of Azerbaijan's 35.7 per-

cent ownership in Azercell Telekom B.M. (Azercell) has been signed. The deal is pending certain closing procedures. Azertel A.S., the parent company of Azercell and a majority-controlled subsidiary of Fintur Holdings B.V. (Fintur), will acquire the entire stake of the Republic of Azerbaijan, increasing Azertel's ownership in Azercell to 100 percent. At the same time, the current local partner will increase its ownership in Azertel to 49 percent. Fintur's effective ownership in Azercell therefore remains at current 51 percent.

On March 7, 2008, TeliaSonera announced that an arbitration tribunal of the International Chamber of Commerce in Vienna has issued an award finding that Cukurova has violated certain share transfer restrictions in the shareholders' agreement between Cukurova and TeliaSonera relating to Turkcell Holding, a company which owns 51 percent of Turkcell. TeliaSonera currently owns 47 percent of Turkcell Holding. The violation occurred in connection with a partial transfer of Cukurova's ownership in Turkcell Holding to the Russian Alfa Group in 2005. The arbitration tribunal ordered Cukurova to take all measures available to it, including good faith negotiations with Alfa, to repurchase the transferred shares. Earlier, in January 2007, another arbitration tribunal of the International Chamber of Commerce in Geneva issued an award finding that a binding share purchase agreement was concluded between TeliaSonera and Cukurova in 2005, calling for Cukurova to cancel its withdrawal from the binding agreement and to sell all its shares in Turkcell Holding to TeliaSonera. TeliaSonera hopes to execute the transaction with Cukurova but, even if the share purchase agreement is binding and Cukurova acted in violation of the Turkcell Holding shareholders' agreement, Cukurova may not be able, or willing, to proceed with a transfer of the Turkcell Holding shares to TeliaSonera.

Outlook

Group outlook for 2008

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

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

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

- SEK 850 million new deferred tax assets recorded, mainly in Finland for old tax losses;
- SEK 631 million gain from the sale of Eltel (no tax effect); and
- SEK 555 million from the reversal of historical interconnect provisions in Sweden (SEK 771 million pre-tax).

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

Efficiency measures

Intensified efficiency improvement is imperative for TeliaSonera to be able to continue shifting the product mix by investing in mobility and IP-based services.

Operating expenses for the Swedish and Finnish operations totaled about SEK 36 billion in 2007, of which approximately SEK 22 billion is the primary cost base to be addressed by the planned efficiency measures. Efficiency measures to be implemented primarily in the Swedish and Finnish operations during 2008 and 2009 are estimated to give an annual gross savings effect of approximately SEK 5 billion compared to the cost base of 2007.

TeliaSonera estimates that about two-thirds of these efficiency measures comprising savings of addressable costs and sustainable savings in volume-related costs will be implemented during 2008 and the remaining one-third in 2009. The efficiency measures are expected to result in a reduction of approximately 2,900 employees, of whom about two-thirds

in Sweden and one-third in Finland. The related restructuring costs, to be reported as non-recurring items, are estimated to be around SEK 4 billion, of which approximately two-thirds in 2008.

Ordinary Dividend and Capital Distribution to Shareholders

For 2007, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 1.80 (SEK 1.80 for 2006) per share, totaling SEK 8.1 billion, or 46 percent of net income attributable to shareholders of the parent company. The proposal follows a review by the Board of Directors of TeliaSonera in October 2007 of the company's capital structure and dividend policy.

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

Accordingly, the Board of Directors proposes to the AGM an extraordinary dividend for 2007 of SEK 2.20 (4.50) per share, totaling SEK 9.9 billion.

Therefore, the total dividend proposed is SEK 4.00 per share (6.30), equaling a total of SEK 17,962 million (28,290).

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

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

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

See also "Proposed Appropriation of Earnings."

Consolidated Income Statements

SEK in millions, except per share data	Note	January–December	
		2007	2006
Net sales	6, 7	96,344	91,060
Cost of sales	8	-54,196	-48,640
Gross profit		42,148	42,420
Selling and marketing expenses	8	-15,819	-14,213
Administrative expenses	8	-6,760	-6,317
Research and development expenses	8	-1,732	-1,837
Other operating income	9	1,349	1,138
Other operating expenses	9	-728	-1,281
Income from associated companies and joint ventures	6, 12	7,697	5,579
Operating income	6	26,155	25,489
Finance costs	13	-1,736	-1,049
Other financial items	13	832	786
Income after financial items		25,251	25,226
Income taxes	14	-4,953	-5,943
Net income		20,298	19,283
Attributable to:			
Shareholders of the parent company		17,674	16,987
Minority interests		2,624	2,296
Shareholders' earnings per share (SEK), basic and diluted	21	3.94	3.78

Consolidated Balance Sheets

SEK in millions	Note	December 31	
		2007	2006
Assets			
Goodwill	15	71,172	62,638
Other intangible assets	15	12,737	11,534
Property, plant and equipment	16	52,602	48,195
Investments in associated companies and joint ventures	6, 12	33,065	25,536
Deferred tax assets	14	12,017	12,054
Pension obligation assets	23	187	121
Other non-current assets	17	3,364	4,115
Total non-current assets		185,144	164,193
Inventories	18	1,168	997
Trade and other receivables	19	20,787	20,427
Current tax receivables		94	204
Interest-bearing receivables	20	1,701	1,958
Cash and cash equivalents	20	7,802	11,603
Total current assets		31,552	35,189
Non-current assets held-for-sale		6	10
Total assets		216,702	199,392
Equity and liabilities			
Shareholders' equity		117,274	119,217
Minority interests in equity		9,783	8,500
Total equity		127,057	127,717
Long-term borrowings	22	41,030	24,311
Deferred tax liabilities	14	9,577	10,121
Provisions for pensions and employment contracts	23	416	39
Other long-term provisions	24	6,755	4,475
Other long-term liabilities	25	2,366	2,382
Total non-current liabilities		60,144	41,328
Short-term borrowings	22	2,549	3,418
Short-term provisions	24	137	836
Current tax payables		2,212	1,741
Trade payables and other current liabilities	26	24,603	24,352
Total current liabilities		29,501	30,347
Total equity and liabilities		216,702	199,392
Contingent assets	30	–	–
Collateral pledged	30	1,352	1,403
Unrecognized guarantees	30	2,146	2,058

Consolidated Cash Flow Statements

SEK in millions	Note	January–December	
		2007	2006
Net income		20,298	19,283
Adjustments for:			
Amortization, depreciation and impairment losses		11,879	11,231
Capital gains/losses on sales/disposals of non-current assets		-84	-117
Income from associated companies and joint ventures, net of dividends received		-5,012	-3,791
Pensions and other provisions		-847	-1,344
Financial items		1,495	-836
Income taxes		-189	3,560
Miscellaneous non-cash items		1	48
Cash flow before change in working capital		27,541	28,034
Increase (-)/Decrease (+) in operating receivables		427	-1,792
Increase (-)/Decrease (+) in inventories		-86	-242
Increase (+)/Decrease (-) in operating liabilities		-1,353	1,501
Change in working capital		-1,012	-533
Cash flow from operating activities	31	26,529	27,501
Intangible assets and property, plant and equipment acquired	31	-13,525	-10,905
Intangible assets and property, plant and equipment divested		176	255
Shares, participations and operations acquired	31	-4,597	-3,274
Shares, participations and operations divested	31	116	348
Loans granted and other similar investments		-740	-349
Repayment of loans granted and other similar investments		1,863	488
Compensation from pension fund		525	700
Net change in short-term investments		477	-347
Cash flow from investing activities		-15,705	-13,084
Cash flow before financing activities		10,824	14,417
Dividends paid to parent company's shareholders		-28,290	-15,717
Dividends to and investments by minority shareholders, net		-1,415	-1,523
Proceeds from long-term borrowings		17,075	5,049
Repayment of long-term borrowings		-2,853	-6,515
Net change in short-term borrowings		757	-676
Cash flow from financing activities		-14,726	-19,382
Net change in cash and cash equivalents		-3,902	-4,965
Cash and cash equivalents, opening balance		11,603	16,834
Net change in cash and cash equivalents for the year		-3,902	-4,965
Exchange rate differences in cash and cash equivalents		101	-266
Cash and cash equivalents, closing balance	20	7,802	11,603
Interest received		571	487
Interest paid		-1,457	-1,082
Income taxes paid		-5,142	-2,382

Consolidated Statements of Changes in Equity

SEK in millions	Note	Share capital	Other contributed capital	Recycling reserves	Other reserves	Retained earnings	Total shareholders' equity	Minority interests in equity	Total equity
Closing balance, December 31, 2005		14,961	60,538	6,093	6,022	39,435	127,049	8,645	135,694
Revaluing fair values of net assets in step acquisitions	21	–	–	–	300	-275	25	–	25
Fair value amortization of revalued net assets in step acquisitions	21	–	–	–	-128	128	–	–	–
Reporting financial instruments at fair value	21	–	–	-25	–	–	-25	–	-25
Foreign currency translation differences	21	–	–	-8,955	–	–	-8,955	-608	-9,563
Inflation adjustments	21	–	–	–	-147	–	-147	–	-147
<i>Net income recognized directly in equity</i>		–	–	-8,980	25	-147	-9,102	-608	-9,710
Net income		–	–	–	–	16,987	16,987	2,296	19,283
<i>Total recognized net income</i>		–	–	-8,980	25	16,840	7,885	1,688	9,573
Transactions with minority shareholders in subsidiaries	21	–	–	–	–	–	–	-215	-215
Dividends	21	–	-10,104	–	–	-5,613	-15,717	-1,618	-17,335
Cancellation of treasury shares (decided by the AGM in 2006)	21	-592	592	–	–	–	–	–	–
Closing balance, December 31, 2006		14,369	51,026	-2,887	6,047	50,662	119,217	8,500	127,717
Fair value amortization of revalued net assets in step acquisitions	21	–	–	–	-166	166	–	–	–
Reporting financial instruments at fair value	21	–	–	39	–	–	39	–	39
Foreign currency translation differences	21	–	–	8,634	–	–	8,634	160	8,794
<i>Net income recognized directly in equity</i>		–	–	8,673	-166	166	8,673	160	8,833
Net income		–	–	–	–	17,674	17,674	2,624	20,298
<i>Total recognized net income</i>		–	–	8,673	-166	17,840	26,347	2,784	29,131
Transactions with minority shareholders in subsidiaries	21	–	–	–	–	–	–	-42	-42
Dividends	21	–	-10,104	–	–	-18,186	-28,290	-1,459	-29,749
Closing balance, December 31, 2007		14,369	40,922	5,786	5,881	50,316	117,274	9,783	127,057

Notes to Consolidated Financial Statements

Note 1 (Consolidated) Basis of Preparation

General

The annual report and consolidated financial statements have been approved for issue by the Board of Directors on March 11, 2008. The income statements and balance sheets of the parent company and the Group will be adopted by the Annual General Meeting on March 31, 2008.

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 1.1 "Supplementary Rules for Consolidated Financial Statements" and other statements. As encouraged by the Board, TeliaSonera has pre-adopted RFR 1.1. The standard is applicable to Swedish legal entities whose securities are listed on a Swedish stock exchange or authorized equity market place on the balance sheet date and specifies supplementary rules and disclosures in addition to IFRS requirements, caused by provisions in the Swedish Annual Accounts Act.

Measurement bases, consolidation and accounting principles

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

Amounts and dates

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

New accounting standards

Standards, amendments to issued standards and interpretations, effective in 2007 or pre-adopted

- IFRS 7 "Financial Instruments: Disclosures" and an amendment on capital disclosures to IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after January 1, 2007). IFRS 7 adds certain new disclosure requirements and compiles all financial instruments disclosure requirements into one standard. It replaces the disclosure requirements in IAS 32 "Financial Instruments: Disclosure and Presentation." The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital.
- IFRS 8 "Operating Segments" (effective for annual periods beginning on or after January 1, 2009; earlier application permitted). IFRS 8 replaces IAS 14 "Segment Reporting" and is aligned with the U.S. GAAP requirements of FAS 131. IFRS 8 requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. TeliaSonera adopted IFRS 8 in 2007.
- IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies" (effective for annual periods beginning on or after March 1, 2006). IFRIC 7 is currently not relevant to TeliaSonera.

- IFRIC 8 "Scope of IFRS 2" (effective for annual periods beginning on or after May 1, 2006). IFRIC 8 is currently not relevant to TeliaSonera.
- IFRIC 9 "Reassessment of Embedded Derivatives" (effective for annual periods beginning on or after June 1, 2006). IFRIC 9 is currently not relevant to TeliaSonera.
- IFRIC 10 "Interim Financial Reporting and Impairment" (effective for annual periods beginning on or after November 1, 2006) addresses the apparent conflict between the requirements of IAS 34 "Interim Financial Reporting" and those in other standards on the recognition and reversal of impairment losses on goodwill and certain financial assets. IFRIC 10 states that any such impairment losses recognized in an interim financial statement must not be reversed in subsequent interim or annual financial statements. TeliaSonera already in previous periods applied the principle stated by IFRIC 10.

Standards, amendment to issued standards and interpretations, not yet effective

Recently issued new standards and interpretations impacting TeliaSonera's consolidated financial statements on or after January 1, 2008, are as follows:

- Amended IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after January 1, 2009; earlier application permitted). The amendment clarifies that vesting conditions are service conditions and performance conditions only and further specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. IFRS 2 is currently not relevant to TeliaSonera.
- Revised IFRS 3 "Business Combinations" and amended IAS 27 "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after July 1, 2009; early adoption permitted). Among other things, the changes to the standards include: transaction costs expensed as incurred; contingent consideration always recognized at fair value and for non-equity-consideration post-combination changes in fair value affects the income statement; option added to on a transaction-by-transaction basis permit recognition of 100 percent of the goodwill of the acquired entity with the increased goodwill amount also increasing the non-controlling interest; in a step acquisition, on the date that control is obtained, the fair values of the acquired entity's assets and liabilities, including goodwill, are measured and any resulting adjustments to previously recognized assets and liabilities are recognized in profit or loss; acquiring additional shares in a subsidiary after control was obtained as well as a partial disposal of shares in a subsidiary while retaining control is accounted for as an equity transaction with owners; a partial disposal of shares a subsidiary that results in loss of control triggers remeasurement of the residual holding to fair value and any difference between fair value and carrying amount is a gain or loss, recognized in profit or loss. TeliaSonera expects that applying the revised IFRS 3 and the amended IAS 27 might lead to increased volatility in the income statement.
- Revised IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after January 1, 2009; early adoption is permitted). The revision is aimed at improving users' ability to analyze and compare the information given in financial statements. The changes made are to require information to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. The revisions include changes in the titles of some of the financial statements to reflect their function more

clearly. The new titles will be used in accounting standards, but are not mandatory for use in financial statements. All owner changes in equity should be presented in the statement of changes in equity, separately from non-owner changes in equity.

- Amended IAS 23 "Borrowing Costs" (effective January 1, 2009; earlier application permitted). The amendment removes the option of immediately expensing borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for use or sale. The amendment is of no consequence, as TeliaSonera already applied the existing alternative of capitalizing borrowing costs.
- Amendments on puttable financial instruments and obligations arising on liquidation to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after January 1, 2009; earlier application permitted). The amendments are currently not relevant to TeliaSonera.
- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" (effective for annual periods beginning on or after March 1, 2007). IFRIC 11 is currently not relevant to TeliaSonera.
- IFRIC 12 "Service Concession Arrangements" (effective for annual periods beginning on or after January 1, 2008). IFRIC 12 is not relevant to TeliaSonera.
- IFRIC 13 "Customer Loyalty Programmes" (effective for annual periods beginning on or after July 1, 2008; earlier application permitted). IFRIC 13 explains how to account for obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits. Entities are required to allocate some of the proceeds of the initial sale to the award credits and recognize these proceeds as revenue only when their obligations are fulfilled either by supplying awards themselves or engaging a third party to do so. TeliaSonera already defers revenue related to loyalty programs as required by IFRIC 13. However, IFRIC 13 requires that the deferred revenue be determined as the fair value of the goods or services to be delivered in the future, while TeliaSonera bases the deferral on estimated costs. The change following the adoption of IFRIC 13 is not expected to have a material impact on TeliaSonera's results or financial position.
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective January 1, 2008; earlier application permitted). IFRIC 14 provides general guidance on how to assess the limit in IAS 19 on the amount of the surplus that can be recognized as an asset and explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. No additional liability need be recognized by the employer unless the contributions payable under the minimum funding requirement cannot be returned to the company. IFRIC 14 is currently not relevant to TeliaSonera.

EU endorsement status

As of December 31, 2007, all standards, revisions to standards, and interpretations mentioned above had been adopted by the EU, except for amended IFRS 2, revised IFRS 3, revised and amended IAS 1, amended IAS 23, amended IAS 27, amended IAS 32, IFRIC 12, IFRIC 13 and IFRIC 14, which at the beginning of March 2008 were still waiting to be endorsed.

The EU Commission has announced that, if an IFRS (or equivalent) is endorsed after the balance sheet date but before the date the financial statements are issued, it can be treated as endorsed for the purposes

of those financial statements if application prior to the date of endorsement is permitted by both the Regulation endorsing the document and the related IFRS.

Note 2 (Consolidated) Critical Accounting Policies, Estimates and Assumptions

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 significant accounting policies comprise its most critical estimates and assumptions used in the preparation of the financial statements: revenue recognition, income taxes, valuation of intangible and other non-current assets, collecting trade receivables, provisions for pensions, restructuring activities and minority put options, and contingent liabilities and litigation, all of which are discussed and separately marked in the respective sections of Note 4 "Significant Accounting Policies."

Note 3 (Consolidated) Consolidated Financial Statements

General

The consolidated financial statements comprise the parent company TeliaSonera AB and all entities over which TeliaSonera has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. TeliaSonera's consolidated financial statements are based on accounts prepared by all controlled entities as of December 31, and have been prepared using the purchase method. According to this method the cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree plus any costs directly attributable to the business combination. Identifiable assets acquired, and liabilities and contingent liabilities assumed are initially measured at fair value. Any excess of the cost of acquisition over the fair value of net assets acquired is recognized as goodwill.

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

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

Minority interests

Transactions with minority interests are treated as transactions with non-related parties. Disposals to minority interests result in capital gains or losses which are recognized in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the Group's car-

rying value of net assets of the subsidiary. Commitments to purchase minority interests and put options granted to minority shareholders (including any subsequent capital contributions from minority shareholders) are recognized as contingent consideration. Where the amount of the commitment exceeds the amount of the minority interest, the difference is recorded as goodwill. Any changes in the fair value of put options granted in connection with business combinations are recognized as an adjustment of goodwill, while changes in fair value of put options granted to minority shareholders in existing subsidiaries are recognized in the income statement.

Foreign currency translation and inflation adjustments

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

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

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

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

Associated companies and joint ventures

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

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

The income statement item Income from associated companies and joint ventures also includes amortization of fair value adjustments and

other consolidation adjustments made upon the acquisition of associated companies and joint ventures as well as any subsequent impairment losses on goodwill and other intangible assets, and capital gains and losses on divestitures of stakes in such companies.

TeliaSonera's share of any gains or losses resulting from transactions with associated companies and joint ventures are eliminated.

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

Segment reporting

The Group's operations are managed and reported by business area (BA). Segments are consolidated based on the same accounting principles as for the Group as a whole, except for loss-making customer contracts within one business area which are not provided for if a contract is profitable on Group level. When significant operations are transferred between segments, comparative period figures are reclassified.

Note 4 (Consolidated) Significant Accounting Policies

Revenue recognition

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

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

Subscription fees are recognized as revenue over the subscription period. Sales relating to pre-paid phone cards, primarily mobile, are deferred and recognized as revenue based on the actual usage of the cards. Connection fees are separately 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 relating to services and goods provided by TeliaSonera. A provision with respect to the total estimated earned amount is recognized as deduction from revenues. For recognition of customer acquisition costs, see section "Operating expenses" below.

TeliaSonera may bundle services and products into one customer offering. Offerings may involve the delivery or performance of multiple products, services, or rights to use assets (multiple deliverables). In some cases, the arrangements include initial installation, initiation, or activation services and involve consideration in the form of a fixed fee

or a fixed fee coupled with a continuing payment stream. Telecom equipment is accounted for separately from service where a market for each deliverable exist and if title to the equipment passes to the end-customer. Costs associated with the equipment are recognized at the time of revenue recognized. The revenue is allocated to equipment and services in proportion to the fair value of the individual items. If the fair value of delivered items cannot, but the fair value of undelivered items can be reliably determined, the residual method is used. Under the residual method, the amount of consideration allocated to the delivered item(s) equals the total arrangement consideration less the aggregate fair value of the undelivered items. Customized equipment that can be used only in connection with services or products provided by TeliaSonera is not accounted for separately and revenue is deferred over the total service arrangement period.

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

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

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

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

Operating expenses

TeliaSonera presents its analysis of expenses using a classification based on function. Cost of sales comprises all costs for services and products sold as well as for installation, maintenance, service, and support. Selling and marketing expenses comprise all costs for selling and marketing services and products and includes expenses for advertising, PR, pricelists, commission fees, credit information, debt collection, etc. Bad debt losses as well as doubtful debts allowances are also included. Recovery of receivables written-off in prior years is included in Other operating income. Research and development expenses (R&D) include expenses for developing new or substantially improving already existing services, products, processes or systems. Maintenance and minor adjustments to already existing products, services, processes or systems is not included in R&D. Expenses that are related to specific customer orders (customization) are included in Cost of sales. Amortization, depreciation and impairment losses are included in each function to the extent referring to intangible assets or property, plant and equipment used for that function.

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

Other operating income and expenses

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

Also included in other operating income and expenses are government grants, exchange rate differences on operating transactions, restructuring costs and other items of a non-recurring nature and not related to the ordinary business activities. Government grants are initially measured at fair value and recognized as income over the periods necessary to match them with the related costs. Exchange rate differences on operating transactions include effects from economic hedges and value changes in derivatives hedging operational transaction exposure (see section "Derivatives and hedge accounting" below).

Finance costs and other financial items

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

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

Income taxes

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

On initial recognition of assets and liabilities, deferred taxes are not recognized on temporary differences in transactions that are not business combinations. Deferred tax liabilities for undistributed earnings or

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

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

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

Intangible assets, and property, plant and equipment

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

Measurement bases

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

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

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

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

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

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

Amortization and depreciation

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

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

Impairment testing

Goodwill and other intangible assets with indefinite useful lives (currently none existing) and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. Intangible assets with a finite life and tangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Where it is

not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is tested for impairment. If an analysis indicates that the carrying value is higher than its recoverable amount, which is the higher of the fair value less costs to sell and value in use, an impairment loss is recognized for the amount by which the carrying amounts exceeds the recoverable amount. Value in use is measured based on the expected future discounted cash flows (DCF model) attributable to the asset. The impairment loss is recognized in the income statement, unless the relevant asset is carried at a revalued amount following a business combination (step acquisition), in which case the impairment loss is recognized as a reduction of the revaluation reserve in shareholders' equity.

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

Financial instruments

Categories

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

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

Transaction costs, impairment and derecognition

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

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when TeliaSonera has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the asset, or has transferred control of the asset. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the carrying amounts is recognized in profit or loss.

Fair value estimation

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

Current/non-current distinction

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

Financial assets – measurement

Quoted equity instruments are measured at fair value, being the quoted market prices. Unrealized gains and losses arising from changes in fair value other than impairment losses up to the date of sale are recognized in the fair value reserve as a component of equity. If the fair value of a quoted equity instrument declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognized in profit or loss. An impairment loss is calculated by reference to the current fair value. Unquoted eq-

uity instruments whose fair value cannot be reliably determined are valued at cost less any impairment. An impairment loss on an unquoted equity instrument is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on equity investments carried at cost are not subsequently reversed.

Government bonds and treasury bills are initially recognized at fair value and if held-to-maturity subsequently measured at amortized cost, using the effective interest rate method, less impairment. If not held-to-maturity such instruments are subsequently measured at fair value, being the quoted market prices, with changes recorded directly in equity. Receivables arising from own lending, except for short-term receivables where the interest effect is immaterial, are measured at amortized cost, using the effective interest rate method, less impairment. An impairment loss on government bonds and treasury bills and on receivables from own lending is calculated as the difference between the carrying amount and the present value of the estimated future cash flow discounted at the original effective interest rate.

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

Financial liabilities – measurement

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

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

Trade receivables and trade payables – measurement

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

ing expenses. Accrued trade payables are recognized at the amounts expected to be billable.

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

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

Derivatives and hedge accounting – measurement and classification

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

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

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

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

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

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the

foreign currency translation reserve as a component of equity. The gain or loss relating to the ineffective portion is recognized in the income statement. Gains and losses deferred in the foreign currency translation reserve are recognized in the income statement on disposal of the foreign operation.

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

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

Inventories

Inventories are carried at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Obsolescence is assessed with reference to the age and rate of turnover of the items. The entire difference between the opening and closing balance of the obsolescence allowance is charged to costs of sales.

Assets held-for-sale

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

Shareholders' equity

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

Dividend payments are proposed by the Board of Directors in accordance with the regulations of the Swedish Companies Act and decided by the General Meeting of shareholders. The proposed cash dividend for 2007 will be recorded as a liability immediately following the final decision by the shareholders.

Provisions for pensions and employment contracts

TeliaSonera provides defined benefit pension plans, which mean that the individual is guaranteed a pension equal to a certain percentage of his

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

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

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

The present value of pension obligations and pension costs are calculated annually, using the projected unit credit method. Actuarial assumptions are determined at the balance sheet date. The assets of TeliaSonera's pension funds constitute pension plan assets and are valued at fair value.

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

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

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

The discount rate reflects the rates at which the pension benefits could be effectively settled, which means a period somewhere from 15 to 30 years. Since the bulk of TeliaSonera's pension obligations refer to the operations in Sweden,

management has chosen to base the estimated discount rate on yields derived from Swedish domestic government bonds, as management regards such bonds as high-quality fixed income investments currently available and expected to be available during the period to maturity of the pension benefits. However, the longest term of Swedish domestic nominal bonds is some 12 years. Yields for terms over 12 years have been estimated by extrapolating the yield-curve. See section "Pension obligation risk" in Note 28 "Financial Risk Management" for a sensitivity analysis related to a change in the weighted average discount rate in calculating pension provisions.

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

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

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

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

The expected nominal net return from the Swedish pension fund portfolio, representing approximately 85 percent of total plan assets, is approximately 5 percent per annum over a 10-year period, where inflation is assumed to be 2 percent per annum. The strategic allocation of plan assets is composed to give the expected average return. More specifically the expected gross nominal return in the Swedish pension fund is based on the following assumptions; domestic fixed income 4.5 percent, domestic and global equity 8 percent and other investments 8 percent. The assumptions used in the non-Swedish pension funds are similar.

Provisions and contingencies

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

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

A provision is recognized when TeliaSonera has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount

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

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

Onerous contracts are recognized when the expected benefits to be derived by from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established any impairment loss on the assets associated with that contract is provided for.

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

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

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

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

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

Leasing agreements

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

TeliaSonera as lessee

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

TeliaSonera as finance lessor

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

TeliaSonera as operating lessor

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

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

Transactions in foreign currencies

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

**Note 5 (Consolidated)
Changes in Group Composition****Significant events in 2007****Cygate**

On January 26, 2007, TeliaSonera acquired a majority stake in Cygate Group AB and as of December 31, 2007 held all shares in the company. Cygate is a leading supplier of secure and managed IP network solutions as well as system integration in the Nordic market. The acquisition underlines TeliaSonera's strategic direction to strengthen its position within managed services.

debitel Danmark

On April 11, 2007, TeliaSonera acquired 100 percent of the Danish service provider debitel Danmark A/S. The transaction also includes debitel's 50 percent share in DLG-debitel I/S, operating under the brand DLG Tele. The transaction strengthens TeliaSonera's position in the Danish mobile market.

MCT

On July 16, 2007, TeliaSonera acquired 100 percent of the shares in MCT Corp, a U.S. based company with shareholdings in four mobile operators: majority holdings in OOO Coscom in Uzbekistan, ZAO Indigo Tadzshikistan and ZAO Somoncom in Tajikistan, and a 12.25 percent interest in Telecom Development Company Afghanistan Ltd. (Roshan). The transaction underlines TeliaSonera's strategy to be the leading Eurasian mobile operator.

Other acquisitions

In 2007 and in order to strengthen its market position, TeliaSonera also acquired the systems integrator Didata Dimension Data Sverige AB (now Didata Sverige AB) in Sweden (100 percent), the managed-hosting specialist company Crescom Oy in Finland (100 percent), the credit collection and claims management company Moneto Kapital AS in Norway (51 percent), the retail chain UAB Mikrovisatos prekyba (now UAB Omnitel salonai) in Lithuania (100 percent), the virtual mobile operator SIA ZetCOM (100 percent) and the mobile handset service company SIA MOSERS (100 percent), both in Latvia.

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

Note 6 (Consolidated) Segment Information

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

- BA Mobility Services is responsible for personal mobility services for the consumer and enterprise mass markets. The operations comprise the mobile operations in Sweden, Finland, Norway, Denmark, Lithuania, Latvia, Estonia and Spain.
- BA Broadband Services is responsible for mass-market services for connecting homes and offices and for home communications. It operates the group common core network and comprises operations in Sweden, Finland, Norway, Denmark, Lithuania, Latvia (49 percent), Estonia and international carrier operations.
- BA Integrated Enterprise Services is responsible for the Nordic and Baltic business where TeliaSonera is engaged in managing enterprises' internal IT and telecom infrastructure. It is responsible for the enterprises' total telecommunications needs and offers end-to-end management solutions with service guarantees.
- BA Eurasia comprises the mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia and Moldova. It is also responsible for developing TeliaSonera's shareholding in the mobile

operators MegaFon (44 percent) in Russia and Turkcell (37 percent) in Turkey.

- Other operations comprise TeliaSonera Holding, Corporate Head Office and Common Services. TeliaSonera Holding is responsible for the Group's non-core/non-strategic operations. The operations in Holding are being gradually divested through sales or closing-down of operations. Corporate Head Office acts on behalf of the CEO by making corporate policies, by coordinating TeliaSonera Group matters and by exercising a strong central control to exploit scale advantages and synergies. Common Services comprises certain shared service functions on Group level, country level and BA level.

Segment consolidation is based on the same accounting principles as for the Group as a whole, except for loss-making customer contracts within BA Integrated Enterprise Services which are not provided for in the BA accounts if a contract is profitable on Group level. Inter-segment transactions are based on commercial terms. Besides Net sales and Operating income, principal segment control and reporting concepts are EBITDA excluding non-recurring items and Operating segment capital, respectively (see "Definitions"). Comparative period figures for 2006 have been restated to reflect the organizational restructuring effective January 1, 2007.

SEK in millions	January–December 2007 or December 31, 2007						Group
	Mobility Services	Broadband Services	Integrated Enterprise Services	Eurasia	Other operations	Eliminations	
Net sales	44,519	41,273	13,729	10,338	647	-14,162	96,344
External net sales	39,472	34,354	11,700	10,332	515	-29	96,344
EBITDA excluding non-recurring items	13,332	12,926	-162	5,255	-348	18	31,021
Non-recurring items	-363	-332	-135	–	142	0	-688
Amortization, depreciation and impairment losses	-4,162	-5,877	-428	-1,278	-173	43	-11,875
Income from associates and joint ventures	-172	222	–	6,906	740	1	7,697
Operating income/loss	8,635	6,939	-725	10,883	361	62	26,155
Financial items, net							-904
Income taxes							-4,953
Net income							20,298
Investments in associates and joint ventures	274	885	–	31,572	334	–	33,065
Other operating segment assets	85,528	51,978	4,935	16,008	2,700	-1,789	159,360
Unallocated operating assets							12,111
Other unallocated assets							12,165
Total assets							216,702
Operating segment liabilities	12,855	12,857	2,660	3,708	3,580	-1,800	33,860
Unallocated operating liabilities							29,751
Other unallocated liabilities							43,995
Adjusted equity							109,095
Total equity and liabilities							216,702
Investments	5,468	5,910	1,256	7,679	399	-10	20,702
of which CAPEX	4,168	5,369	532	3,114	347	1	13,531
Number of employees	7,789	14,361	3,726	3,862	1,554	–	31,292
Average number of full-time employees	6,907	13,488	3,457	2,866	1,658	–	28,376

SEK in millions	January–December 2006 or December 31, 2006 (restated)						
	Mobility Services	Broadband Services	Integrated Enterprise Services	Eurasia	Other operations	Eliminations	Group
Net sales	41,949	40,880	12,940	8,508	527	-13,744	91,060
External net sales	37,275	33,725	11,178	8,505	377	–	91,060
EBITDA excluding non-recurring items	13,845	13,629	360	4,757	-318	-7	32,266
Non-recurring items	-418	-847	-278	–	390	–	-1,153
Amortization, depreciation and impairment losses	-4,165	-5,567	-316	-1,030	-164	39	-11,203
Income from associates and joint ventures	-166	220	–	4,800	725	–	5,579
Operating income/loss	9,096	7,435	-234	8,527	633	32	25,489
Financial items, net							-263
Income taxes							-5,943
Net income							19,283
Investments in associates and joint ventures	425	755	–	23,202	1,154	–	25,536
Other operating segment assets	79,123	52,303	3,604	9,115	2,378	-1,957	144,566
Unallocated operating assets							12,258
Other unallocated assets							17,032
Total assets							199,392
Operating segment liabilities	11,423	15,527	2,996	1,346	2,656	-1,903	32,045
Unallocated operating liabilities							40,152
Other unallocated liabilities							27,768
Adjusted equity							99,427
Total equity and liabilities							199,392
Investments	5,153	6,624	361	2,699	215	–	15,052
of which CAPEX	3,252	4,605	324	2,699	215	6	11,101
Number of employees	7,087	14,610	3,374	2,023	1,434	–	28,528
Average number of full-time employees	6,397	14,335	2,974	1,965	1,298	–	26,969

External net sales were distributed by product area as follows.

SEK in millions	January–December	
	2007	2006
Mobile communications	50,418	47,660
Fixed communications	38,535	39,000
Other services	7,391	4,400
Total	96,344	91,060

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

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

	January–December				December 31,			
	2007		2006		2007		2006	
	Net sales		Net sales		Non-current assets		Non-current assets	
	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent
Sweden	36,046	37.4	36,297	39.9	23,336	17.0	22,086	18.0
Finland	16,735	17.4	16,504	18.1	41,982	30.7	40,906	33.3
Norway	9,603	10.0	9,053	9.9	29,941	21.9	27,951	22.7
All other countries	33,960	35.2	29,207	32.1	41,604	30.4	31,899	26.0
Total	96,344	100.0	91,060	100.0	136,863	100.0	122,842	100.0

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

	January–December			
	2007		2006	
	SEK in millions	Percent	SEK in millions	Percent
European Economic Area (EEA)	84,452	87.6	81,220	89.2
<i>of which European Union (EU) member states</i>	<i>74,817</i>	<i>77.7</i>	<i>72,149</i>	<i>79.2</i>
Rest of Europe	1,068	1.1	849	0.9
North-American Free Trade Agreement (NAFTA)	555	0.6	522	0.6
Rest of world	10,269	10.7	8,469	9.3
Total	96,344	100.0	91,060	100.0

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

Note 7 (Consolidated) Net Sales

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

Percent	January–December	
	2007	2006
Change in net sales	5.8	3.9
of which volume growth	9.7	7.7
structural changes	2.7	1.7
exchange rate effects	-0.5	0.0
price reductions	-6.1	-5.1

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

Structural changes in 2007 mainly related to the acquisitions of Cygate, debitel Danmark, and the mobile operations in Uzbekistan and Tajikistan during the period February 1–July 1, 2007 and the acquisition of NextGenTel in June 2006. NextGenTel also impacted 2006, while other changes in 2006 mainly related to the acquisition of Chess in late 2005.

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

Note 8 (Consolidated) Expenses by Nature

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

SEK in millions	January–December	
	2007	2006
Goods purchased	17,271	15,307
Interconnect and roaming expenses	14,998	14,065
Other network expenses	3,727	2,667
Change in inventories	81	-120
Personnel expenses (Note 32)	13,477	12,721
Marketing expenses	6,941	6,068
Other expenses	10,308	9,126
Amortization, depreciation and impairment losses (Note 11)	11,704	11,173
Total	78,507	71,007

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

Note 9 (Consolidated) Other Operating Income and Expenses

Other operating income and expenses were distributed as follows.

SEK in millions	January–December	
	2007	2006
Other operating income		
Capital gains	232	151
Exchange rate gains	49	214
Commissions, etc.	311	280
Grants, etc.	24	15
Recovered accounts receivable, released accounts payable	680	425
Compensation for damages	53	53
Total other operating income	1,349	1,138
Other operating expenses		
Capital losses	-44	-60
Provisions for onerous contracts	4	–
Exchange rate losses	-114	-236
Restructuring costs	-366	-928
Impairment charges	-171	-30
Damages paid	-37	-27
Total other operating expenses	-728	-1,281
Net effect on income	621	-143
of which net exchange rate losses on derivative instruments held-for-trading	-45	-36

Released accounts payable in 2007 and 2006 include SEK 653 million and SEK 389 million, respectively, following a number of rulings by courts of first instance and of appeal reducing certain historical interconnect fees in Sweden. Restructuring costs in 2006 are reported net of a SEK 500 million reversal of a provision related to the settlement of a dispute regarding a potential co-location site in London, U.K.

Note 10 (Consolidated) Related Party Transactions

The Swedish State and the Finnish State

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

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

The Swedish telecommunications market is governed mainly by the Electronic Communications Act and ordinances, regulations and decisions in accordance with the Act. Operators that have a significant publicly available communications network 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 57 million in 2007 and SEK 58 million in 2006. 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 48 million in 2007 and SEK 60 million in 2006.

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 2007 and 2006, TeliaSonera paid EUR 1.7 million and EUR 2.1 million, respectively, for the use of radio frequencies and EUR 0.8 million and EUR 0.9 million, respectively, for the use of numbers. In 2007 and 2006, TeliaSonera paid EUR 0.1 million and EUR 0.2 million, respectively, for data privacy supervision and EUR 0.8 million and EUR 1.1 million, respectively, as communications market fee, i.e. a general fee paid for the regulatory activities of the Finnish Communications Regulatory Authority (FICORA).

Associated companies and joint ventures

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

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

SEK in millions	January–December or December 31,	
	2007	2006
Sales of goods and services	336	591
Purchases of goods and services		
Telefon Group (including the Eltel Group up until August 9, 2007)	1,079	1,812
Svenska UMTS-nät AB (joint venture)	551	505
Other	184	110
Total purchases of goods and services	1,814	2,427
Trade and other receivables	63	440
Loans receivable		
OAo MegaFon	301	321
Other	–	101
Total loans receivable	301	422
Trade and other payables	186	660

Pension funds

As of December 31, 2007, TeliaSonera's pension funds held 1,450,483 TeliaSonera shares, or 0.03 percent of the voting rights. For information on transactions and balances, see Note 23 "Provisions for Pensions and Employment Contracts."

Commitments on behalf of related parties

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

Key management

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

Note 11 (Consolidated) Amortization, Depreciation and Impairment Losses

No general changes of useful lives were effected in 2007. For a discussion on impairment testing, see Note 15 "Goodwill and Other Intangible Assets." The following amortization and depreciation rates were applied.

Trade names	Individual evaluation, minimum 10%
Licenses for mobile and fixed communications	License period, minimum 5%
Customer relationships	Individual evaluation, based on historic and projected churn
Other intangible assets	20–33% or individual evaluation
Buildings	2–10%
Land improvements	2%
Expenditure on improvements to property not owned by the Group	Remaining term of corresponding lease
Mobile networks (base stations and other installations)	14.5%
Fixed networks	
• Switching systems and transmission systems	10–33%
• Transmission media (cable)	5–10%
• Equipment for special networks	20–33%
• Usufruct agreements of limited duration	Agreement period or time corresponding to the underlying tangible fixed asset
• Other installations	2–33%
Equipment, tools and installations	10–33%
Equipment placed with customers under service arrangements	Agreement term, annuity basis

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

SEK in millions, except proportions	January–December	
	2007	2006
Cost of sales	9,660	9,203
Selling and marketing expenses	1,400	1,149
Administrative expenses	495	519
Research and development expenses	149	302
Other operating expenses	171	30
Total	11,875	11,203
Proportion to net sales (%)	12.3	12.3

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

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

SEK in millions	January–December	
	2007	2006
Other intangible assets	2,837	2,422
Buildings and land improvements	318	375
Mobile networks	3,599	3,793
Fixed networks	4,378	3,995
Other plant and equipment	743	618
Total	11,875	11,203

Note 12 (Consolidated) Associated Companies and Joint Ventures

Income from associated companies and joint ventures

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

SEK in millions	January–December	
	2007	2006
Share in net income for the year	7,677	5,477
Amortization of fair value adjustments	-54	92
Impairment losses on goodwill, fair value adjustments, etc.	-0	-41
Net capital gains	74	51
Net effect on income	7,697	5,579

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

SEK in millions	January–December	
	2007	2006
Svenska UMTS-nät AB, Sweden (joint venture)	-156	-70
SIA Lattelecom, Latvia	225	209
OAO MegaFon, Russia	4,181	2,779
Turkcell İletişim Hizmetleri A.S., Turkey	2,725	2,021
Overseas Telecom AB, Sweden	18	633
Telefos AB, Sweden	640	37
Unisource N.V./AUCS, the Netherlands	32	31
Other holdings	32	-61
Net effect on income	7,697	5,579

In 2007, Telefos AB divested its remaining subsidiary Eltel Group Oy. Turkcell's financials are included in TeliaSonera's reporting with a one-quarter lag. As of January 1, 2006, the Turkish economy was from an accounting perspective no longer considered to be hyperinflationary, affecting TeliaSonera in the second quarter of 2006.

Investments in associated companies and joint ventures

The total carrying value was distributed and changed as follows.

SEK in millions	December 31,	
	2007	2006
Goodwill and similar assets on consolidation	8,655	7,685
Share of equity	24,410	17,851
Carrying value	33,065	25,536
Carrying value, opening balance	25,536	25,208
Share of net income for the year	7,677	5,477
Amortization and write-downs of fair value adjustments	-54	51
Dividends received	-2,684	-1,788
Acquisitions and operations acquired	389	91
Divestments and divested operations	-	-3
Reclassifications	-314	74
Inflation adjustments	-	-147
Exchange rate differences	2,515	-3,427
Carrying value, closing balance	33,065	25,536

The carrying value is broken down by reportable segment in Note 6 "Segment Information" and by company in Note 35 "Specification of Shareholdings and Participations." The market value of the Group's holding in the publicly quoted Turkcell was SEK 57,871 million and SEK 28,428 million as of December 31, 2007 and 2006, respectively.

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

SEK in millions	December 31 or January–December	
	2007	2006
Non-current assets	125,270	109,573
Current assets	39,976	26,099
Provisions and long-term liabilities	17,691	20,847
Current liabilities	23,508	18,556
Net sales	85,195	75,095
Gross profit	56,158	47,339
Net income	24,638	16,674

**Note 13 (Consolidated)
Finance Costs and Other Financial Items**

Finance costs and other financial items were distributed as follows.

SEK in millions	January–December	
	2007	2006
Finance costs		
Interest expenses	-1,948	-1,038
Interest expenses on finance leases	-5	-8
Unwinding of provision discounts	-26	-77
Capitalized interest	17	29
Net exchange rate gains and losses	226	45
Total finance costs	-1,736	-1,049
Other financial items		
Interest income	736	576
Interest income on finance leases	52	46
Dividends from financial investments	0	1
Capital gains on financial investments available-for-sale	49	191
Impairment losses on venture capital investments	-5	-28
Total other financial items	832	786
Net effect on income	-904	-263

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

SEK in millions	January–December					
	Interest expenses		Net exchange rate gains and losses		Interest income	
	2007	2006	2007	2006	2007	2006
Fair value hedge derivatives	-57	112	272	-436	–	–
Cash flow hedge derivatives	-46	-29	145	-162	–	–
Derivatives held-for-trading	97	1	192	30	–	–
Held-to-maturity investments	–	–	–	–	15	–
Loans and receivables	–	–	–	–	711	550
Borrowings in a fair value hedge relationships	-611	-533	-272	436	–	–
Borrowings at amortized cost	-1,284	-536	-111	177	–	–
Other	-47	-53	0	–	10	26
Total	-1,948	-1,038	226	45	736	576

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

Note 14 (Consolidated) Income Taxes

Income tax expense

In 2007 and 2006, pre-tax income was SEK 25,251 million and SEK 25,226 million, respectively. Income tax expense was distributed as follows.

SEK in millions	January–December	
	2007	2006
Tax expense brought to income		
Current taxes	5,781	4,901
Deferred taxes	-828	1,042
Total tax expense brought to income	4,953	5,943
Tax expense recognized directly in shareholders' equity		
Current taxes	-44	–
Deferred taxes	14	-37
Total tax expense recognized directly in shareholders' equity	30	-37

Certain components included in tax expense brought to income were as follows.

SEK in millions	January–December	
	2007	2006
Effect of changes in tax rates	105	70
Current year losses for which no deferred tax asset was recognized	557	232
Underprovided or overprovided taxes in prior years	158	122
Recognition of previously unrecognized deferred taxes	-845	84

Amounts stated above related either to not recognized or to recognized deferred taxes are commented on in section "Tax loss carry-forwards" below.

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

Percent	January–December	
	2007	2006
Swedish income tax rate	28.0	28.0
Effect of higher or lower tax rates in subsidiaries	-2.6	-2.3
Withholding tax on dividends from subsidiaries, associate companies and joint ventures	3.1	2.3
Underprovided or overprovided taxes in prior years	0.6	0.5
Recognition of previously unrecognized tax losses	-3.4	0.3
Effect of changes in tax rates	0.4	0.3
Income from associated companies and joint ventures	-8.5	-6.2
Current year losses for which no deferred tax asset was recognized	2.2	0.9
Non-deductible expenses	0.1	0.2
Tax-exempt income	-0.3	-0.4
Tax rate as per the income statement	19.6	23.6
Tax recognized directly in shareholders' equity	-0.1	-0.1
Effective tax rate	19.5	23.5

On June 1, 2007, the Danish parliament enacted changes to the Corporate Income Tax Act, including a reduction of the Danish corporate income tax rate from 28 percent to 25 percent retroactively effective January 1, 2007. In 2006, the Spanish parliament decided to reduce the Spanish corporate income tax rate from 35 percent to 32.5 percent and 30 percent effective January 1, 2007 and January 1, 2008, respectively.

Income tax assets and liabilities

Deferred tax assets and liabilities changed as follows.

SEK in millions	December 31,	
	2007	2006
Deferred tax assets		
Opening balance	12,054	12,305
Operations acquired	66	1,491
Income statement period change	-950	-1,086
Recognized in equity	-14	-5
Reclassifications	334	-162
Exchange rate differences	527	-489
Deferred tax assets, closing balance	12,017	12,054
Deferred tax liabilities		
Opening balance	10,121	9,578
Operations acquired	774	714
Income statement period change	-1,778	-44
Recognized in equity	-	-42
Reclassifications	431	57
Exchange rate differences	29	-142
Deferred tax liabilities, closing balance	9,577	10,121

For changes in deferred tax assets and liabilities related to operations acquired in 2007, see Note 34 "Business Combinations, etc."

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

SEK in millions	December 31,	
	2007	2006
Gross deferred tax assets		
Unrealized gain, associated companies	48	48
Delayed depreciation, impairment losses and fair value adjustments, other non-current assets	5,782	5,403
Delayed expenses for provisions	255	549
Doubtful current receivables	191	31
Tax loss carry-forwards	9,481	12,717
Subtotal	15,757	18,748
Valuation allowances		
Delayed depreciation, other non-current assets	-132	-129
Tax loss carry-forwards	-2,918	-2,973
Subtotal	-3,050	-3,102
Off-set deferred tax liabilities/assets	-690	-3,592
Total deferred tax assets	12,017	12,054
Deferred tax liabilities		
Withholding taxes and impairment losses, associated companies	1,322	3,399
Accelerated depreciation and fair value adjustments, other non-current assets	6,094	7,607
Fair value adjustments, provisions	653	1,228
Delayed revenue recognition, current receivables	52	159
Profit equalization reserves	2,146	1,320
Subtotal	10,267	13,713
Off-set deferred tax assets/liabilities	-690	-3,592
Total deferred tax liabilities	9,577	10,121
Net deferred tax assets	2,440	1,933
Net increase (+)/decrease (-) in valuation allowance	-52	873

The expected maturities for unrecognized deferred tax assets related to tax loss carry-forwards, as reflected by the valuation allowance as of December 31, 2007, are SEK 444 million in 2011 and SEK 1,811 million in 2024, while SEK 536 million is unlimited. Unrecognized deferred tax liabilities for undistributed earnings in subsidiaries, including estimated such income tax that is levied on dividends paid, totaled SEK 552 million in 2007 and SEK 496 million in 2006.

Tax loss carry-forwards

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

Tax losses in Finland refer mainly to impairment losses on the European 3G investments recognized by TeliaSonera Finland Oyj (formerly Sonera Oyj) in 2002. In 2007, deferred tax assets increased by approximately SEK 0.7 billion following an approval by the Finnish tax authorities to utilize previously restricted tax losses, emanating chiefly from 2003 and relating to capital losses on shares divested by another subsidiary

within the Finnish tax group. Some minor tax losses in other Finnish subsidiaries have been reduced to zero by a full valuation allowance as incurred, since management estimates that it is probable that the tax losses will not be utilized before their expiry.

Tax losses in Spain refer to the Spanish 3G mobile network operator Xfera that was acquired in June 2006 and that subsequently launched its services in December 2006. Xfera is a start-up operation that has reported tax losses since its incorporation in 2000, due to annual spectrum fees invoiced by the Spanish government authorities, depreciation and write-downs of earlier investments, and other pre-operating losses. As of December 31, 2007, Xfera had tax losses and taxable temporary differences totaling SEK 7.9 billion. As is the normal case for start-up operations, management projects tax losses also during the next few years.

At the current stage of the 3G market and due to the decreases in equipment prices in the past few years, management is, however, confident that Xfera will be able to generate taxable profits, and has prepared a robust business plan based on a sound business model with detailed and benchmarked data, and has also convinced other parties to invest alongside TeliaSonera. As a result, management believes that the current tax losses will be utilized before they expire after 15 years from the first profitable year. However, management acknowledges that the threshold for recognizing deferred tax assets in a situation of recurring historical losses is higher than for other assets, and has therefore reduced its projections to a level which it is convinced that Xfera will reach. As of December 31, 2007, based on these projections, management has recognized a deferred tax asset of SEK 675 million after valuation allowance.

TeliaSonera's accumulated tax loss carry-forwards were SEK 35,277 million in 2007 and SEK 46,991 million in 2006. Tax loss carry-forwards as of December 31, 2007 expire as follows.

Expected expiry, SEK in millions	Tax loss carry-forwards
2008	38
2009	13
2010	58
2011	1,778
2012	18,247
2013-2024	11,482
Unlimited	3,661
Total	35,277

Most of the Finnish tax loss carry-forwards expire in 2012. The decrease in accumulated tax loss carry-forwards compared to 2006 is mainly related to a temporary deduction that a Dutch subsidiary recorded on one of its equity investments in 2005, in accordance with article 13ca of the Dutch Corporate Income Tax Act. The temporary deduction led to a tax loss carry-forward in 2005, which was fully reversed in 2007 as a consequence of divesting the equity investment.

Note 15 (Consolidated) Goodwill and Other Intangible Assets

The total carrying value was distributed and changed as follows.

SEK in millions	December 31,			
	Goodwill		Other intangible assets	
	2007	2006	2007	2006
Accumulated cost	71,515	62,957	26,350	22,327
Accumulated amortization	–	–	-12,858	-10,257
Accumulated impairment losses	-343	-319	-756	-539
Advances	–	–	1	3
Carrying value	71,172	62,638	12,737	11,534
<i>of which work in progress</i>	–	–	716	543
Carrying value, opening balance	62,638	62,498	11,534	11,869
Investments	4,653	3,368	3,332	1,437
<i>of which capitalized interest</i>	–	–	10	3
Sales and disposals	-1	-44	-13	-57
Operations acquired	3	38	248	1,206
Operations divested	–	-4	-1	1
Reclassifications	106	0	-7	-21
Amortization for the year	–	–	-2,615	-2,403
Impairment losses/reversed losses for the year	-10	-5	-212	-13
Advances	–	–	-2	-3
Exchange rate differences	3,783	-3,213	473	-482
Carrying value, closing balance	71,172	62,638	12,737	11,534

See Note 34 "Business Combinations, etc" for more information on significant acquisitions in 2007.

Capitalized development expenses, primarily for administrative software systems, amounted to SEK 438 million in 2007 and SEK 175 million in 2006. In these years, amortization was SEK 335 million and SEK 362 million, respectively.

Goodwill is allocated between TeliaSonera's business areas as follows.

SEK in millions	December 31,	
	2007	2006
Business area Mobility Services	54,883	50,639
Business area Broadband Services	12,003	10,981
Business area Integrated Enterprise Services	398	58
Business area Eurasia	3,777	873
Other operations	111	87
Total goodwill	71,172	62,638

Goodwill as allocated in the organization existing up to the end of 2006 was to a large extent directly attributable to the new business organization. The goodwill from the acquisition of Sonera Oyj in 2002 did, however, relate to more than one part of the organization and the relative value approach was used to allocate the goodwill between business areas Mobility Services (SEK 21,297 million) and Broadband Services (SEK 8,155 million). The main part of business area Mobility Services' goodwill, in addition to the Sonera Oyj acquisition, arose in connection with the acquisitions of NetCom ASA in 2000 (SEK 21,893 million) and Orange Denmark in 2004 (SEK 3,860 million). Business area Eurasia's goodwill increased in 2007 following the acquisitions of the Uzbek and Tajik operations (SEK 3,221 million).

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

SEK in millions	December 31,	
	2007	2006
Trade names	398	594
Licenses	3,903	2,729
Customer relationships	4,694	3,306
Administrative software systems	1,584	1,572
Patents, etc.	1,324	2,465
Leaseholds, etc.	117	322
Work in progress, advances	717	546
Total other intangible assets	12,737	11,534

Impairment testing

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

As of December 31, 2007, the recoverable values of the cash-generating units were found to be in excess of their carrying values in all tests and therefore the related goodwill was not impaired. Management has used assumptions that it believes are reasonable based on the best information available as of the date of the financial statements.

The key assumptions used in the value in use calculations were sales growth, EBITDA margin development, the weighted average cost of capital (WACC), and the terminal growth rate of free cash flow. The calculations were based on 5-year forecasts approved by management, which management believes reflect past experience, forecasts in industry reports, and other externally available information. Due to the nature of the investment, the forecast period used for business area Mobility Services' Spanish operations was 10 years.

The post-tax WACC rates used in the impairment tests varied by geographic area as follows.

Geographic area	WACC rates (percent)
Nordic countries	8.5–9.1
Baltic countries	8.4–10.1
Spain	11.1
Eurasia	10.6–18.1

The growth rates used to extrapolate cash flows beyond the 5-year forecasts (in Spain 10 year forecast) varied from operation to operation. For operations within business area Mobility Services the growth rate varied between 1.0 and 2.5 percent. The corresponding rates for operations within the other business areas were 1.0 percent for Broadband Services and Integrated Enterprise Services and 1.0–3.0 percent for Eurasia. In all cases management believes the growth rates to not exceed the average growth rates for markets in which TeliaSonera operates.

Note 16 (Consolidated) Property, Plant and Equipment

The carrying value was distributed and changed as follows.

SEK in millions	December 31,									
	Plant and machinery						Equipment, tools and installations		Total	
	Property		Mobile networks		Fixed networks		2007	2006	2007	2006
Accumulated cost	7,542	7,213	47,386	44,389	119,656	117,201	7,434	6,456	182,018	175,259
Accumulated depreciation	-3,078	-2,740	-28,154	-28,065	-77,482	-76,811	-5,514	-4,841	-114,228	-112,457
Accumulated impairment losses	-426	-406	-384	-382	-14,644	-13,741	-246	-220	-15,700	-14,749
Advances	24	28	486	101	1	3	1	10	512	142
Carrying value	4,062	4,095	19,334	16,043	27,531	26,652	1,675	1,405	52,602	48,195
<i>of which assets under construction</i>	-	-	3,033	1,525	2,087	1,923	-	-	5,120	3,448
Carrying value, opening balance	4,095	4,218	16,043	15,329	26,652	27,077	1,405	1,577	48,195	48,201
Investments	155	427	5,895	4,685	4,914	4,320	709	522	11,673	9,954
<i>of which capitalized interest</i>	-	-	2	21	5	5	-	-	7	26
Sales and disposals	-20	-32	-49	-181	-57	213	-35	-219	-161	-219
Dismantling and restoration	-	-	29	49	53	18	-	-	82	67
Operations acquired	59	52	68	144	355	-	55	465	537	661
Operations divested	-	-	-	-	-46	-	-20	-	-66	-
Reclassifications	-33	-40	148	299	-463	-153	251	-186	-97	-80
Depreciation for the year	-318	-377	-3,580	-3,482	-4,164	-4,193	-738	-703	-8,800	-8,755
Impairment losses/reversed losses for the year	-	-	-19	-	-214	-9	-5	-	-238	-9
Advances	-4	23	385	39	-2	2	-9	6	370	70
Exchange rate differences	128	-176	414	-839	503	-623	62	-57	1,107	-1,695
Carrying value, closing balance	4,062	4,095	19,334	16,043	27,531	26,652	1,675	1,405	52,602	48,195

Property

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

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

SEK in millions	December 31,	
	2007	2006
Buildings	289	179
Land and land improvements	56	57
Tax-assessed value	345	236

At the 2007 property assessment for tax purposes, a considerable number of properties were assessed for the first time, while others had their assessments adjusted. Some tax-assessed properties were sold or disposed of in 2007.

Note 17 (Consolidated) Other Non-current Assets

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

SEK in millions	December 31, 2007		December 31, 2006	
	Carrying value	Fair value	Carrying value	Fair value
Equity instruments available-for-sale	385	385	167	167
Equity instruments held-for-trading	51	51	65	65
Government bonds and treasury bills held-to-maturity	132	132	211	211
Loans and receivables at amortized cost	1,144	1,144	2,571	2,571
Interest rate swaps designated as fair value hedges	39	39	42	42
Interest rate swaps designated as cash flow hedges	9	9	8	8
Cross currency interest rate swaps designated as cash flow hedges	35	35	–	–
Interest rate swaps and cross currency interest rate swaps held-for-trading	480	480	16	16
Subtotal (see Categories – Note 27)	2,275	2,275	3,080	3,080
Finance lease receivables	677	677	499	499
Subtotal (see Credit risk – Note 28)/Total fair value	2,952	2,952	3,579	3,579
Equity instruments at cost	59		60	
Deferred expenses	353		476	
Total other non-current assets	3,364		4,115	
of which interest-bearing	2,475		3,350	
of which non-interest-bearing	889		765	

In 2007, payments from previous and existing minority shareholders in Xfera Móviles S.A. reduced its interest-bearing spectrum fee receivable with SEK 1,538 million. For Loans and receivables, including claims on associated companies, fair value is estimated at the present value of future cash flows discounted by applying market interest rates as of the balance sheet date. For more information on financial instruments by category and exposed to credit risk, see Notes 27 “Financial Assets and Liabilities by Category” and 28 “Financial Risk Management,” respectively. Equity instruments are specified in Note 35 “Specification of Shareholdings and Participations.” For information on leases, see Note 29 “Leasing Agreements.”

Note 18 (Consolidated) Inventories

After deductions for obsolescence amounting to SEK 10 million in 2007 and SEK 2 million in 2006, the total carrying value was distributed as follows.

SEK in millions	December 31,	
	2007	2006
Goods for resale	952	776
Other inventories and expense incurred on construction contracts	216	221
Total	1,168	997

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 31 million in 2007 and SEK 106 million in 2006.

Note 19 (Consolidated) Trade and Other Receivables

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

SEK in millions	December 31,	
	2007	2006
Accounts receivable		
Invoiced receivables	13,771	12,664
Allowance for doubtful receivables	-729	-791
Total accounts receivable at amortized cost	13,042	11,873
Currency swaps, forward exchange contracts and currency options held-for-trading	141	48
Loans and receivables at amortized cost	5,162	6,540
Subtotal (see Categories – Note 27 and Credit risk – Note 28)	18,345	18,461
Other current receivables	1,283	775
Deferred expenses	1,159	1,191
Total trade and other receivables	20,787	20,427

TeliaSonera offers a diversified portfolio of mass-market services and products in highly competitive markets, resulting in a limited exposure to individual customers. Reflecting a relatively higher share of post-paid customer contracts, 89 percent of total accounts receivable refer to the operations in the Nordic and Baltic countries. For Accounts receivable and Loans and receivables, the carrying values equal fair value as the impact of discounting is insignificant. Refer to Notes 27 "Financial Assets and Liabilities by Category" and 28 "Financial Risk Management" for more information on financial instruments classified by category and exposed to credit risk, respectively. Loans and receivables mainly comprise accrued call, interconnect and roaming charges.

Total bad debt expenses were SEK 448 million in 2007 and SEK 335 million in 2006 and recovered accounts receivable in these years were SEK 27 million and SEK 36 million, respectively. The allowance for doubtful accounts receivable changed as follows.

SEK in millions	December 31,	
	2007	2006
Opening balance	791	692
Provisions for receivables impaired	345	300
Receivables written-off as uncollectible	-336	-88
Unused amounts reversed	-77	-106
Exchange rate differences	6	-7
Closing balance	729	791

The accounts receivable balance includes receivables which are past due as of the balance sheet date, but not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. As of December 31, 2007, ageing of past due but not impaired accounts receivable was as follows.

SEK in millions	December 31,
	2007
Less than 30 days	2,646
30–180 days	843
More than 180 days	1,184
Total past due but not impaired accounts receivable	4,673

Balances past due more than 180 days mainly refer to other operators and distributors. See also section "Credit risk management" in Note 28 "Financial Risk Management" for information on mitigation of credit risks related to accounts receivable.

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

Interest-bearing receivables

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

SEK in millions	December 31,	
	2007	2006
Loans and receivables at amortized cost	385	568
Short-term investments with maturities over 3 months	1,059	1,169
<i>of which investments held-for-trading</i>	95	90
<i>of which bonds and commercial papers held-to-maturity</i>	358	160
<i>of which bank deposits at amortized cost</i>	606	919
Subtotal (see Categories – Note 27)	1,444	1,737
Finance lease receivables	257	221
Total (see Credit risk – Note 28)	1,701	1,958

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

Cash and cash equivalents

Cash and cash equivalents were distributed as follows.

SEK in millions	December 31,	
	2007	2006
Short-term investments with maturities up to and including 3 months	2,261	6,617
<i>of which commercial papers held-to-maturity</i>	1,189	–
<i>of which bank deposits at amortized cost</i>	1,072	6,617
Cash and bank	5,541	4,986
Total (see Categories – Note 27 and Credit risk – Note 28)	7,802	11,603

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

Note 21 (Consolidated) Equity and Earnings per Share

Share capital

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

During the last three years, the issued share capital changed as follows.

	Issued share capital (SEK)	Number of issued shares	Quotient value (SEK/share)
Issued share capital, December 31, 2004	14,960,742,621	4,675,232,069	3.20
Issued share capital, December 31, 2005	14,960,742,621	4,675,232,069	3.20
Cancellation of shares repurchased in 2005, September 6, 2006	-591,279,539	-184,774,856	3.20
Issued share capital, December 31, 2006	14,369,463,082	4,490,457,213	3.20
Issued share capital, December 31, 2007	14,369,463,082	4,490,457,213	3.20

Treasury shares

On April 26, 2005, the Annual General Meeting of shareholders decided on a share repurchase program with tradable rights. After executing the program, TeliaSonera AB as of December 31, 2005 held 184,774,856 treasury shares. On April 27, 2006, the Annual General Meeting decided to reduce the share capital by cancellation of the repurchased shares. The cancellation was accomplished on September 6, 2006.

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

Reserves

SEK in millions	December 31,	
	2007	2006
Recycling reserves		
Fair value reserve – quoted equity instruments		
Opening balance	124	163
Net changes in fair value	4	7
Transferred to other financial items in the income statement	–	-88
Tax effect	–	42
Closing balance	128	124
Hedging reserve – cash flow hedges		
Opening balance	-35	-49
Net changes in fair value	-13	-39
Transferred to finance costs in the income statement	62	58
Tax effect	-14	-5
Closing balance	0	-35
Foreign currency translation reserve		
Opening balance	-2,976	5,979
Translation of foreign operations	8,741	-8,993
Foreign operations divested	7	38
Hedging of foreign operations	-158	–
Tax effect	44	–
Closing balance	5,658	-2,976
Total recycling reserves, closing balance	5,786	-2,887

SEK in millions	December 31,	
	2007	2006
Other reserves		
Revaluation reserve		
Opening balance	1,138	966
Operations acquired	–	300
Transfer of amortization and depreciation for the year	-166	-128
Closing balance	972	1,138
Inflation adjustment reserve		
Opening balance	4,909	5,056
Translation of operations in hyperinflationary economies	–	-147
Closing balance	4,909	4,909
Total other reserves, closing balance	5,881	6,047
Total reserves, closing balance	11,667	3,160

The hedging reserve comprises gains and losses on derivatives hedging interest rate and foreign currency exposure (with a zero net effect in equity as of December 31, 2007). Gains or losses will affect the income statement in 2010, 2013 and 2017 when the hedged items mature. No hedging reserve transfer necessitated adjustment of the cost of acquisition. See also section "Financial Instruments" in Note 4 "Significant Accounting Policies."

The inflation adjustment reserve refers to the Turkish economy, which as of January 1, 2006, from an accounting perspective is no longer considered to be hyperinflationary, affecting TeliaSonera in the second quarter of 2006, as Turkcell's financials are reported with a one-quarter lag.

Minority interests in equity

Exchange rate differences in minority interests changed as follows.

SEK in millions	December 31,	
	2007	2006
Opening balance	-426	182
Translation of foreign operations	160	-608
Closing balance	-266	-426

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

SEK in millions	December 31,	
	2007	2006
DLG-debitel I/S, Denmark	60	–
TEO LT, AB, Lithuania	1,178	1,163
Latvijas Mobilais Telefons SIA, Latvia	764	702
AS Eesti Telekom, Estonia	2,175	2,471
Fintur Holdings B.V., the Netherlands	5,356	4,144
Central Asian Telecommunications Development B.V., the Netherlands	233	–
Other subsidiaries	17	20
Total minority interests in equity	9,783	8,500

Earnings per share and dividends

	January–December	
	2007	2006
Net income attributable to shareholders of the parent company (SEK million)	17,674	16,987
Average number of outstanding shares, basic and diluted (thousands)	4,490,457	4,490,457
Average number of treasury shares, basic and diluted (thousands)	–	125,546
Earnings per outstanding share, basic and diluted (SEK)	3.94	3.78
Ordinary cash dividend (for 2007 as proposed by the Board)		
- Per share (SEK)	1.80	1.80
- Total (SEK million)	8,083	8,083
Extraordinary cash dividend (for 2007 as proposed by the Board)		
- Per share (SEK)	2.20	4.50
- Total (SEK million)	9,879	20,207

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

Open-market financing programs

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

Program	Characteristics	Limit Currency	December 31,							
			2007				2006			
			Interest rate type				Average maturity (years)	Limit Utilized		
			Limit	Utilized	Floating	Fixed		(in millions)		
TeliaSonera AB	Euro Medium Term Note (EMTN)	EUR	7,000	4,067	2,515	1,552	5.7	5,000	2,298	
TeliaSonera AB	Euro Commercial Paper (ECP)	EUR	1,000	–	–	–	–	1,000	–	
TeliaSonera AB	Flexible Term Note (FTN)	SEK	12,000	992	–	992	0.2	12,000	800	
TeliaSonera Finland Oyj	EMTN	EUR	3,000	203	–	203	1.3	3,000	203	

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

Borrowings and interest rates

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

SEK in millions	December 31,			
	2007		2006	
	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing program borrowings	39,993	40,263	22,315	22,349
<i>of which at amortized cost</i>	20,343	20,544	7,699	7,733
<i>of which in a fair value hedge relationship</i>	13,856	13,856	14,616	14,616
<i>of which hedging net investments</i>	5,794	5,863	–	–
Other borrowings at amortized cost	699	699	990	990
Interest rate swaps designated as fair value hedges	188	188	470	470
Cross currency interest rate swaps held-for-trading	77	77	438	438
Subtotal (see Categories – Note 27)	40,957	41,227	24,213	24,247
Finance lease agreements	73	73	98	98
Total long-term borrowings	41,030	41,300	24,311	24,345
Short-term borrowings				
Utilized bank overdraft facilities at amortized cost	5	5	33	33
Open-market financing program borrowings	1,444	1,440	800	805
<i>of which at amortized cost</i>	1,444	1,440	300	305
<i>of which in a fair value hedge relationship</i>	–	–	500	500
Other borrowings at amortized cost	1,045	1,045	2,487	2,580
Interest rate swaps designated as cash flow hedges	–	–	8	8
Subtotal (see Categories – Note 27)	2,494	2,490	3,328	3,426
Finance lease agreements	55	55	90	90
Total short-term borrowings	2,549	2,545	3,418	3,516

Bank overdraft facilities had a total limit of SEK 1,163 million in 2007 and SEK 1,072 million in 2006.

Normally, borrowings by TeliaSonera AB denominated in foreign currencies are swapped into SEK. The exceptions typically include funds borrowed to finance the Group's international ventures or selective hedging of net investments abroad. TeliaSonera AB's portfolio of interest rate swaps and cross currency interest rate swaps as of December 31, 2007 and 2006 had a nominal value of approximately SEK 37,600 million and SEK 19,100 million, respectively. As of December 31, 2007, the portfolio included interest rate swaps with a nominal value of approximately SEK 3,000 million related to the overall management of the funding portfolio structure and hence not included in hedge relationships.

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

Percent	December 31,	
	2007	2006
TeliaSonera AB (SEK)		
Long-term borrowings	4.89	3.84
Short-term borrowings	4.58	6.64
TeliaSonera Finland Oyj (EUR)		
Long-term borrowings	4.63	4.63
Short-term borrowings	3.86	2.88

**Note 23 (Consolidated)
Provisions for Pensions and Employment Contracts****General**

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

SEK in millions	December 31,	
	2007	2006
Present value of pension obligations	20,807	21,495
Fair value of plan assets	-19,265	-18,977
Pension obligations less plan assets	1,542	2,518
Unrecognized past service cost	-2	11
Unrecognized actuarial gains (+)/losses (-)	-1,311	-2,611
Net provisions (+)/assets (-) for pension obligations	229	-82

As of December 31, 2007 and 2006, recognized pension obligation assets in the Finnish plans were SEK 187 million and SEK 121 million, respectively, while the plans in other countries had provisions for pension obligations totaling SEK 416 million and SEK 39 million, respectively.

In 2007, actuarial modifications reflecting an extended average life expectancy in Sweden were implemented, increasing the present value of pension obligations by approximately SEK 564 million. For an extended analysis, see section "Pension obligation risk" in Note 28 "Financial Risk Management."

Total pension expenses were distributed as follows.

SEK in millions	January–December	
	2007	2006
Current service cost	461	528
Interest cost	814	746
Expected return on assets	-865	-798
Curtailment of pension obligations	–	-11
Amortization of past service cost	-13	-13
Amortization of actuarial gains (-)/losses (+)	83	146
Pension expenses, defined benefit pension plans	480	598
Termination benefits (excl. premiums and pension-related social charges)	182	496
Pension premiums, defined benefit/defined contribution pension plans and pay-as-you-go systems	490	563
Pension-related social charges and taxes, other pension expenses	309	409
Less termination benefits (incl. premiums and pension-related social charges) reclassified as restructuring charges	-240	-658
Total pension expenses	1,221	1,408
of which pension premiums paid to the ITP pension plan	105	167

Actuarial calculation assumptions

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

Percentages, except remaining working life	December 31,	
	2007	2006
Discount rate	4.6	3.9
Expected rate of compensation increase	3.2	3.2
Employee turnover rate	2.9	2.9
Average expected remaining working life, years	14.4	14.5
Increase in income base amount (only Swedish Group units)	2.8	2.8
Annual adjustments to pensions	2.1	2.0
Expected return on plan assets	5.1	4.5

Specifications to pension obligations and pension expenses

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

SEK in millions, except percentages	December 31,	
	2007	2006
Present value of pension obligations		
Opening balance	21,495	22,036
Current service cost	461	528
Interest cost	814	746
Benefits paid	-1,143	-1,107
Benefits paid, early retirement	-48	-307
Termination benefits	182	496
Reclassifications	435	120
Operations acquired/divested	-25	–
Curtailment of pension obligations	–	-11
Actuarial gains (-)/losses (+)	-1,489	-882
Exchange rate differences	125	-124
Closing balance, present value of pension obligations	20,807	21,495
<i>Experience adjustments arising on plan liabilities (%)</i>	0.6	-0.3
<i>Effects of changes in actuarial assumptions (%)</i>	6.5	4.4
Fair value of plan assets		
Opening balance	18,977	18,480
Expected return on plan assets	865	798
Contribution to pension funds	573	443
Payment from pension funds	-982	-1,030
Operations acquired/divested	-24	–
Actuarial gains (+)/losses (-)	-272	384
Exchange rate differences	128	-98
Closing balance, plan assets	19,265	18,977
<i>Experience adjustments arising on plan assets (%)</i>	-1.0	2.0

SEK in millions, except percentages	December 31,	
	2007	2006
Return on plan assets		
Expected return on plan assets	865	798
Actuarial gains (+)/losses (-)	-272	384
Actual return on plan assets	593	1,182
<i>Actual return on plan assets (%)</i>	3.1	6.4
Net provisions/assets for pension obligations		
Opening balance	-82	-437
Pension expenses, defined benefit pension plans	480	598
Benefits paid	-1,143	-1,107
Benefits paid, early retirement	-48	-307
Contribution to pension funds	-573	-443
Payment from pension funds	982	1,030
Termination benefits	182	496
Reclassifications	435	120
Exchange rate differences	-4	-32
Closing balance, net provisions (+)/assets (-) for pension obligations	229	-82
Actuarial gains/losses		
Opening balance, actuarial gains (+)/losses (-)	-2,611	-4,019
Actuarial gains (-)/losses (+) to be recognized	83	146
Actuarial gains (+)/losses (-), pension obligations	1,489	882
Actuarial gains (+)/losses (-), plan assets	-272	384
Exchange rate differences	0	-4
Closing balance, actuarial gains (+)/losses (-)	-1,311	-2,611
Operations divested		
Decrease in pension obligations	-25	-
Decrease in plan assets	24	-
Net position, operations divested	-1	-

Plan-asset allocation

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

Asset category	December 31, 2007		December 31, 2006	
	SEK in millions	Percent	SEK in millions	Percent
Fixed income instruments, liquidity	12,269	63.7	11,250	59.3
Shares and other investments	6,996	36.3	7,727	40.7
Total	19,265	100.0	18,977	100.0
of which shares in TeliaSonera AB	88	0.5	79	0.4

Future contributions

As of December 31, 2007, the fair value of plan assets exceeded the present value of the parent company's pension obligations and is anticipated to continue doing so. Hence, TeliaSonera AB will not make any contribution to the pension fund in 2008. For other companies in Sweden, the total pension liabilities are secured also by pension credit insurance. This means that, should the net provision for pension obligations increase, each company can choose if and when to contribute to the pension fund or otherwise to recognize a provision in the balance sheet. To pension funds outside Sweden, TeliaSonera expects to contribute SEK 161 million in 2008.

Note 24 (Consolidated) Other Provisions

Changes in other provisions were as follows.

SEK in millions	December 31, 2007					Total
	Restructuring provisions	Contingent consideration, etc	Warranty provisions	Asset retirement obligations	Other provisions	
Opening balance	1,793	1,274	1,013	464	767	5,311
<i>of which financial liabilities at amortized cost</i>	–	–	105	–	–	105
Provisions for the period	526	1,884	29	82	203	2,724
Utilized provisions	-381	–	-10	-9	-179	-579
Reversals of provisions	-169	–	-58	-6	-26	-259
Reclassifications	-779	–	–	215	51	-513
Timing and interest-rate effects	32	-13	–	17	1	37
Exchange rate differences	36	61	47	16	11	171
Closing balance	1,058	3,206	1,021	779	828	6,892
<i>of which non-current portion</i>	992	3,206	1,013	771	773	6,755
<i>of which current portion</i>	66	–	8	8	55	137
<i>of which financial liabilities at amortized cost (see Categories – Note 27):</i>						
<i>- fair value through profit and loss</i>	–	1,884	–	–	–	1,884
<i>- amortized cost</i>	–	–	85	–	–	85

For Warranty provisions, the carrying value equals fair value as provisions are discounted to present value. Refer to Note 27 "Financial Assets and Liabilities by Category" for more information on financial instruments classified by category. As of December 31, 2007, contractual undiscounted cash flows for the financial liabilities represented the following expected maturities.

Expected maturity, SEK in millions	Financial liabilities
2008	7
2009	72
2010	8
2011	2,166
Later years	–
Total	2,253
Carrying value	1,969

Restructuring provisions

Changes in restructuring provisions were as follows.

SEK in millions	December 31, 2007 or January–December 2007					Total
	Danish operations	International carrier operations	Strategic refocusing 2002	Post-merger integration	Competitive Cost Level programs	
Carrying value, opening balance	143	749	184	714	3	1,793
Provisions for the period	5	–	–	521	–	526
Utilized provisions (cash outflow)	-70	-55	-22	-231	-3	-381
Reversals of provisions	–	-155	-6	-8	–	-169
Reclassification to pension liability	–	–	–	-779	–	-779
Timing and interest-rate effects	–	25	7	–	–	32
Exchange rate differences	5	25	5	1	0	36
Carrying value, closing balance	83	589	168	218	–	1,058
<i>of which current portion</i>	–	25	–	41	–	66
Cash outflow during the year	-70	-55	-22	-231	-3	-381
Cash outflow during previous years	-678	-2,160	-185	-1,083	-67	-4,173
Total cash outflow	-748	-2,215	-207	-1,314	-70	-4,554

Danish operations within business areas Mobility Services and Broadband Services

Several restructuring measures have been taken over time in relation to TeliaSonera's Danish operations: in 2002 in connection with focusing the Danish fixed network operations; in 2004 in connection with the acquisition of Orange Denmark to realize synergy gains from the acquisition; in 2005 in connection with integrating the mobile operations and the fixed network operations; and in 2006 in connection with further efficiency measures.

The remaining provision as of December 31, 2007 is expected to be fully used by 2020.

International carrier operations within business area Broadband Services

Strategic refocusing 2002

In 2002, TeliaSonera decided to change the strategic focus of Telia International Carrier and significantly restructure its operations. As part of the restructuring program, management decided to close down Telia International Carrier's Asian operations as well as its domestic voice reseller business in the United Kingdom and Germany, discontinue offering domestic network services in the United States and terminate its co-location business. Telia International Carrier's sales, administration and customer care resources were also centralized and the original workforce of approximately 800 persons was reduced by more than 50 percent, mainly in 2002 and 2003.

The remaining provision as of December 31, 2007 mainly relates to the phase-out of long-term contracts and is expected to be fully used by 2019.

Post-merger integration

To realize post-merger synergy gains, management in 2003 decided to integrate the international carrier operations previously run separately by Telia and Sonera. Overlapping operations were phased out and the traffic was moved over from leased capacity to the wholly owned network. Parts of Sonera's operations in the United Kingdom, the United States, Sweden and Germany were closed down.

The remaining provision as of December 31, 2007 mainly relates to the phase-out of long-term contracts and is expected to be fully used by 2019.

Competitive Cost Level programs within business areas Mobility Services, Broadband Services and Integrated Enterprise Services

In the Swedish and Finnish operations, management in 2005 launched transition programs to keep the profitability by achieving competitive cost levels and focusing of the service offerings.

The remaining provision as of December 31, 2007 is expected to be fully used by 2011.

Contingent consideration, etc.

Contingent consideration, etc. relates to Xfera Móviles S.A. (Xfera) and TeliaSonera Uzbek Telecom Holding B.V. (Uzbek Holding).

For Xfera, which was acquired in June 2006, the closing balance comprises in total SEK 1,322 million referring to contingent additional consideration to the selling shareholders based on an up to 20 year earn-out model and to a put option giving existing minority shareholders the right to sell their shares to TeliaSonera after 5 years, of which at least 2 consecutive years of net profit. The provisions represent the present value of management's best estimate of the amounts required to settle the liabilities. The estimate for the earn-out model has been made based on

the Xfera business plan and the amounts and timing may vary as a result of changes in Xfera's operations and profitability compared to the business plan used. 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 estimate may vary as a result of changes in Xfera's fair value and the timing of the option exercise.

For Uzbek Holding, the closing balance comprises SEK 1,884 million for a put option granted in late December 2007 in conjunction with the acquisition of a 3G license, frequencies and number blocks in Uzbekistan in exchange for USD 30 million in cash and a 26 percent interest in Uzbek Holding. The put option gives the existing minority shareholder the right to sell the 26 percent interest in Uzbek Holding to TeliaSonera after December 31, 2009. The exercise price is dependent on the number of active subscribers in the mobile operator OOO Coscom, Uzbek Holding's subsidiary in Uzbekistan, and on whether the option is exercised in 2010 or after December 31, 2010.

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 and the estimate may vary as a result of changes in Uzbek Holding's fair value and the timing of the option exercise.

Warranty provisions

Warranty provisions include SEK 863 million related to a guarantee commitment on behalf of the minority held Ipse 2000 S.p.A. The provision represents the present value of Ipse's remaining UMTS license fees payable by TeliaSonera to the Italian government in 2008-2010. In early 2006, the Italian government revoked the license as Ipse had not met the license requirements. While Ipse's position is that no further license fees should be payable and that the portion of the fees related to the license period which is not utilized by Ipse should be refunded by the government, TeliaSonera continues to carry a full provision since Ipse's claim against the government is in early stages, is complicated and includes political aspects, and is likely to require a long court process the outcome of which is uncertain. TeliaSonera has also given cash collateral for the remaining license payments (see Note 30 "Contingencies, Other Contractual Obligations and Litigation").

Other provisions

Other provisions comprise provisions for damages and court cases, for loyalty programs, for payroll taxes on future pension payments and for onerous and other loss-making contracts, and insurance provisions.

Note 25 (Consolidated) Other Long-term Liabilities

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

SEK in millions	December 31,	
	2007	2006
Long-term trade payables at amortized cost	223	203
Danish 3G license fee liability at amortized cost	244	303
Subtotal (see Categories – Note 27)	467	506
Prepaid operating lease agreements	800	907
Other liabilities	1,099	969
Total	2,366	2,382

For the long-term trade payables and the license fee liability, the carrying value equals fair value as the amounts are discounted to present value using market interest rates. Refer to Note 27 "Financial Assets and Liabilities by Category" for more information on financial instruments classified by category and to Note 28 "Financial Risk Management" on management of liquidity risks. As of December 31, 2007, contractual undiscounted cash flows for these liabilities represented the following expected maturities.

Expected maturity

SEK in millions	Liabilities at amortized cost
2008	91
2009	136
2010	91
2011	91
2012	–
Later years	235
Total	644

For information on leases, see Note 29 "Leasing Agreements." Other liabilities mainly comprise customer advances for broadband build-out and also included deferred "day 1 gains" of SEK 192 million in 2007 and SEK 45 million in 2006. Of the total liabilities for the years 2007 and 2006, SEK 735 million and SEK 351 million, respectively, fell due more than 5 years after the balance sheet date.

Note 26 (Consolidated) Trade Payables and Other Current Liabilities

Trade payables and other current liabilities were distributed as follows.

SEK in millions	December 31,	
	2007	2006
Accounts payable at amortized cost	9,600	9,077
Currency swaps, forward exchange contracts and currency options held-for-trading	1	17
Current liabilities at amortized cost	4,855	4,514
Subtotal (see Categories – Note 27)	14,456	13,608
Other current liabilities	5,895	6,993
Deferred income	4,252	3,751
Total trade payables and other current liabilities	24,603	24,352

For Accounts payable and Current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. The remaining contractual maturity is mainly less than 3 months. Refer to Note 27 "Financial Assets and Liabilities by Category" for more information on financial instruments classified by category and to Note 28 "Financial Risk Management" on management of liquidity risks.

The main components of Current liabilities are accrued payables to suppliers and accrued interconnect and roaming charges, while Other current liabilities mainly entail value-added tax, advances from customers and accruals of payroll expenses and social security contributions. Deferred income chiefly relate to subscription and other telecom charges.

Note 27 (Consolidated) Financial Assets and Liabilities by Category

The table below sets forth carrying values of classes of financial assets and liabilities distributed by category. Excluded are financial instruments which are discussed in Note 12 "Associated Companies and Joint Ventures," Note 23 "Provisions for Pensions and Employment Contracts" and Note 29 "Leasing Agreements," respectively.

SEK in millions	Note	December 31,	
		2007	2006
Financial assets			
Derivatives designated as hedging instruments	17	83	50
Financial assets at fair value through profit and loss			
Derivatives not designated as hedging instruments	17, 19	621	64
Held-for-trading investments	17, 20	146	155
Held-to-maturity investments	17, 20	1,679	371
Loans and receivables	17, 19, 20	26,952	34,074
Available-for-sale financial assets	17	385	167
Total financial assets by category		29,866	34,881
Financial liabilities			
Derivatives designated as hedging instruments	22	188	478
Financial liabilities at fair value through profit and loss			
Derivatives not designated as hedging instruments	22, 26	78	455
Liabilities designated upon initial recognition	24	1,884	–
Borrowings in fair value hedge relationships	22	13,856	15,116
Borrowings hedging net investments	22	5,794	–
Financial liabilities measured at amortized cost	22, 24, 25, 26	38,543	25,711
Total financial liabilities by category		60,343	41,760

Note 28 (Consolidated) Financial Risk Management

Principles of financing and financial risk management

TeliaSonera's financing and financial risks are managed under the control and supervision of the Board of Directors of TeliaSonera AB. Financial management is centralized within the Corporate Finance and Treasury (CFT) unit of TeliaSonera AB, which functions as TeliaSonera's internal bank and is responsible for the management of financing and financial risks.

CFT is responsible for Group-wide financial risk management including netting and pooling of capital requirements and payment flows. CFT also seeks to optimize the cost of financial risk management, which in certain cases may mean that e.g. an inter company transaction is not replicated with an identical transaction outside the Group or that derivative transactions are

initiated in order to adjust e.g. the overall interest rate duration of the debt portfolio, e.g. through overlay-swaps, if deemed appropriate. This means that situations may arise in which certain derivative transactions with parties outside the Group do not fully satisfy the requirements for hedge accounting, and thus any shift in market value will affect the financial net.

Regarding foreign currency transaction exposure CFT has a clearly defined deviation mandate which currently is capped at the equivalent of a nominal SEK +/-200 million, expressed as the long/short SEK counter-value amount that may be exposed to currency fluctuations. As of December 31, 2007, the deviation mandate was utilized by less than SEK 50 million.

SEK is the functional currency of TeliaSonera AB. Its borrowings are therefore normally denominated in, or swapped into, SEK unless linked to international operations or allocated as hedging of net investments abroad. TeliaSonera Finland Oyj's borrowings are denominated in EUR.

Capital management

TeliaSonera's capital structure and dividend policy was reviewed by the Board of Directors in 2007. The Board of directors decided that the company shall target a solid investment grade long-term credit rating (A- to BBB+) to secure the company's strategically important financial flexibility for investments in future growth, both organically and by acquisitions.

The ordinary dividend shall be at least 40 percent of net income attrib-

utable to shareholders of the parent company. In addition, excess capital shall be returned to shareholders, after the Board of Directors has taken into consideration the company's cash at hand, cash flow projections and investment plans in a medium term perspective, as well as capital market conditions.

TeliaSonera AB is not subject to any externally imposed capital requirements.

Liquidity risk management

As of December 31, 2007, contractual undiscounted cash flows for the Group's interest-bearing borrowings and non-interest-bearing currency derivatives represented the following expected maturities, including estimated interest payments. Amounts in foreign currency have been converted into SEK using the exchange rate prevailing on the balance sheet day. Future interest payments, related to instruments with floating interest rates, have been estimated using forward rates. Where gross settlements are performed (cross currency interest rate swaps, currency swaps and forward exchange contracts), all amounts are reported on a gross basis. The balances due within 12 months equal their carrying values as the impact of discounting is insignificant. Corresponding information on non-interest-bearing liabilities are presented in Notes 25 "Other Long-term Liabilities" and 26 "Trade Payables and Other Current Liabilities."

Expected maturity, SEK in millions	2008	2009	2010	2011	2012	Later years	Total
Utilized bank overdraft facilities	5	–	–	–	–	–	5
Open-market financing program borrowings	3,125	6,341	5,880	3,890	6,509	26,035	51,780
Other borrowings	1,081	4	0	0	1	677	1,763
Finance lease agreements	58	35	19	12	5	12	141
Currency swaps and forward exchange contracts							
Payables	64,015	2	–	–	–	–	64,017
Receivables	-63,993	-2	–	–	–	–	-63,995
Cross currency interest rate swaps and interest rate swaps							
Payables	1,877	1,917	4,142	2,935	6,567	13,373	30,811
Receivables	-1,712	-1,747	-4,070	-2,713	-6,580	-13,602	-30,424
Total, net	4,456	6,550	5,971	4,124	6,502	26,495	54,098

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with these financial liabilities. TeliaSonera's policy is to have a strong liquidity position in terms of available cash and/or unutilized committed credit facilities. As of December 31, 2007, the surplus liquidity (short-term investments and cash and bank) amounted to SEK 8,861 million. TeliaSonera AB's surplus liquidity is typically deposited in banks or invested in short-term interest-bearing instruments with good credit ratings. At year-end, TeliaSonera AB had no such investments in interest-bearing securities with maturities exceeding 3 months. The average yield on bank deposits and short-term investments as per the balance sheet date was 4.3 percent in 2007 and 3.3 percent in 2006.

In addition to available cash, TeliaSonera AB has a revolving credit facility, which is a committed syndicated bank credit facility with final maturity in December 2011, capped at EUR 1,000 million and intended for short-term financing and back-up purposes. Furthermore, TeliaSonera AB has a committed bilateral revolving credit facility amounting to SEK 2,000 million with final maturity in September 2010. None of those facilities were utilized as of December 31, 2007. In total, as of the balance

sheet date, the available unutilized amount under committed bank credit facilities and overdraft facilities was approximately SEK 12.6 billion.

Foreign exchange risk management

Foreign exchange risk is the risk that fluctuations in exchange rates will adversely affect items in the Group's income statement, balance sheet and/or cash flows. Foreign exchange risk can be divided into transaction exposure and conversion exposure. Transaction exposure relates to the risk that arises from net inflow or outflow of a foreign currency required by operations (exports and imports) and financing (interest and amortization). Conversion exposure relates to the risk that arises from equity in a foreign subsidiary, associated company or joint venture that is denominated in a foreign currency and any goodwill arising from acquisitions.

Transaction exposure

The operational need to net purchase foreign currency is primarily due to settlement deficits in international telecom traffic and the import of equipment and supplies.

The negative impact on pre-tax income would be approximately SEK 80 million on a full-year basis, should the Swedish krona weaken by 5 percentage points against the Euro, the Danish krone and the Baltic currencies, and 10 percentage points against the U.S. dollar and other TeliaSonera-relevant currencies, assuming an operational transaction exposure equivalent to that in 2007, and provided that no hedging measures were taken and not including any potential impact on income due to currency translation of other income statement items. Applying the same assumptions, the negative impact on income would be approximately SEK 10 million on a full-year basis, should the Euro, the Danish krone and the Baltic currencies weaken by 5 percentage points against the Swedish krona and 10 percentage points against other TeliaSonera-relevant transaction currencies.

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. Financial flows, however, are usually hedged until maturity, even if that is longer than 12 months.

Cross currency interest rate swaps are normally used to hedge financial flows such as loans and investments longer than one year, while shorter terms are hedged using currency swaps or forward exchange contracts. Currency options are also used from time to time.

Conversion exposure

TeliaSonera's conversion exposure is expected to continue to grow due to ongoing expansion of the international business operations. TeliaSonera does not typically hedge its conversion exposure. The conversion exposure was distributed as follows.

Currency	December 31, 2007		December 31, 2006	
	Amount in SEK million	Percent	Amount in SEK million	Percent
EUR	67,281	39.5	62,792	42.8
<i>of which hedged through borrowings</i>	<i>4,045</i>	<i>2.4</i>	–	–
NOK	32,555	19.1	28,743	19.6
TRY	20,258	11.9	16,181	11.0
DKK	12,178	7.2	10,055	6.8
RUB	9,456	5.6	5,962	4.1
LTL	8,317	4.9	7,488	5.1
EEK	4,963	2.9	4,786	3.3
USD	4,073	2.4	3,181	2.2
LVL	3,759	2.2	3,631	2.5
KZT	1,741	1.0	1,533	1.0
UZS	1,628	1.0	–	–
AZN	1,194	0.7	821	0.6
GBP	947	0.6	957	0.6
TJS	839	0.5	–	–
Other currencies	939	0.5	592	0.4
Total	170,128	100.0	146,722	100.0

The negative impact on Group equity would be approximately SEK 12 billion if the Swedish krona strengthened by 5 percentage points against the Euro, the Danish krone and the Baltic currencies, and 10 percentage points against the other conversion exposure currencies, based on the exposure as of December 31, 2007 including hedges but not including any potential equity impact due to TeliaSonera's operational need to net purchase foreign currency or to currency translation of other income statement items.

Foreign exchange derivatives

As of December 31, 2007, 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	2008–2009	2010	2011	2012	Later years	Total
Cross currency interest rate swaps, received						
Buy EUR	–	2,440	–	5,335	11,285	19,060
Buy USD	–	–	996	–	–	996
Buy JPY	–	–	175	–	–	175
Total, received	–	2,440	1,171	5,335	11,285	20,231
Cross currency interest rate swaps, paid						
Total, paid	–	-2,290	-1,215	-5,248	-11,074	-19,827
Net position	–	150	-44	87	211	404

As of December 31, 2007, 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	2008	Later years	Total
Sell EUR	24,057	–	24,057
Sell NOK	6,789	–	6,789
Sell DKK	4,906	–	4,906
Sell LTL	1,589	–	1,589
Sell USD	555	–	555
Sell other currencies	195	–	195
Sell total	38,091	–	38,091
Buy EUR	-24,097	–	-24,097
Buy NOK	-7,011	–	-7,011
Buy DKK	-4,933	–	-4,933
Buy LTL	-1,559	–	-1,559
Buy USD	-1,285	–	-1,285
Buy other currencies	-217	–	-217
Buy total	-39,102	–	-39,102
Net position	-1,011	–	-1,011

Interest rate risk management

The TeliaSonera Group's sources of funds are primarily shareholders' equity, cash flows from operating activities, and borrowing. The interest-bearing borrowing exposes the Group to interest rate risk.

Interest rate risk is the risk that a change in interest rates will negatively affect the Group's net interest expense and/or cash-flows. TeliaSonera's financial policy provides guidelines for interest rates and the average maturity of borrowings. The Group aims at balancing the estimated running cost of borrowing and the risk of significant negative impact on earnings, should there be a sudden, major change in interest rates. The Group's

policy is that the duration of interest of the debt portfolio should be from 6 months to 4 years.

If the loan portfolio structure deviates from the desired one, various forms of derivative instruments are used to adapt the structure in terms of duration and/or currency, including e.g. interest rate swaps and cross currency interest rate swaps.

As of December 31, 2007, TeliaSonera AB and TeliaSonera Finland Oyj had interest-bearing debt of SEK 42.5 billion with duration of interest of approximately 2,1 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 25.5 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 re-set by January 1, 2008 at a one percentage point higher interest rate than the prevailing rate as per December 31, 2007, and remained at that new level during 12 months, the interest expense would increase by some SEK 250 million. Fair value of the loan portfolio would change by approximately SEK 850 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 2007.

TeliaSonera AB has designated certain interest rate swaps as cash flow hedges to hedge against changes in the amount of future cash flows related to interest payments on existing liabilities. Hedge ineffectiveness related to outstanding cash flow hedges was immaterial and recognized in earnings during the year. Net changes in fair value recognized in shareholders' equity are separately reported in a hedging reserve (see section "Reserves" of Note 21 "Equity and Earnings per Share"). In 2007, no cash flow hedges were discontinued due to the original forecasted transactions not having occurred in the originally specified time period.

As of December 31, 2007, 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	2008–2009	2010	2011	2012	Later years	Total
Interest received						
Fixed interest rate	–	1,479	1,445	4,760	8,900	16,584
Floating interest rate	–	1,626	380	5,335	13,623	20,964
Total received	–	3,105	1,825	10,095	22,523	37,548
Interest paid						
Fixed interest rate	–	-2,316	-966	–	-2,268	-5,550
Floating interest rate	–	-666	-906	-10,098	-20,030	-31,700
Total paid	–	-2,982	-1,872	-10,098	-22,298	-37,250
Net position	–	123	-47	-3	225	298

Pension obligation risk

As of December 31, 2007, the TeliaSonera Group had pension obligations which net present value amounted to SEK 20 807 million (see Note 23 "Provisions for Pensions and Employment Contracts"). To secure these obligations, the Group has pension funds, with plan assets equivalent to SEK 19,265 million based on market values as of December 31, 2007. The pension funds' assets are used as prime funding source for the pension obligations, and consisted of approximately 64 percent fixed income instruments and approximately 36 percent shares and other investments at year-end 2007. The expected average net return on the pension funds' plan assets is 5.1 percent annually. The portion of the pension obligations not covered by plan assets is recognized in the balance sheet, adjusted for unrecognized actuarial gains and losses, and unrecognized past service cost.

In 2007, accumulated actuarial losses decreased from SEK 2.6 billion to SEK 1.3 billion. The actual net return on plan assets was 3.1 percent, lower than in 2006 mainly due to lower return on equity instruments. At the same time, higher discount rates reduced the present value of pension obligations.

As of December 31, 2007, the strategic asset allocation decided by the board of the Swedish pension fund was 60 percent fixed income, 32 percent equities and 8 percent other investments. Other investments include primarily hedge funds and private equity. Out of the total strategic assets, 40 percent are domestic index (inflation) linked government bonds and 20 percent refers to other domestic fixed income assets with low credit risk. Out of the equity holdings, domestic equities represent 10 percentage points and global equities 22 percentage points. The actual allocation may fluctuate from the strategic allocation in a range of +/-10 percent between fixed income and equities. All assets in the Swedish pension fund are managed by appointed external managers with specialist mandates.

The approximate impact on the pension obligations is SEK 3.5 billion, should the weighted average discount rate decrease by one percentage point from the 4.6 percent which is currently used. Such an increase in the obligations, were interest rates to fall, should be partly offset by a positive impact from the fixed income assets in the pension funds. Based on the existing asset structure and the duration of the pension funds' fixed income portfolios (including index-linked bonds) as of December 31, 2007, and assuming that the value of the other assets in the pension funds were unchanged, a similar reduction in interest rates is estimated to increase the value of the pension funds assets by some SEK 1.0 billion.

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

Financing risk management

TeliaSonera's aggregate borrowings usually have a longer maturity than duration of interest (principal is fixed longer than interest rates). This allows the Group to obtain the desired interest rate risk without having to assume a high financing risk. The Group's policy is that the average maturity of borrowings should normally exceed 2 years. In order to reduce financing risk, the Group aims to spread loan maturity dates over a longer period.

TeliaSonera AB enjoys a strong credit rating with the rating agencies Moody's and Standard & Poor's. In October 2007, Moody's changed its assigned credit rating on TeliaSonera AB to A-3 for long-term borrowings and P-2 for short-term borrowings, with a "Stable" outlook. Standard & Poor's credit rating on TeliaSonera AB remained unchanged at A- for long-term borrowings and A-2 for short-term borrowings. 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 2 percent of the Group's total borrowing as of December 31, 2007. The open-market financing programs typically provide a cost-effective and flexible alternative to bank financing.

Credit risk management

TeliaSonera's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments, as follows.

SEK in millions	December 31,	
	2007	2006
Other non-current assets (Note 17)	2,952	3,579
Trade and other receivables (Note 19)	18,345	18,461
Interest-bearing receivables (Note 20)	1,701	1,958
Cash and cash equivalents (Note 20)	7,802	11,603
Total	30,800	35,601

TeliaSonera AB accepts only creditworthy counterparts when entering into financial transactions such as interest rate swaps, cross currency swaps and other transactions in derivatives. TeliaSonera AB requires each counter-part to have an approved rating and an International Swaps and Derivatives Association, Inc. (ISDA) agreement. The permitted

exposure to each counterpart when entering into a financial transaction depends on the rating of that counterpart. As of December 31, 2007, the aggregate exposure to counterparts in derivatives was SEK 532 million, calculated as a net claim on each counterpart.

The credit risk with respect to TeliaSonera's trade receivables is diversified among a large number of customers, both private individuals and companies in various industries. Solvency information is required for credit sales to minimize the risk of unnecessary bad debt expense 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 0.5 percent in 2007 and 0.4 percent in 2006.

Surplus cash in TeliaSonera AB is invested in bank deposits, commercial papers issued by banks and in Swedish, Finnish, Norwegian or Danish government bonds and treasury bills. There are no limits for investments in government papers. For investments with banks, the rating should be at least A-1 (Standard & Poor's) or P-1 (Moody's) and the maturity is limited to 12 months. Furthermore, for maturities longer than 10 business days, the exposure per bank is limited to SEK 1,000 million.

Management of insurable risks

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

Note 29 (Consolidated) Leasing Agreements

TeliaSonera as lessee

Finance leases

The Group's finance leases concerns computers and other IT equipment, production vehicles, company cars to employees, and other vehicles. There is no subleasing.

The carrying value of the leased assets as of the balance sheet date was as follows.

SEK in millions	December 31,	
	2007	2006
Cost	665	799
Less accumulated depreciation	-477	-545
Net carrying value of finance lease agreements	188	254

Depreciation and impairment losses totaled SEK 84 million and SEK 185 million for the years 2007 and 2006, respectively. Leasing fees paid in these years totaled SEK 82 million and SEK 185 million, respectively.

As of December 31, 2007, future minimum leasing fees and their present values as per finance lease agreements that could not be canceled in advance and were longer than one year in duration were as follows.

Expected maturity, SEK in millions	Future minimum leasing fees	Present value of future minimum lease payments
2008	58	55
2009	35	32
2010	19	17
2011	12	10
2012	5	4
Later years	12	10
Total	141	128

As of the balance sheet date, the present value of future minimum leasing fees under non-cancelable finance lease agreements was as follows.

SEK in millions	December 31,	
	2007	2006
Total future minimum leasing fees	141	208
Less interest charges	-13	-20
Present value of future minimum leasing fees	128	188

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, 2007 that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity, SEK in millions	Future minimum leasing fees	Minimum sublease payments
2008	1,797	27
2009	1,455	10
2010	1,111	6
2011	866	1
2012	794	-
Later years	2,033	-
Total	8,056	44

In 2007 and 2006, total rent and leasing fees paid were SEK 2,678 million and SEK 2,128 million, respectively. In these years, revenue for subleased items totaled SEK 27 million and SEK 46 million, respectively.

At the end of 2007, office space and technical site leases covered approximately 682,000 square meters, including approximately 5,000 square meters of office space for TeliaSonera's principal executive offices, located at Sturegatan 1 in Stockholm, Sweden. Apart from certain short-term leases, leasing terms range mainly between 3 and 21 years with an average term of approximately 6 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 and Denmark comprises financing of products related to TeliaSonera's product offerings. The term of the contract stock is approximately 13 quarters. The term of new contracts signed in 2007 is 12 quarters. Of all contracts, 81 percent carry a fixed interest rate and 19 percent a floating rate. Most contracts include renewal options. In Finland, TeliaSonera also under a finance lease agreement provides electricity meters with SIM cards for automated reading to a power company as part of TeliaSonera's service package. The term of the agreement is 15 years and carries a fixed interest rate.

As of the balance sheet date, the present value of future minimum lease payment receivables under non-cancelable finance lease agreements was as follows.

SEK in millions	December 31,	
	2007	2006
Gross investment in finance lease contracts	1,125	848
Less unearned finance revenues	-188	-129
Net investment in finance lease contracts	937	719
Less: Unguaranteed residual values of leased properties for the benefit of the lessor	-3	-0
Present value of future minimum lease payment receivables	934	719

As of December 31, 2007, 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	Gross investment	Present value of
		receivables relating to future minimum lease payments
2008	270	257
2009	208	183
2010	130	110
2011	63	51
2012	47	36
Later years	407	297
Total	1,125	934

Reserve for doubtful receivables regarding minimum lease payments totaled SEK 6 million as of December 31, 2007. Credit losses on leasing receivables are reduced by gains from the sale of equipment returned.

Operating leases

The leasing portfolio refers to the international carrier business and includes some twenty agreements with other international operators and over 100 other contracts. Contract periods range between 10 and 25 years, with an average term of 20 years.

The carrying value of the leased assets as of the balance sheet date was as follows.

SEK in millions	December 31,	
	2007	2006
Cost	3,689	3,390
Less accumulated depreciation	-2,211	-1,799
Less accumulated impairment losses	-300	-300
Gross carrying value	1,178	1,291
Plus prepaid sales costs	2	2
Less prepaid lease payments	-800	-722
Net value of operating lease agreements	380	571

Depreciation and impairment losses totaled SEK 346 million in 2007 and SEK 330 million in 2006.

Future minimum lease payment receivables under operating lease agreements in effect as of December 31, 2007 that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity, SEK in millions	Future minimum lease payments
2008	242
2009	138
2010	117
2011	28
2012	18
Later years	21
Total	564

Note 30 (Consolidated) Contingencies, Other Contractual Obligations and Litigation

Contingent assets, collateral pledged and guarantees

As of the balance sheet date, contingent assets, collateral pledged and guarantees reported as contingent liabilities were distributed as follows.

SEK in millions	December 31,	
	2007	2006
Contingent assets	–	–
Collateral pledged		
For warranty provisions: Blocked funds in bank accounts	960	911
For operating leases: Blocked funds in bank accounts	1	–
For deposits from customers: Blocked funds in bank accounts	109	76
For pension obligations: Real estate mortgages	18	17
For pension obligations: Current receivables	40	37
For bank overdraft facilities: Chattel mortgages	16	–
For operating leases: Real estate mortgages	4	3
For long-term borrowings: Shares in Svenska UMTS-nät AB	204	359
Total collateral pledged	1,352	1,403
Guarantees		
Credit guarantee on behalf of Svenska UMTS-nät AB	1,838	1,685
Credit guarantees on behalf of other associated companies	13	2
Other credit and performance guarantees, etc.	61	152
Guarantees for pension obligations	234	219
Total guarantees	2,146	2,058

As of December 31, 2007, total unrecognized guarantees represented the following expected maturities.

Expected maturity, SEK in millions	Guarantees
2008	65
2009	3
2010	3
2011	1,841
2012	–
Later years	234
Total	2,146

Some loan covenants agreed limit the scope for divesting or pledging certain assets. Some of TeliaSonera AB's more recent financing arrangements include change-of-control provisions which under certain conditions allow the lenders to call back the arrangement before scheduled maturity. Conditions required include a new owner taking control of TeliaSonera AB, inter alia also resulting in a lowering of TeliaSonera AB's official credit rating to a so-called non-investment grade level.

For all guarantees, except the credit guarantee on behalf of Svenska UMTS-nät AB, stated amounts equal the maximum potential amount of future payments that TeliaSonera could be required to make under the respective guarantee.

As security for certain amounts borrowed by TeliaSonera's 50 percent owned joint venture Svenska UMTS-nät AB under a third-party credit facility totaling SEK 4,800 million, TeliaSonera and Tele2, the other shareholder of Svenska UMTS-nät, have each severally but not jointly issued guarantees of a maximum of SEK 2,400 million to the lenders and granted pledges of their shares in Svenska UMTS-nät. The indebtedness under the credit facility may become due on an accelerated basis, under certain circumstances, including if either TeliaSonera or Tele2 ceases to hold, directly or indirectly, 50 percent of the company, unless the lenders provide their advance consent. TeliaSonera is not contractually required to provide any further capital contributions to or guarantees in favor of Svenska UMTS-nät. As of December 31, 2007, Svenska UMTS-nät had, under the credit facility, borrowed SEK 3,676 million, of which TeliaSonera guarantees 50 percent, or SEK 1,838 million.

As of December 31, 2007, TeliaSonera had recognized all of its commitments on behalf of Ipse 2000 S.p.A. in the balance sheet as warranty provisions (see Note 24 "Other Provisions"). Ipse's UMTS license payments to the Italian government have been secured by bank guarantees. According to an agreement with the bank, Ipse and its shareholders, including TeliaSonera, have given cash collateral for the remaining license payments from 2008 to 2010. TeliaSonera's part of the cash collateral amounts to EUR 100 million, equivalent to SEK 948 million.

TeliaSonera has entered into a cross-border finance lease-leaseback agreement for mobile network equipment in Finland, with a remaining carrying value of SEK 9 million as of December 31, 2007. The arrangement was entered into in 1998 by TeliaSonera Finland Oyj (formerly Sonera Oyj) and is valid for 15 years, with an early termination option after 11 years. TeliaSonera has determined that in substance the transactions are not leases as defined in IAS 17, and the amounts are shown net on the balance sheet. Both the lease receivables and the lease obligations were settled at the inception of the agreement and TeliaSonera received a net cash consideration of USD 11 million (EUR 9 million) which was recorded in the balance sheet as an advance payment received and is recognized in financial income over the lease term.

No other cash payments are currently expected to be made by TeliaSonera, since TeliaSonera has defeased all obligations under the agreement with highly rated financial institutions and U.S. Government related securities. The ownership of the equipment is retained with TeliaSonera. However, during the agreement period, TeliaSonera can not dispose of the equipment but may make replacements.

Other unrecognized contractual obligations

As of December 31, 2007, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected maturity, SEK in millions	Intangible assets	Property, plant and equipment	Other holdings of securities	Total
2008	39	2,138	15	2,192
2009	–	100	7	107
Later years	–	–	–	–
Total	39	2,238	22	2,299

Most of the obligations with respect to property, plant and equipment refer to contracted build-out of TeliaSonera's mobile network in Spain and fixed networks in Sweden and Lithuania.

TeliaSonera's Spanish subsidiary Xfera also pays an annual spectrum fee during the term of its 3G license expiring in 2020. The fee is determined on an annual basis by the Spanish government authorities and for 2008 is set to EUR 27 million.

Legal and administrative proceedings

In its normal course of business, TeliaSonera is involved in a number of legal proceedings. These proceedings primarily involve claims arising out of commercial law issues and regulatory matters. TeliaSonera is also involved in administrative proceedings relating principally to telecommunications regulations and competition law. In particular, TeliaSonera is involved in numerous proceedings related to interconnect fees, which affects future revenues. Except for the proceedings described below, TeliaSonera or its subsidiaries are not involved in any legal, arbitration or regulatory proceedings which management believes could have a material adverse effect on TeliaSonera's business, financial condition or results of operations.

Regulatory proceedings

The administrative courts in Sweden have ruled that TeliaSonera shall reimburse Tele2 for all traffic transferred by TeliaSonera to Tele2's mobile network, while TeliaSonera is entitled to be reimbursed by the originating operators who have transferred traffic on TeliaSonera's network. In connection with the proceedings above, Tele2 brought an action in the Swedish civil courts against TeliaSonera claiming currently SEK 932 million and accrued interest for interconnect fees for the period September 1998–March 2004.

The action has been stayed pending the administrative procedures. TeliaSonera has paid parts of the sum claimed and has recognized provisions for the remaining exposure that management believes to be sufficient.

TeliaSonera is also in disputes with Tele2, Telenor and Hi3G in Sweden regarding the level of interconnect fees for calls from 2004 and onwards terminated in their respective mobile networks. The Swedish National Post and Telecom Agency (PTS) has decided that Tele2, Telenor and Hi3G were entitled to charge TeliaSonera approximately SEK 0.97 per minute until July 5, 2004 and thereafter down to SEK 0.55 in 2007. Tele2, Telenor and Hi3G claim that the interconnect fees should be higher, in the range of SEK 0.99–1.35 per minute, while TeliaSonera claims that the fees should at the most be in accordance with the fees that PTS has decided. In December 2007, the Administrative Court of Appeal decided on the matter of the level of Tele2's and Telenor's interconnect fees from October 2003 until June 2007. The decisions from the Administrative Court of Appeal have resulted in reversals of existing provisions totaling SEK 571 million, of which amounts relating to prior years were recorded as other operating income (see Note 9 "Other Operating Income and Expenses"). The issues are presently pending in the courts. For the remaining exposure, TeliaSonera has recognized provisions that management believes to be sufficient. However, the final outcome may result in payments that deviate significantly – up or down – from the current provision level. As the other operators have submitted invoices to TeliaSonera, parts of which TeliaSonera dispute, the provisions form part of accounts payable.

During the second half of 2001, a number of operators filed complaints against TeliaSonera with the Swedish Competition Authority and the Authority initiated an investigation regarding TeliaSonera's pricing of ADSL services. The complaints suggest that the difference between TeliaSonera's wholesale prices and retail prices is too low to effectively enable competition in the retail market. In December 2004, the Competition Authority sued TeliaSonera at the Stockholm District Court claiming that TeliaSonera has abused its dominant position. The Authority demands a fee of SEK 144 million. TeliaSonera's position is that it has not engaged in any prohibited pricing activities. Following the Competition Authority's lawsuit, Tele2 has on April 1, 2005 and Spray Network on June 29, 2006, respectively, claimed substantial damages from TeliaSonera due to the alleged abuse of dominant market position. TeliaSonera will vigorously contest Tele2's and Spray Network's claims. The actions for damages have been stayed pending the case between TeliaSonera and the Competition Authority.

Other legal proceedings

TeliaSonera is currently involved in court cases with Primav Construcoes e Comercio and Telmig, former shareholders of the Brazilian mobile operator Tess, relating to such shareholders' disposal of their investments in Tess as well as certain call options and subscription rights in Tess. Whilst TeliaSonera has sold its holding in Tess, it has entered into certain guarantees to compensate the buyer for certain losses in connection with the above-mentioned court cases. TeliaSonera will vigorously contest any claims in connection with the disputes. Even if TeliaSonera believes that losing the disputes is not probable, given the anticipated duration of the court proceedings, TeliaSonera has recognized a provision for estimated future legal fees.

Note 31 (Consolidated) Cash Flow Information

Cash flow from operating activities under the direct method presentation

SEK in millions	January–December	
	2007	2006
Cash receipts from customers	97,276	89,742
Cash paid to employees and suppliers	-67,403	-61,052
Cash flow generated from operations	29,873	28,690
Dividends received	2,684	1,788
Interest received	571	487
Interest paid	-1,457	-1,082
Income taxes paid	-5,142	-2,382
Cash flow from operating activities	26,529	27,501

Non-cash transactions

Asset retirement obligations (AROs)

In 2007 and 2006, obligations regarding future dismantling and restoration of technical sites entailed non-cash investments of SEK 82 million and SEK 67 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. In 2007, these activities entailed non-cash exchanges of SEK 47 million.

Uzbek exchange transaction

In 2007, TeliaSonera acquired a 3G license, frequencies and number blocks in Uzbekistan with a fair value of SEK 652 million in exchange for a 26 percent interest in TeliaSonera Uzbek Telecom Holding B.V. and a net cash payment of SEK 194 million (USD 30 million), resulting in a non-cash exchange of SEK 458 million.

Acquisitions and divestitures

The TeliaSonera Group is continually restructured through the acquisition and divestiture of subsidiaries and lines of business as well as associated companies, joint ventures and companies outside the Group. The fair value of assets acquired and liabilities assumed in subsidiaries and the total cash flow from acquisitions were as follows.

SEK in millions	January–December	
	2007	2006
Intangible assets	4,346	4,799
Property, plant and equipment	622	913
Financial assets, accounts receivable, inventories etc.	1,183	3,562
Cash and cash equivalents	292	324
Revaluation reserve and other equity adjustments related to transactions prior to the business combination	–	165
Minority interests	65	238
Provisions	-762	-579
Non-current liabilities	-598	-1,113
Current liabilities	-678	-4,048
Total purchase consideration	4,470	4,261
Less repayment of certain borrowings	419	–
Less purchase consideration paid prior to the business combination	–	-190
Less contingent consideration	–	-1,054
Less reversal of provision recognized before the business combination	–	454
Less cash and cash equivalents in acquired group companies	-292	-324
Net cash outflow from acquired group companies	4,597	3,147
Purchase consideration for other acquisitions	–	127
Total cash outflow from acquisitions	4,597	3,274

See Note 34 “Business Combinations, etc” for more information on significant transactions in 2007.

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

SEK in millions	January–December	
	2007	2006
Assets held-for-sale	1	41
Minority interests	–	26
Liabilities related to assets held-for-sale	-1	–
Total sales consideration	0	67
Less cash and cash equivalents in divested group companies	–	–
Net cash inflow from divested group companies	0	67
Sales consideration for other divestitures	116	281
Total cash inflow from divestitures	116	348

Note 32 (Consolidated) Human Resources

Employees, salaries, and social security expenses

Acquired operations in 2007 added 2,292 employees, of which in Uzbekistan 801, in Tajikistan 582, in Denmark 317 and in Sweden 237. In the existing operations, streamlining efforts in Sweden and Finland did not offset recruitments mainly in Eurasia to handle the strong customer intake, resulting in a net increase of the number of employees by 472. Hence, the total change during 2007 was an increase by 2 764 employees to 31,292 at year-end (28,528 at year-end 2006).

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

Country	January–December, 2007		January–December, 2006	
	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	10,002	54.2	10,427	51.4
Finland	5,697	59.0	5,936	59.2
Norway	945	69.7	888	69.6
Denmark	1,559	66.6	1,310	68.9
Lithuania	3,672	52.1	3,328	51.4
Latvia	1,010	57.1	793	52.7
Estonia	2,322	56.8	2,196	57.6
Spain	72	65.3	30	63.3
Kazakhstan	1,093	54.8	803	47.1
Azerbaijan	613	46.3	525	41.0
Uzbekistan	358	64.8	–	–
Tajikistan	255	49.4	–	–
Georgia	227	49.3	209	48.3
Moldova	293	45.1	258	48.4
Russia	60	63.3	66	63.6
United Kingdom	51	74.5	53	69.8
Other countries	147	72.8	147	70.1
Total	28,376	56.4	26,969	54.9

In total, operations in 2007 and 2006 were conducted in 28 and 26 countries, respectively.

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

Percent	December 31, 2007		December 31, 2006	
	Boards of directors	Other senior executives	Boards of directors	Other senior executives
Women	22.9	23.4	23.3	19.5
Men	77.1	76.6	76.7	80.5
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	January–December	
	2007	2006
Salaries and other remuneration	9,632	8,918
Social security expenses		
Employer's social security contributions	1,971	1,903
Pension expenses	1,221	1,408
Total social security expenses	3,192	3,311
Capitalized work by employees	-208	-161
Other personnel expenses	861	653
Total personnel expenses recognized by nature	13,477	12,721

Salaries and other remuneration were divided between Senior executives and other employees as follows. Variable salary was expensed in the respective year, but settled in cash in the following year.

SEK in millions	January–December, 2007		January–December, 2006	
	Senior executives (of which variable salary)	Other employees	Senior executives (of which variable salary)	Other employees
Salaries and other remuneration	196 (30)	9,436	119 (14)	8,799

Pension expenses for all Senior executives totaled SEK 36 million in 2007 and SEK 20 million in 2006.

Remuneration to corporate officers

Principles

As resolved by the 2007 Annual General Meeting of shareholders in TeliaSonera AB, remuneration is paid to the chairman of the Board and directors in the amount of SEK 900,000 (2006 AGM: SEK 800,000) per year to the chairman and SEK 400,000 per year to each of the other directors, elected by the Annual General Meeting. In addition, remuneration is paid to the chairman of the Board's Audit Committee in the amount of SEK 150,000 per year and SEK 100,000 per year to each of the other members of the Audit Committee. Additional remuneration is also paid to the chairman of the Board's Remuneration Committee in the amount of SEK 40,000 per year and SEK 20,000 per year to each of the other members of the Remuneration Committee. No separate remuneration is paid to directors for other committee work. Directors appointed as employee representatives are not remunerated. There are no pension benefit arrangements for external directors.

Remuneration to the Chief Executive Officer (CEO), the Executive Vice President (EVP) and other members of the Leadership Team consists of base salary, variable salary, certain taxable benefits and pension benefits. "Other members of the Leadership Team" refers to the 7 individuals who are directly reporting to the CEO and which, along with the CEO and the EVP, constituted the TeliaSonera Leadership Team on December 31, 2007.

Variable salary to the CEO and to the EVP was capped at an amount equal to 50 percent and 35 percent of the base salary, respectively. For other members of the Leadership Team, the variable salary was capped at 35 percent of the base salary. Variable salary is based on the financial performance of the group, financial performance in each officer's area of responsibility and individual performance objectives.

In addition to general employment benefits, members of the Leadership Team are offered the following benefits: health insurance, telephone subscription and company car. All benefits are treated as taxable income.

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

Remuneration and other benefits during the year, pension commitments

SEK	Board remuneration/ Base salary	Variable salary	Other remuneration	Other benefits	Pension expense	Total remuneration and benefits	Total pension commitment
<i>Board of Directors</i>							
Tom von Weymarn, chairman	940,012	–	–	–	–	940,012	–
Majja-Liisa Friman	383,174	–	–	–	–	383,174	–
Conny Karlsson	474,848	–	–	–	–	474,848	–
Lars G Nordström	401,511	–	–	–	–	401,511	–
Timo Peltola	420,012	–	–	–	–	420,012	–
Jon Risfelt	451,791	–	–	244	–	452,035	–
Caroline Sundewall	550,008	–	–	–	–	550,008	–
<i>Leadership Team</i>							
Lars Nyberg, CEO	2,616,001	1,308,000	–	30,077	2,770,740	6,724,818	–
Kim Ignatius, EVP	5,519,454	1,066,500	–	186,264	2,250,061	9,022,279	9,123,495
Other members of the Leadership Team (7 individuals)	18,237,019	3,476,356	540,375	2,281,451	10,156,219	34,691,420	51,053,872
<i>Former Board members</i>							
Carl Bennet, vice chairman	26,648	–	–	–	–	26,648	–
Eva Liljebloom	23,376	–	–	–	–	23,376	–
Lennart Läftman	19,636	–	–	–	–	19,636	–
Lars-Erik Nilsson	23,376	–	–	–	–	23,376	–
Sven-Christer Nilsson	23,376	–	–	–	–	23,376	–
<i>Former CEOs, EVPs</i>							
Anders Igel	4,134,144	1,364,268	22,395,399	89,055	8,017,845	36,000,711	41,502,827
Marianne Nivert	–	–	–	–	–	–	34,190,895
Jan-Åke Kark	–	–	–	–	–	–	35,193,471
Stig-Arne Larsson	–	–	–	–	–	–	24,232,613
Lars Berg	–	–	–	–	–	–	20,338,148
Tony Hagström	–	–	–	–	–	–	9,178,079
Total	34,244,386	7,215,124	22,935,774	2,587,091	23,194,865	90,177,240	224,813,400

Comments on the table:

- Board remuneration includes remuneration for Audit Committee and Remuneration Committee work. Remuneration is paid monthly. Base salary for members of the Leadership Team includes additional remuneration paid when temporary acting in a superior function. On a full-year basis, the base salary for the CEO in 2007 was SEK 8,000,000.
- Variable salary was expensed in 2007, but will be settled in cash in 2008. Actual variable salary for 2007 corresponds to 50 percent of the base salary for the CEO, to 27 percent for the EVP and for other members of the Leadership Team to 18-27 percent of the base salary. Variable salary with respect to performance in 2006 was paid in 2007 to the former CEO in an amount of SEK 2,385,100, to the EVP in an amount of SEK 1,102,008 and to other members of the current Leadership Team in an amount of SEK 4,265,210.
- Other remuneration includes cash settlement for unused vacation days and, for the former CEO, all remuneration and benefits during

term of notice and a provision for severance pay during a period of 24 months.

- Other benefits refer chiefly to company car benefit but also to a number of other taxable items. Further, one other member of the Leadership Team on international assignment is entitled to housing allowance and school fee.
- Pension expense refers to the expense that affected earnings for the year. See further disclosures concerning the terms and conditions of pension benefits below.

Stock options

As of December 31, 2007, TeliaSonera had no outstanding stock option program.

Pension benefits

The CEO has a defined contribution pension arrangement. The pension contribution corresponds to 4.5 percent of the base salary up to 7.5 in-

come base amounts and 30 percent above. In addition, a yearly fixed contribution of SEK 6,000,000 is paid to the pension plan. The age of retirement for the CEO is 65. However, the CEO has the right to early retirement from age 60. The Board of Directors can also request the CEO to retire from age 60. In such a case, no pension contributions will be paid after the early retirement.

The age of retirement for the EVP is 60. Pension benefits between age 60 and 65 shall equal 70 percent of pensionable salary. Pension benefits after age 65 shall be paid in accordance with the ITP plan with supplementation of benefits, amounting to 32.5 percent of the pensionable salary, for that part of salary exceeding 20 income base amounts. Pensionable salary equals the base salary. All pension benefits are unassailable, i.e. are not subject to conditions concerning future employment.

The age of retirement for other members of the Leadership Team varies between 60, 62 and 65. For those employed in Sweden having a retirement age below age 65, pension benefits up to age 65 equal 70 percent of the pensionable salary. Pension benefits after age 65 shall be paid in accordance with the ITP plan with supplementation of benefits, amounting to 32.5 percent of the pensionable salary, for that part of salary exceeding 20 income base amounts except in one case where pension benefits amounts to 32.5 percent for that part of the salary exceeding 30 income base amounts. Pensionable salary includes base salary and variable salary for those employed prior to July 1, 2002. For those employed after that date the pensionable salary equals the base salary. All pension benefits are unassailable, i.e. are not subject to conditions concerning future employment.

The age of retirement for one other member of the Leadership Team employed in Finland is 60. Pension benefits from age 60 shall be the same as they would have been according to the statutory TyEL pension plan with full accrual. The pensionable salary includes variable salary. One other member of the Leadership Team employed in Turkey has a Finnish pension arrangement and is entitled to pension benefits according to the statutory TyEL pension plan.

Severance pay

The contract between the company and the CEO requires both parties to provide 6 months' notice of resignation or termination of employment. Upon termination by the company, before the age of 60, the CEO shall be entitled to severance pay equal to his monthly base salary for a period of 24 months. Other income shall be deducted from the severance amount. If the CEO resigns his position, he shall not be entitled to severance pay. However, in the event of a change-of-control in TeliaSonera, the CEO is entitled to severance pay if he resigns within one month from the change of ownership. If the CEO resigns for this reason before September 3, 2009, he is also entitled to a one year contribution of SEK 6,000,000 to the pension plan.

The contract between the company and the EVP as well as other members of the Leadership Team requires a period of notice of 6 months from the employee and 12 months from the company with respect to resignation or termination of employment. Upon termination by the company, the employee shall be entitled to severance pay equal to the monthly base salary for a period of 12 months. Other income shall be deducted against the salary during the notice period and against the severance amount. If the employee resigns his or her position, he or she shall not be entitled to severance pay.

Planning and decision process

Remuneration to the CEO is decided by the Board of Directors based on the recommendation of the Remuneration Committee. Remuneration to other members of the Leadership Team is approved by the Remuneration Committee, based on the CEO's recommendation.

Note 33 (Consolidated) Auditors' Fees and Services

The following remuneration was paid to auditors and accounting firms for audits and other reviews based on applicable legislation and for advice and other assistance resulting from observations in the reviews. Remuneration was also paid for independent advice, using Group auditors or other audit firms, in the fields of Tax/Law and Corporate Finance as well as other consulting services. Audit fees to other accounting firms refer to subsidiaries 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.

SEK in millions	January–December	
	2007	2006
PwC		
Audits	37	82
Audit-related services	6	3
Tax services	0	1
All other services	10	1
Total PwC	53	87
Ernst & Young (E&Y)		
Audits, audit-related services	1	0
Tax services	1	–
All other services	2	13
Total E&Y	4	13
KPMG		
Audits, audit-related services	2	2
Tax services	4	4
All other services	2	1
Total KPMG	8	7
Other accounting firms		
Audits	0	–
Audit-related services, tax services and all other services	5	11
Total other accounting firms	5	11
Total	70	118

In addition, fees for accounting firm services capitalized as transaction costs in business combinations and similar transactions totaled SEK 3 million in 2007 (other non-audit services performed by Other accounting firms) and SEK 4 million in 2006 (other non-audit services: PwC SEK 1 million, E&Y SEK 1 million and KPMG SEK 2 million).

Fees paid to PwC, as well as to E&Y and Other accounting firms, decreased in 2007, mainly due to TeliaSonera's deregistration with the U.S. Securities and Exchange Commission and hence less audit work and consultancy work, respectively, on internal controls in accordance with Section 404 of the Sarbanes-Oxley Act.

Within the provisions of Swedish legislation, the Audit Committee of the Board of Directors of TeliaSonera AB is responsible, among other matters, for the oversight of TeliaSonera's independent auditors. The Board of Directors has adopted a policy regarding pre-approval of audit-related services and permissible non-audit services provided by audit firms.

Note 34 (Consolidated) Business Combinations, etc.

Acquisitions of Cygate, debitel Danmark and MCT

Description of and reasons for the acquisitions

Cygate

On November 16, 2006, TeliaSonera announced an agreement to acquire a majority stake in Cygate Group AB. After obtaining relevant regulatory approval, TeliaSonera acquired 98.76 percent of the shares on January 26, 2007. As activities to purchase the remaining shares were initiated promptly, 100 percent of the results of the Cygate operations were included in the consolidated financial statements as of February 1, 2007.

Cygate is a leading supplier of secure and managed IP network solutions as well as system integration in the Nordic market. The acquisition underlines TeliaSonera's strategic direction to strengthen its position within managed services.

The transaction is a strategic acquisition that gives TeliaSonera broader competence within business solution sales, technology and project management. Cygate provides solutions within networking, security and IP telephony and services within support, maintenance and IT management. Cygate, which has strong brand recognition in the market, will operate as a separate business within TeliaSonera.

debitel Danmark

On January 31, 2007, TeliaSonera signed a share purchase agreement to acquire 100 percent of the Danish service provider debitel Danmark A/S. After obtaining relevant regulatory approval, closing took place on April 11, 2007. The acquisition included debitel's 50 percent owned joint venture DLG-debitel I/S operating under the brand DLG Tele. The results of the operations were included in the consolidated financial statements as of April 1, 2007. Following a new shareholders' agreement, DLG Tele became a controlled entity as of July 1, 2007.

In addition to the stand-alone valuation of debitel, the transaction is based on transferring debitel's traffic from other mobile networks into Telia Denmark's mobile network.

The transaction strengthens TeliaSonera's position in the Danish mobile market. At December 31, 2006, debitel and DLG Tele had approximately 300,000 mobile subscriptions. debitel will continue to operate as a service provider under a separate brand on the Danish market.

MCT

On July 16, 2007, TeliaSonera acquired 100 percent of the shares in MCT Corp, a U.S. based company with shareholdings in four Eurasian GSM operators. The MCT group of companies includes:

- OOO Coscom, which is the third largest mobile operator in Uzbekistan with 393,000 subscriptions and a market share of approximately 11 percent as of May 2007. MCT had a 99.97 percent interest in Coscom.
- ZAO Indigo Tadjikistan and ZAO Somoncom, which combined is the second largest mobile operation in Tajikistan with 377,000 subscriptions and a market share of approximately 27 percent as of May 2007. MCT had a 60.0 percent interest in Indigo Tadjikistan and a 59.4 percent interest in Somoncom.
- Telecom Development Company Afghanistan Ltd. (Roshan), which is the largest mobile operator in Afghanistan, with 1,300,000 subscriptions and a market share of approximately 50 percent as of May 2007. MCT had a 12.25 percent interest in Roshan.

The transaction underlines TeliaSonera's strategy to be the leading Eurasian mobile operator and strengthens the commitment and presence in the region. Uzbekistan, Tajikistan and Afghanistan have a combined population of approximately 67 million, growing economies and relatively low mobile penetration levels. Goodwill is explained by strong market positions, potential increases in customer numbers and synergies from the restructuring of the operations.

The results of the operations in Uzbekistan and Tajikistan were included in the consolidated financial statements as of July 1, 2007. The operation in Afghanistan is reported as a financial investment, i.e. the results will affect "Other financial items" in the income statement.

Financial effects

The acquired businesses impacted consolidated net sales and net income, including the effects of fair value adjustments, as follows.

SEK in millions	Net sales	Net income
Cygate (February 1–December 31, 2007)	732	-52
debitel Danmark (April 1–December 31, 2007)	770	-61
MCT (July 1–December 31, 2007)	317	11
Total	1,819	-102

The following table sets forth the TeliaSonera Group pro forma net sales, net income and earnings per share, including the effects of fair value adjustments, had the acquisitions taken place at January 1, 2007.

SEK in millions, except per share data	January–December, 2007				TeliaSonera Group pro forma
	TeliaSonera Group	Cygate	debitel Danmark	MCT	
Pro forma net sales	96,344	62	185	227	96,818
Pro forma net income	20,298	-2	-13	-51	20,232
Pro forma basic and diluted earnings per share (SEK)	3.94				3.92

Cost of combination, goodwill and cash-flow effects

Details of the cost of combination and goodwill were as follows.

SEK in millions	Cygate	debitel Danmark	MCT
Cost of combination			
Cash purchase consideration	673	1,016	1,728
Transaction-related direct expenses	7	4	56
Total cost of combination	680	1,020	1,784
Less fair value of net assets acquired (as specified below)	-417	-335	-287
Goodwill	263	685	1,497
Allocated to:			
Business area Mobility Services	–	685	–
Business area Integrated Enterprise Services	263	–	–
Business area Eurasia	–	–	1,497

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

The cash-flow effects were as follows.

SEK in millions	Cygate	debitel Danmark	MCT
Total cost of the combination paid in cash	680	1,020	1,784
Repayment of certain borrowings	–	323	96
Less acquired cash and cash equivalents	-142	-73	-32
Net cash outflow from the combination	538	1,270	1,848

Assets acquired and liabilities assumed

Carrying values and fair values of assets acquired and liabilities assumed were as follows.

SEK in millions	Cygate			debitel Danmark			MCT		
	Carrying value	Fair value adjustments	Fair value	Carrying value	Fair value adjustments	Fair value	Carrying value	Fair value adjustments	Fair value
Goodwill	38	-38	-	-	-	-	-	-	-
Trade names	-	90	90	-	-	-	-	-	-
Licenses	-	-	-	-	-	-	-	306	306
Customer relationships	-	190	190	-	143	143	-	106	106
Interconnect agreements	-	-	-	-	-	-	-	276	276
Partner agreements with suppliers	-	100	100	-	-	-	-	-	-
Other intangible assets	-	-	-	11	-	11	16	-	16
Property, plant and equipment	11	-	11	11	-	11	590	-	590
Investments in joint ventures	-	-	-	23	360	383	-	-	-
Investments in other equity holdings	-	-	-	-	-	-	1	193	194
Other financial non-current assets	7	-	7	62	-	62	-	-	-
Inventories, receivables and other current assets	155	-	155	143	-	143	125	-	125
Cash and cash equivalents	142	-	142	73	-	73	32	-	32
Total assets acquired	353	342	695	323	503	826	764	881	1,645
Minority interests	-	-	-	-	-	-	-73	-145	-218
Deferred income tax liabilities	-3	-106	-109	-	-36	-36	-10	-598	-608
Other long-term liabilities	-7	-	-7	-	-	-	-117	-	-117
Short-term liabilities	-162	-	-162	-455	-	-455	-415	-	-415
Total liabilities assumed	-172	-106	-278	-455	-36	-491	-615	-743	-1,358
Total fair value of net assets acquired	181	236	417	-132	467	335	149	138	287

There were no purchased in-process research and development assets acquired, nor any contingent liabilities assumed. Collateral pledged arising from the acquisition was as follows.

SEK in millions	debitel		MCT
	Cygate	Danmark	
Chattel mortgages	16	-	-
Real estate mortgages	-	-	2

Other business combinations in 2007

For minor business combinations in 2007, the aggregate cost of acquisition was SEK 154 million and the net cash outflow SEK 135 million. Goodwill totaled SEK 113 million, of which SEK 50 million was allocated to business area Mobility Services, SEK 51 million to business area Integrated Enterprise Services and SEK 12 million to reportable segment Other operations.

Xfera purchase price allocation finalized

In the second quarter of 2007, the purchase price allocation for Xfera Móviles S.A., acquired in June 2006, was finalized. A few adjustments were made and the net effect was an increase in goodwill of SEK 176 million, primarily relating to deferred spectrum fees that had already been recognized as a part of the fair value of Xfera's 3G license.

Supplemental transaction in Uzbekistan

In December 2007, TeliaSonera supplemented its acquisition of OOO Coscom (see section "MCT" above) by introducing a local partner from whom TeliaSonera acquired a 3G license, frequencies and number blocks in Uzbekistan in exchange for USD 30 million net in cash and a 26 percent interest in TeliaSonera Uzbek Telecom Holding B.V. (Uzbek Holding), the parent company of Coscom. In connection with the transaction, the partner was granted a put option giving the partner the right to sell its 26 percent interest in Uzbek Holding to TeliaSonera after December 31, 2009. Minority interest was derecognized and a provision for the estimated redemption amount of the put option was recognized. The transaction increased goodwill by an additional SEK 1,717 million.

Note 35 (Consolidated) Specification of Shareholdings and Participations

Associated companies and joint ventures

Company, Corp. Reg. No., registered office	Participation (%)	Number of shares	SEK in millions			
			Equity participation in consolidated accounts		Carrying value in each parent company	
			2007	2006	2007	2006
Parent company holdings						
Swedish companies						
Overseas Telecom AB, 556528-9138, Stockholm	65	1,180,575	321	833	198	198
Lokomo Systems AB, 556580-3326, Stockholm	44	734,241	1	1	0	0
Telefos AB, 556523-6865, Stockholm	26	2,560,439	0	271	0	103
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
Companies outside Sweden						
ComHouse AS, 988755656, Larvik	33	60,700,000	59	72	75	75
OAO Telecominvest, St. Petersburg	26	4,262,165	2,446	1,619	700	700
Other operating, dormant and divested companies			0	7	0	8
Total parent company					974	1,085
Subsidiaries' holdings						
Swedish companies						
Svenska UMTS-nät AB, 556606-7996, Stockholm (joint venture)	50	501,000	204	359	500	500
SmartTrust AB, 556179-5161, Stockholm	30	70,991,460	0	13	0	13
Other operating, dormant and divested companies			0	0	0	0
Companies outside Sweden						
AS Sertifitseerimiskeskus, 10747013, Tallinn	50	16	7	9	18	17
SIA Latttelecom, 00030527, Riga	49	71,581,000	876	730	1,428	1,019
Turkcell Holding A.S., 430991-378573, Istanbul	47	214,871,670	6,974	5,566	1,850	1,764
Turkcell Iletisim Hizmetleri A.S., 304844-252426, Istanbul	13	292,485,209	12,720	10,076	1,188	1,133
OAO MegaFon, 7812014560, Moscow	36	2,207,234	9,432	5,941	422	408
AUCS Communications Services v.o.f., 34097149, Hoofddorp	33	–	12	31	0	0
Johtotieto Oy, 0875145-8, Helsinki	33	170	1	1	0	0
Operators Clearing House A/S, 18936909, Copenhagen	33	1,333	7	3	5	4
Voicecom OÜ, 10348566, Tallinn	26	–	1	1	1	1
Other operating, dormant and divested companies			0	0	0	0
Total			33,065	25,536		

The share of voting power in Overseas Telecom AB is 42 percent. OAO Telecominvest owns an additional 31 percent of the shares in OAO MegaFon. Turkcell Holding A.S. owns 51 percent of the shares in Turkcell Iletisim Hizmetleri A.S.

The parent company's holdings of Other operating, dormant and divested companies for the comparative year (Group carrying value SEK 7 million, parent company carrying value SEK 8 million) related to Drutt Corp., which was divested in 2007.

Other equity holdings

Company, Corp. Reg. No., registered office	Participation (%)	Number of shares	SEK in millions			
			Carrying/fair value in consolidated accounts		Carrying value in each parent company	
			2007	2006	2007	2006
Parent company holdings						
Swedish companies						
Slottsbacken Fund Two KB, 969660-9875, Stockholm	18	–	7	5	7	5
OMX AB, 556243-8001, Stockholm	0	3,498	1	0	1	0
Other operating, dormant and divested companies			0	0	0	0
Companies outside Sweden						
Digital Telecommunications Philippines Inc., Manila-Quezon City	9	600,000,000	173	166	173	166
Birdstep Technology ASA, 977037093, Oslo	2	1,722,594	22	0	22	0
Vision Extension L.P., LP180, Saint Helier, Jersey	2	–	1	1	1	1
Other operating, dormant and divested companies			0	0	0	0
Total parent company					204	172
Subsidiaries' holdings						
Swedish companies						
Other operating, dormant and divested companies		0	0	0	0	0
Companies outside Sweden						
iVision AS, 983759955, Kristiansand	19	2,501,813	12	12	12	12
Telecom Development Company Afghanistan B.V., 34183985, Amsterdam	12	1,225	187	–	187	–
Magma Venture Capital I L.P., Cayman Islands	7	–	19	17	19	17
Oy Merinova Ab, 0778620-2, Vaasa	6	800	1	1	1	1
Diamondhead Ventures, L.P., 3145188, Menlo Park, CA	4	–	5	13	5	13
Santapark Oy, 1095079-8, Rovaniemi	3	10,000	2	2	2	2
Helsinki Halli Oy, 1016235-3, Helsinki	1	42	4	4	4	4
Intellect Capital Ventures, L.L.C., 3173982, Los Angeles, CA	0	–	13	12	13	12
Digital Media & Communications II L.P., 3037042, Boston, MA	0	–	6	6	6	6
Asunto Oy Helsingin Oskar, 0881553-8, Helsinki	0	280	1	1	1	1
Kiinteistö Oy Turun Monitoimihalli, 0816425-3, Turku	0	1	1	1	1	1
Holdings in other real estate and housing companies, Finland	–	–	33	31	33	31
Holdings in other local phone companies, etc., Finland	–	–	7	9	7	9
Other operating, dormant and divested companies			0	11	0	11
Total			495	292		

The subsidiaries' holdings of Other operating, dormant and divested companies for the comparative year relate to companies divested and liquidated. Divestitures in 2007 included Qwikker, Inc., and Pargas Telefon Ab – Paraisten Puhelin Oy, while TelAdvent LP was liquidated. Altogether, the Group's carrying value for the named companies amounted to SEK 11 million and the carrying value in each parent company to SEK 11 million.

Parent Company Income Statements

SEK in millions	Note	January–December	
		2007	2006
Net sales	3	17,809	19,705
Costs of production	4	-10,725	-12,917
Gross income		7,084	6,788
Selling, administrative, and research & development expenses	4	-1,038	-678
Other operating income and expenses	5	258	546
Operating income		6,304	6,656
Financial income and expenses	8	17,541	975
Income after financial items		23,845	7,631
Appropriations	9	-2,586	-3,504
Income before taxes		21,259	4,127
Income taxes	9	-1,258	-899
Net income		20,001	3,228

Parent Company Balance Sheets

SEK in millions	Note	December 31,	
		2007	2006
Assets			
Goodwill and other intangible assets	10	1,235	445
Property, plant and equipment	11	18,654	19,003
Deferred tax assets	9	235	–
Other financial assets	12	122,345	111,884
Total non-current assets		142,469	131,332
Inventories	13	1	7
Trade and other receivables	14	37,176	32,740
Short-term investments	15	1,611	6,125
Cash and bank	15	1,179	1,468
Total current assets		39,967	40,340
Total assets		182,436	171,672
Shareholders' equity and liabilities			
<i>Restricted equity</i>			
Share capital		14,369	14,369
Other reserves		3,796	4,298
<i>Non-restricted equity</i>			
Retained earnings		24,847	49,367
Net income		20,001	3,228
Total shareholders' equity		63,013	71,262
Untaxed reserves	9	20,061	17,476
Deferred tax liabilities	9	–	1,030
Provisions for pensions and employment contracts	17	538	555
Other provisions	18	406	461
Total provisions		944	2,046
<i>Interest-bearing liabilities</i>			
Long-term borrowings	19	38,305	22,111
Short-term borrowings	19	52,695	50,450
<i>Non-interest-bearing liabilities</i>			
Long-term liabilities	20	814	905
Current tax payables		752	819
Short-term provisions, trade payables and other current liabilities	21	5,852	6,603
Total liabilities		98,418	80,888
Total shareholders' equity and liabilities		182,436	171,672
Unrecognized contingent assets	25	–	–
Collateral pledged	25	1	1
Unrecognized guarantees	25	4,669	4,392

Parent Company Cash Flow Statements

SEK in millions	Note	January–December	
		2007	2006
Net income		20,001	3,228
Adjustments for:			
Amortization, depreciation and impairment losses		3,295	3,671
Capital gains/losses on sales/discards of non-current assets		89	-437
Pensions and other provisions		-1,173	-2,204
Financial items	26	777	41
Group contributions and appropriations		2,585	3,504
Income taxes	26	-2,182	896
Cash flow before change in working capital		23,392	8,699
Increase (-)/Decrease (+) in operating receivables		903	-1,909
Increase (-)/Decrease (+) in inventories etc.		6	-6
Increase (+)/Decrease (-) in operating liabilities		-559	2,017
Change in working capital		350	102
Cash flow from operating activities		23,742	8,801
Intangible and tangible non-current assets acquired		-3,074	-2,580
Shares and participations		-10,673	-14,131
Non-current assets divested, etc.		-228	-
Loans granted and other similar investments		-2,912	-
Repayment of loans granted and other similar investments		-	100
Compensation from pension fund		950	1,000
Net change in interest-bearing current receivables		111	-117
Cash flow from investing activities		-15,826	-15,728
Cash flow before financing activities		7,916	-6,927
Dividend to shareholders		-28,290	-15,717
Group contributions and dividends received		-1,091	1,122
Proceeds from long-term borrowings		16,460	4,901
Repayment of long-term borrowings		-777	-5,804
Change in short-term borrowings		979	17,490
Cash flow from financing activities		-12,718	1,992
Change in cash and cash equivalents		-4,803	-4,935
Cash and cash equivalents, opening balance		7,593	12,528
Change in cash and cash equivalents		-4,803	-4,935
Cash and cash equivalents, closing balance	15	2,790	7,593

Parent Company Statements of Changes in Shareholders' Equity

SEK in millions	Share capital	Statutory reserve	Revaluation reserve	Non-restricted equity	Total equity
Closing balance, December 31, 2005	14,961	1,855	3,408	63,432	83,656
Depreciation on tangible assets written-up (Note 16)	–	–	-965	965	–
Reporting financial instruments at fair value (Note 16)	–	–	–	95	95
<i>Net income recognized directly in equity</i>	–	–	-965	1,060	95
Net income	–	–	–	3,228	3,228
<i>Total recognized net income</i>	–	–	-965	4,288	3,323
Dividend	–	–	–	-15,717	-15,717
Cancellation of treasury shares (decided by the AGM in 2006)	-592	–	–	592	–
Closing balance, December 31, 2006	14,369	1,855	2,443	52,595	71,262
Depreciation on tangible assets written-up (Note 16)	–	–	-502	502	–
Reporting financial instruments at fair value (Note 16)	–	–	–	40	40
<i>Net income recognized directly in equity</i>	–	–	-502	542	40
Net income	–	–	–	20,001	20,001
<i>Total recognized net income</i>	–	–	-502	20,543	20,041
Dividend	–	–	–	-28,290	-28,290
Closing balance, December 31, 2007	14,369	1,855	1,941	44,848	63,013

Notes to Parent Company Financial Statements

Note 1 (Parent Company) Basis of Preparation

General

The parent company TeliaSonera AB's financial statements have been prepared in accordance with the Swedish Annual Accounts Act, other Swedish legislation, and standard RFR 2.1 "Accounting for Legal Entities" and other statements issued by the Swedish Financial Reporting Board. As encouraged by the Board, TeliaSonera has preadopted RFR 2.1. The standard is applicable to Swedish legal entities whose equities on the balance sheet day are listed on a Swedish stock exchange or authorized equity market place. In their consolidated financial statements

such companies have to comply with the EU regulation on international accounting standards, while they still have to comply with the Annual Accounts Act in their separate financial statements. RFR 2.1 states that as a main rule listed parent companies should apply IFRS and specifies exceptions and additions, caused by legal provisions or by the connection between accounting and taxation in Sweden.

Measurement bases and accounting principles

With the few exceptions below, TeliaSonera AB applies the same measurement bases and accounting principles as described in "Notes to Consolidated Financial Statements" (Note 4).

Item	Note	Accounting treatment
Group contributions/Untaxed reserves and appropriations	8, 9	Group contributions net received are recognized as dividends from subsidiaries, while if net rendered are recognized directly in shareholders' equity, net of income tax. Untaxed reserves and appropriations are reported gross excluding deferred tax liabilities related to the temporary differences.
Goodwill	7, 10	Goodwill is amortized systematically over a maximum of 5 years.
Investments in subsidiaries and associated companies	8, 12	Investments in subsidiaries and associated companies are recognized at cost less any impairment. Dividends received are brought to income.
Provisions for pensions and employment contracts	8, 17	Pension obligations and pension expenses are recognized in accordance with FAR SRS accounting recommendation No. 4 (RedR 4).
Leasing agreements	24	All lease agreements are accounted for as operating leases.

Following a review, management decided in 2007 to report certain balance sheet items related to cash-pool balances gross instead of net. The comparative year was recalculated accordingly, increasing the balance sheet total by SEK 22,917 million, affecting line items Trade and other receivables and Short-term borrowings, respectively.

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.

Note 2 (Parent Company) Critical Accounting Policies, Estimates and Assumptions

For information relevant to TeliaSonera AB, see "Notes to Consolidated Financial Statements" (Note 2).

Note 3 (Parent Company) Net Sales

Sales by customer location were distributed among economic regions as follows.

SEK in millions	January–December	
	2007	2006
European Economic Area (EEA)	17,807	19,705
<i>of which European Union (EU) member states</i>	<i>17,804</i>	<i>19,701</i>
Rest of Europe	2	–
Total	17,809	19,705
of which Sweden	17,676	19,683

Net sales were broken down by product category as follows.

SEK in millions	January–December	
	2007	2006
Fixed telephony	9,892	11,642
Internet	3,000	2,931
Network capacity	3,348	3,305
Data communications	957	1,541
Other	612	286
Total	17,809	19,705

There was no invoiced advertising tax in the years 2007 and 2006, respectively.

Note 4 (Parent Company) Operating Expenses

Operating expenses were distributed by function as follows.

SEK in millions	January–December	
	2007	2006
Production	10,725	12,917
Other functions		
Selling and marketing	213	255
Administration	448	278
Research and development	377	145
Total other functions	1,038	678
Total	11,763	13,595

Each function includes amortization, depreciation and impairment losses as specified in Note 7 "Amortization, Depreciation and Impairment Losses."

Operating expenses were distributed by nature as follows.

SEK in millions	January–December	
	2007	2006
Goods purchased	103	1,297
Interconnect and roaming expenses	1,630	1,794
Other network expenses	3,345	3,802
Change in inventories	6	0
Personnel expenses (Note 25)	1,419	1,294
Rent and leasing fees	493	619
Consultants' services	373	660
IT expenses	1,084	307
Other expenses	297	264
Amortization, depreciation and impairment losses	3,013	3,558
Total	11,763	13,595

Note 5 (Parent Company) Other Operating Income and Expenses

Other operating income and expenses were distributed as follows.

SEK in millions	January–December	
	2007	2006
Other operating income		
Capital gains	2	15
Exchange rate gains	118	50
Patents sold, commissions, etc.	48	1
Recovered accounts receivable, released accounts payable	372	310
Damages received	38	26
Total other operating income	578	402
Other operating expenses		
Capital losses	-12	0
Provisions for onerous contracts	–	500
Exchange rate losses	-91	-56
Restructuring costs	-19	-284
Impairment charges	-180	–
Damages paid	-18	-16
Total other operating expenses	-320	144
Net effect on income	258	546
of which net exchange rate gains on derivative instruments held-for-trading	33	1

Released accounts payable in 2007 and 2006 include SEK 372 million and SEK 310 million, respectively, following a number of rulings by courts of first instance and of appeal reducing certain historical interconnect fees. Provisions for onerous contracts in 2006 are reported net of a SEK 500 million reversal of a provision related to the settlement of a dispute regarding a potential co-location site in London, U.K.

Note 6 (Parent Company) Related Party Transactions

General

Conventional commercial terms apply for the supply of goods and services to and from subsidiaries, associated companies and joint ventures.

Subsidiaries

In 2007 and 2006, sales to subsidiaries totaled SEK 12,811 million and SEK 14,424 million, respectively, while purchases from subsidiaries totaled SEK 1,221 million and SEK 2,940 million, respectively.

Pension fund

As of December 31, 2007, Telia Pension Fund held 951,445 TeliaSonera shares, or 0.02 percent of the voting rights. TeliaSonera AB's share of the fund's assets is 71 percent. For information on transactions and balances, see Note 17 "Provisions for Pensions and Employment Contracts."

Commitments on behalf of related parties

TeliaSonera AB has made certain commitments on behalf of group companies, associated companies and joint ventures. See Note 25 "Contingencies, Other Contractual Obligations and Litigation" for further details.

Other transactions

For descriptions of certain other transactions with related parties, see "Notes to Consolidated Financial Statements" (Note 10).

Note 7 (Parent Company) Amortization, Depreciation and Impairment Losses

Amortization, depreciation and impairment losses on intangible and tangible assets were distributed by function as follows.

SEK in millions, except proportions	January–December	
	2007	2006
Production	2,956	3,529
Administration	57	29
Other	180	–
Total	3,193	3,558
Proportion to net sales (%)	17.9	18.1

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

SEK in millions	January–December	
	2007	2006
Goodwill	23	22
Other intangible assets	320	43
Fixed networks	2,814	3,457
Other plant and equipment	36	36
Total	3,193	3,558

Goodwill is amortized straight-line over 5 years. For other useful lives applied, see "Notes to Consolidated Financial Statements" (Note 11). Accelerated depreciation, to the extent allowed by Swedish tax legislation, is recorded as untaxed reserves and appropriations (see this section in Note 9 "Income Taxes").

Note 8 (Parent Company) Financial Income and Expenses

Financial income and expenses were distributed as follows.

SEK in millions	January–December	
	2007	2006
Income from shares in subsidiaries		
Dividends, etc.	15,408	454
Capital gains/losses, net	46	348
Impairment losses	–	-67
Group contributions, net received	2,991	1,107
Total	18,445	1,842
Income from shares in associated companies		
Dividends, etc.	1,432	155
Capital gains/losses, net	83	47
Impairment losses	-113	-15
Total	1,402	187
Income from other financial investments		
Capital gains/losses, net	32	-1
Impairment losses	–	-3
Total	32	-4
Other financial income		
Interest from subsidiaries	976	675
Other interest income	234	204
Exchange rate gains	4	81
Total	1,214	960
Other financial expenses		
Interest to subsidiaries	-1,921	-1,172
Other interest expenses	-1,567	-727
Unwinding of provision discounts	–	-29
Exchange rate losses	-40	-52
Interest component of the year's pension provision	-24	-30
Total	-3,552	-2,010
Net effect on income	17,541	975

Regarding Group contributions, refer to section "Untaxed reserves, appropriations and Group contributions" in Note 9 "Income Taxes". See also Note 17 "Provisions for Pensions and Employment Contracts" for the interest component of the year's pension provision.

Details on interest expenses, net exchange rate gains and losses and interest income related to hedging activities, loan receivables and borrowings (excluding transactions with subsidiaries) were as follows.

SEK in millions	January–December					
	Interest expenses		Net exchange rate gains and losses		Interest income	
	2007	2006	2007	2006	2007	2006
Fair value hedge derivatives	-57	112	272	-436	–	–
Cash flow hedge derivatives	-17	-29	145	-162	–	–
Derivatives held-for-trading	97	1	123	-64	–	–
Held-to-maturity investments	–	–	–	–	5	–
Loans and receivables	–	–	–	–	210	183
Borrowings in a fair value hedge relationship	-525	-533	-272	436	–	–
Borrowings at amortized cost	-1,061	-269	-304	257	–	–
Other	-4	-9	-0	-2	19	21
Total	-1,567	-727	-36	29	234	204

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

Note 9 (Parent Company) Income Taxes

Income tax expense

In 2007 and 2006, pre-tax income was SEK 21,259 million and SEK 4,127 million, respectively. Income tax expense was distributed as follows.

SEK in millions	January–December	
	2007	2006
Tax expenses brought to income		
Current taxes	2,537	2,232
Deferred taxes	-1,279	-1,333
Total tax expenses brought to income	1,258	899
Tax expense recognized directly in shareholders' equity		
Deferred taxes	14	5
Total tax expense recognized directly in shareholders' equity	14	5

Adjustments for current tax expense attributable to prior years amounted to SEK -2 million in 2007 and SEK -1 million in 2006.

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

Percent	January–December	
	2007	2006
Swedish income tax rate	28.0	28.0
Adjustment of current taxes for prior periods	0.0	0.0
Non-deductible expenses	0.4	0.7
Tax-exempt income	-22.5	-6.9
Effective tax rate as per the income statement	5.9	21.8
Tax recognized directly in shareholders' equity	0.1	0.1
Effective tax rate	6.0	21.9

Tax-exempt income primarily refers to dividends from subsidiaries and associated companies. No accumulated non-expiring tax loss carry-forwards exist for the years 2007 and 2006.

Income tax assets and liabilities

Deferred tax assets and liabilities changed as follows.

SEK in millions	December 31,	
	2007	2006
Deferred tax assets		
Carrying value, opening balance	307	335
Income statement period change	-58	-23
Recognized in shareholders' equity	-14	-5
Carrying value, closing balance	235	307
Deferred tax liabilities		
Carrying value, opening balance	1,337	2,693
Income statement period change	-1,337	-1,356
Carrying value, closing balance	-	1,337

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

SEK in millions	December 31,	
	2007	2006
Deferred tax assets		
Delayed expenses for provisions and other long-term liabilities	235	307
Total deferred tax assets	235	307
Deferred tax liabilities		
Accelerated depreciation, non-current assets	-	1,337
Total deferred tax liabilities	-	1,337
Net deferred tax assets (+)/ liabilities (-)	235	-1,030

The parent company's unrecognized deferred tax liability in untaxed reserves amounted to SEK 5,617 million in 2007 and SEK 4,893 million in 2006.

Untaxed reserves, appropriations and Group contributions

Untaxed reserves in the balance sheet were distributed as follows.

SEK in millions	December 31,	
	2007	2006
Profit equalization reserve	7,281	4,259
Accumulated excess amortization and depreciation	12,780	13,217
Total	20,061	17,476

Excess amortization and depreciation changed as follows.

SEK in millions	December 31, 2007		December 31, 2006	
	Intangible assets	Plant and machinery	Intangible assets	Plant and machinery
Opening balance	134	13,083	25	12,214
Provisions	-	-	109	869
Reversals	-26	-411	-	-
Closing balance	108	12,672	134	13,083

Appropriations brought to income were as follows.

SEK in millions	January–December	
	2007	2006
Profit equalization reserve	-3,022	-2,526
Accumulated excess amortization and depreciation	437	-978
Net effect on income	-2,585	-3,504

Under certain conditions, it is possible to transfer profits through group contributions between Swedish companies in a group. Group contributions provided are normally a deductible expense for the contributor and taxable income for the recipient. Group contributions were as follows.

SEK in millions	January–December	
	2007	2006
Pre-tax Group contributions net received (Note 8)	2,991	1,107

Note 10 (Parent Company) Goodwill and Other Intangible Assets

The total carrying value was distributed and changed as follows.

SEK in millions	December, 31			
	Goodwill		Other intangible assets	
	2007	2006	2007	2006
Accumulated cost	114	111	3,019	523
Accumulated amortization	-80	-57	-1,359	-132
Accumulated impairment losses	-	-	-459	-
Carrying value	34	54	1,201	391
<i>of which work in progress</i>	-	-	544	138
Carrying value, opening balance	54	76	391	318
Investments and operations acquired	3	-	1,130	225
Sales and disposals	-	-	-	-1
Reclassifications	-	-	-	-108
Amortization for the year	-23	-22	-185	-43
Impairment losses for the year	-	-	-135	-
Carrying value, closing balance	34	54	1,201	391

No interest was capitalizable. Other intangible assets were taken over from subsidiaries at gross carrying value.

In 2007 and 2006, capitalized development expenses for administrative support systems were SEK 294 million and SEK 188 million, respectively. In the two years, amortization was SEK 48 million and SEK 3 million, respectively.

The carrying value of other intangible assets was distributed as follows.

SEK in millions	December 31,	
	2007	2006
Administrative support systems	597	223
Licenses, contractual agreements, patents, etc.	60	30
Work in progress	544	138
Total carrying value	1,201	391

Note 11 (Parent Company) Property, Plant and Equipment

The total carrying value was distributed and changed as follows.

SEK in millions	December 31,							
	Property		Plant and machinery		Equipment, tools and installations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Accumulated cost	406	374	72,541	70,644	511	375	73,458	71,393
Accumulated depreciation	-173	-171	-56,121	-54,383	-446	-274	-56,740	-54,828
Accumulated impairment losses	-	-	-	-	-5	-5	-5	-5
Accumulated write-ups	-	-	1,941	2,443	-	-	1,941	2,443
Carrying value	233	203	18,361	18,704	60	96	18,654	19,003
<i>of which assets under construction</i>	-	-	1,260	929	-	-	1,260	929
Carrying value, opening balance	203	3	18,704	19,838	96	131	19,003	19,972
Investments and operations acquired	58	75	2,599	2,264	48	63	2,705	2,402
Sales and disposals	-	-	-149	14	-41	0	-190	14
Reclassifications	-10	138	3	32	-7	-62	-14	108
Depreciation for the year	-18	-13	-2,796	-3,444	-36	-31	-2,850	-3,488
Impairment losses for the year	-	-	-	-	-	-5	-	-5
Carrying value, closing balance	233	203	18,361	18,704	60	96	18,654	19,003

Property

No interest was capitalizable. No real estate properties owned by the parent company were assigned tax-assessed values.

Plant and machinery

Plant and machinery includes switching systems and peripheral equipment, transmission systems, transmission media and other types of media in the Swedish fixed networks. No interest was capitalizable. Assets were taken over from subsidiaries at gross carrying value.

Equipment, tools, and installations

No interest was capitalizable. Assets were taken over from subsidiaries at gross carrying value.

Note 12 (Parent Company) Other Financial Assets

Investments in associated companies

The carrying value of investments in associated companies changed as follows.

SEK in millions	December 31,	
	2007	2006
Carrying value, opening balance	1,085	1,006
Acquisitions	–	77
Issues of new shares and shareholder contributions	4	45
Impairment losses	-108	-43
Divestitures	-7	–
Reclassifications	–	0
Carrying value, closing balance	974	1,085

Other financial assets by class

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

SEK in millions	December 31, 2007		December 31, 2006	
	Carrying value	Fair value	Carrying value	Fair value
Other holdings of equity securities available-for-sale	196	196	166	166
Other holdings of equity securities held-for-trading	8	8	6	6
Receivables from associated companies at amortized cost	–	–	101	101
Loans and receivables at amortized cost	5	5	–	–
Interest rate swaps designated as fair value hedges	39	39	42	42
Interest rate swaps designated as cash flow hedges	9	9	8	8
Cross currency interest rate swaps designated as cash flow hedges	35	35	–	–
Interest rate swaps and cross currency interest rate swaps held-for-trading	480	480	15	15
Subtotal (see Categories – Note 22 and Credit risk – Note 23)	772	772	338	338
Total fair value				
Shares in subsidiaries	120,488		110,342	
Receivables from subsidiaries	111		119	
Investments in associated companies	974		1,085	
Total other financial assets	122,345		111,884	
of which interest-bearing	767		338	
of which non-interest-bearing	121,578		111,546	

Other holdings of equity securities

The carrying value of other holdings of equity securities changed as follows.

SEK in millions	December 31,	
	2007	2006
Carrying value, opening balance	172	92
Acquisitions	27	2
Impairment losses	–	-3
Changes in fair value	5	81
Carrying value, closing balance	204	172

Other long-term financial assets

The carrying value of other long-term financial assets changed as follows.

SEK in millions	December 31,	
	2007	2006
Carrying value, opening balance	110,627	96,924
Purchases	10,059	14,474
Sales and disposals	-13	-471
Impairment losses	-4	-67
Exchange rate differences	498	-233
Carrying value, closing balance	121,167	110,627

For Loans and receivables, including claims on associated companies, fair value is estimated at the present value of future cash flows discounted by applying market interest rates as of the balance sheet date. For more information on financial instruments by category and exposed to credit risk, see Notes 22 "Financial Assets and Liabilities by Category" and section "Credit risk management" in Note 23 "Financial Risk Management," respectively. Shareholdings and participations in subsidiaries are specified in Note 29 "Specification of Shareholdings and Participations," while information on associated companies and other holdings of equity securities is presented in "Notes to Consolidated Financial Statements" (Note 35). Conventional commercial terms apply for receivables from subsidiaries.

Note 13 (Parent Company) Inventories

No deductions for inventory obsolescence were needed for the years 2007 and 2006. The carrying value referred to supplies and consumables and was SEK 1 million in 2007 and SEK 7 million in 2006.

Note 14 (Parent Company) Trade and Other Receivables

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

SEK in millions	December 31,	
	2007	2006
Accounts receivable		
Invoiced receivables	1,809	1,715
Allowance for doubtful receivables	-209	-181
Total accounts receivable at amortized cost	1,600	1,534
Currency swaps and forward exchange contracts held-for-trading	141	46
Receivables from associated companies at amortized cost	4	154
Loans and receivables at amortized cost	145	588
Subtotal (see Categories – Note 22 and Credit risk – Note 23)	1,890	2,322
Receivables from subsidiaries	34,688	29,859
<i>of which cash-pool balances</i>	26,339	22,917
<i>of which trade and other receivables</i>	8,349	6,143
<i>of which accrued income and deferred expenses</i>	–	799
Other current receivables	453	306
Deferred expenses	145	253
Total trade and other receivables	37,176	32,740
of which interest-bearing	26,635	23,323
of which non-interest-bearing	10,541	9,417

For Accounts receivable and Loans and receivables, the carrying values equal fair value as the impact of discounting is insignificant. For more information on financial instruments by category and exposed to credit risk, see Note 22 "Financial Assets and Liabilities by Category" and section "Credit risk management" in Note 23 "Financial Risk Management," respectively. Conventional commercial terms apply for receivables from subsidiaries.

Total bad debt expenses were SEK 23 million in 2007 and SEK 70 million in 2006, while there was no recovered accounts receivable in these years. The allowance for doubtful accounts receivable changed as follows.

SEK in millions	December 31,	
	2007	2006
Opening balance	181	120
Provisions for receivables impaired	72	68
Unused amounts reversed	-44	-7
Closing balance	209	181

The accounts receivable balance includes receivables which are past due as of the balance sheet date, but not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. TeliaSonera AB does not hold any significant collateral over these balances. As of December 31, 2007, ageing of past due but not impaired accounts receivable was as follows.

SEK in millions	December 31,
	2007
Less than 30 days	829
30–180 days	51
More than 180 days	10
Total past due but not impaired accounts receivable	890

See also "Notes to Consolidated Financial Statements" (section "Credit risk management" in Note 28) for information on mitigation of credit risks related to accounts receivable.

Note 15 (Parent Company) Short-term Investments, Cash and Cash Equivalents

Short-term investments

No short-term investments as of December 31, 2007 or 2006 had maturities over 3 months.

Cash and cash equivalents

Short-term investments with maturities up to and including 3 months are combined with Cash and bank to produce the item Cash and cash equivalents, as follows.

SEK in millions	December 31,	
	2007	2006
Short-term investments with maturities up to and including 3 months	1,611	6,125
<i>of which commercial papers held-to-maturity</i>	1,189	–
<i>of which bank deposits at amortized cost</i>	422	6,125
Cash and bank	1,179	1,468
Total (see Categories – Note 22 and Credit risk – Note 23)	2,790	7,593

Fair value reserve

The fair value reserve changed as follows.

SEK in millions	December 31, 2007		December 31, 2006	
	Securities	Derivatives	Securities	Derivatives
Carrying value, opening balance	124	-35	44	-49
Net changes in fair value	5	-13	80	-39
Transferred to interest expenses in the income statement	–	62	–	58
Tax effect	–	-14	–	-5
Carrying value, closing balance	129	0	124	-35

No transfer necessitated adjustment of the cost of acquisition.

Note 17 (Parent Company) Provisions for Pensions and Employment Contracts

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 old-age pension, disability pension and family pension. As of January 1, 2007, a new defined contribution pension plan (the ITP1 plan) was introduced. This pension plan is applicable to all employees born in 1979 and later.

The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. For more information on financial instruments by category and exposed to credit risk, see Notes 22 "Financial Assets and Liabilities by Category" and section "Credit risk management" in Note 23 "Financial Risk Management," respectively, and to Note 25 "Contingencies, Other Contractual Obligations and Litigation" for information on blocked funds in bank accounts.

Note 16 (Parent Company) Shareholder's Equity

Share capital and treasury shares

See "Notes to Consolidated Financial Statements" (corresponding sections in Note 21).

Revaluation reserve

The revaluation reserve changed as follows.

SEK in millions	December 31,	
	2007	2006
Carrying value, opening balance	2,443	3,408
Depreciation	-502	-965
Carrying value, closing balance	1,941	2,443

The existing pension obligations that TeliaSonera AB assumed when it was converted into a limited liability company on July 1, 1993 and other pension obligations of the parent company are secured by Telia Pension Fund. Certain commitments, chiefly the contractual right to retire at age 55, 60, or 63 for certain categories of personnel, are provided for by a taxed reserve in the balance sheet.

Pension obligations are calculated annually, on the balance sheet date, based on actuarial principles.

SEK in millions	December 31,	
	2007	2006
Opening balance, pension obligations covered by plan assets	10,404	10,674
Opening balance, pension obligations not covered by plan assets	555	859
Opening balance, total pension obligations	10,959	11,533
Current service cost	109	117
Interest cost	448	386
Benefits paid	-849	-1,147
Other changes in valuation of pension obligations	-1	-47
Termination benefits	153	117
Closing balance, pension obligations covered by plan assets	10,281	10,404
Closing balance, pension obligations not covered by plan assets	538	555
Closing balance, total pension obligations	10,819	10,959
of which FPG/PRI pensions	5,985	5,819

The fair value of plan assets changed as follows.

SEK in millions, except percentages	December 31,	
	2007	2006
Opening balance, plan assets	12,335	12,527
Actual return	412	808
Payment from pension fund	-950	-1,000
Closing balance, plan assets	11,797	12,335
Actual return on plan assets (%)	3.3	6.5

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

Asset category	December 31, 2007		December 31, 2006	
	SEK in millions	Percent	SEK in millions	Percent
Fixed income instruments, liquidity	7,622	64.6	7,311	59.3
Shares and other investments	4,175	35.4	5,024	40.7
Total	11,797	100.0	12,335	100.0
of which shares in TeliaSonera AB	41	0.3	36	0.3

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

SEK in millions	December 31,	
	2007	2006
Present value of pension obligations	10,819	10,959
Fair value of plan assets	-11,797	-12,335
Surplus capital in pension fund	1,516	1,931
Provisions for pension obligations	538	555

Total pension expense (income) was distributed as follows.

SEK in millions	January–December	
	2007	2006
Current service cost	109	117
Interest cost	448	386
Less interest expenses recognized as financial expenses	-24	-30
Actual return on plan assets	-412	-808
Other changes in valuation of pension obligation	-1	-47
Termination benefits	153	117
Pension expense (+)/income (-), defined benefit pension plans	273	-265
Pension premiums, defined benefit/defined contribution pension plans and other pension costs	62	98
Changes in estimates	-19	-91
Pension-related social charges and taxes	-	58
Less termination benefits (incl. premiums and pension-related social charges) reclassified as restructuring cost	-189	-158
Pension expense (+)/income (-)	127	-358
Decrease (-)/Increase (+) of surplus capital in pension fund	-415	78
Total pension income	-288	-280
of which pension premiums paid to the ITP pension plan	33	49

Actuarial calculation assumptions

The actuarial calculation of pension obligations and pension expenses is based on principles set by the FPG/PRI system and the Swedish Financial Supervisory Authority. In 2008, actuarial modifications reflecting an extended average life expectancy will be implemented, which is expected to involve a limited increase of the present value of pension obligations.

Strategic plan asset allocation

See "Notes to Consolidated Financial Statements" (corresponding section in Note 23).

Future contributions

As of December 31, 2007, the fair value of plan assets exceeded the present value of TeliaSonera AB's pension obligations and is anticipated to continue doing so. Hence, TeliaSonera AB will not make any contribution to the pension fund in 2008.

Note 18 (Parent Company) Other Provisions

Changes in other provisions were as follows.

SEK in millions	December 31, 2007				Total
	Payroll taxes for future pension payments	Restructuring provisions	Warranty provisions	Damages and court cases	
Opening balance	70	250	160	240	720
<i>of which financial liabilities at amortized cost</i>	–	–	105	–	105
Provisions for the period	–	35	16	–	51
Utilized provisions	-6	-24	-7	–	-37
Reversals of provisions	-4	-24	-41	–	-69
Reclassifications	–	-190	–	–	-190
Exchange rate differences	–	–	5	–	5
Closing balance	60	47	133	240	480
<i>of which non-current portion</i>	44	1	131	230	406
<i>of which current portion</i>	16	46	2	10	74
<i>of which financial liabilities at amortized cost (see Categories – Note 22)</i>	–	–	78	–	78

Provisions are discounted to present value, which equals fair value. Refer to Note 22 “Financial Assets and Liabilities by Category” for more information on financial instruments classified by category. As of December 31, 2007, contractual undiscounted cash flows for the financial liabilities represented the following expected maturities.

Expected maturity, SEK in millions	Financial liabilities
2008	–
2009	72
2010	8
Later years	–
Total	80

Warranty provisions include warranties, provisions for potential litigation and other provisions related to disposals and winding-up of group entities and associated companies.

Note 19 (Parent Company) Long-term and Short-term Borrowings

Open-market financing programs

For information on TeliaSonera AB's open-market financing programs, see "Notes to Consolidated Financial Statements" (corresponding section in Note 22).

Borrowings and interest rates

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

SEK in millions	December 31, 2007		December 31, 2006	
	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing program borrowings	38,034	38,294	20,443	20,457
<i>of which at amortized cost</i>	24,178	24,438	5,827	5,841
<i>of which in a fair value hedge relationship</i>	13,856	13,856	14,616	14,616
Other borrowings at amortized cost	6	6	758	758
Borrowings from associated companies at amortized cost	–	–	2	2
Interest rate swaps designated as fair value hedges	188	188	470	470
Cross currency interest rate swaps held-for-trading	77	77	438	438
Total long-term borrowings (see Categories – Note 22)	38,305	38,565	22,111	22,125
Short-term borrowings				
Open-market financing program borrowings	1,444	1,440	800	805
<i>of which at amortized cost</i>	1,444	1,440	300	305
<i>of which in a fair value hedge relationship</i>	–	–	500	500
Other borrowings at amortized cost	777	775	–	–
Interest rate swaps designated as cash flow hedges	–	–	8	8
Subtotal (see Categories – Note 22)/Total fair value	2,221	2,215	808	813
Borrowings from subsidiaries	50,474		49,642	
<i>of which cash-pool balances</i>	26,339		22,917	
<i>of which other borrowings</i>	24,135		26,725	
Total short-term borrowings (see Categories – Note 22)	52,695		50,450	

For 2007 and 2006, fully unutilized bank overdraft facilities had a total limit of SEK 1,053 million and SEK 1,007 million, respectively.

For additional information on financial instruments classified by category and on liquidity risks, refer to Note 22 "Financial Assets and Liabilities by Category" and section "Liquidity risk management" in Note 23

"Financial Risk Management." Refer to "Notes to Consolidated Financial Statements" (corresponding section in Note 22) for information on the swap portfolio and average interest rates on borrowings. Conventional commercial terms apply for borrowings from subsidiaries.

Note 20 (Parent Company) Long-term Liabilities

The carrying value of long-term liabilities was distributed as follows.

SEK in millions	December 31,	
	2007	2006
Liabilities to subsidiaries	160	169
Prepaid contracts for broadband build-out	654	733
Other liabilities	–	3
Total long-term liabilities	814	905

For the years 2007 and 2006, SEK 233 million and SEK 256 million, respectively, fell due more than 5 years after the balance sheet date.

Note 21 (Parent Company) Short-term Provisions, Trade Payables and Other Current Liabilities

Short-term provisions, trade payables and other current liabilities were distributed as follows.

SEK in millions	December 31,	
	2007	2006
Accounts payable at amortized cost	2,069	2,614
Currency swaps, forward exchange contracts and currency options held-for-trading	1	17
Current liabilities to associated companies at amortized cost	38	383
Current liabilities at amortized cost	934	942
Subtotal (see Categories - Note 22)	3,042	3,956
Liabilities to subsidiaries	1,499	1,399
Other current liabilities	451	511
Deferred income	860	737
Total short-term provisions, trade payables and other current liabilities	5,852	6,603

For Accounts payable and Current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. The remaining contractual maturity is mainly less than 3 months. For additional information on financial instruments classified by category and on liquidity risks, refer to Note 22 "Financial Assets and Liabilities by Category" and section "Liquidity risk management" in Note 23 "Financial Risk Management."

The main components of Current liabilities are accrued payables to suppliers and accrued interconnect and roaming charges, while Other current liabilities mainly entail value-added tax, advances from customers and accruals of payroll expenses and social security contributions. Deferred income chiefly relate to charges for network capacity. Conventional commercial terms apply for trading with subsidiaries.

Note 22 (Parent Company) Financial Assets and Liabilities by Category

The table below sets forth carrying values of classes of financial assets and liabilities distributed by category. Financial assets and liabilities relating to subsidiaries are not included. Excluded are also investments in associated companies as discussed in Note 12 "Other Financial Assets" and pension obligations as discussed in Note 17 "Provisions for Pensions and Employment Contracts."

SEK in millions	Note	December 31,	
		2007	2006
Financial assets			
Derivatives designated as hedging instruments	12	83	50
Financial assets at fair value through profit and loss			
Derivatives not designated as hedging instruments	12, 14	621	61
Held-for-trading investments	12	8	6
Held-to-maturity investments	15	1,189	–
Loans and receivables	12, 14, 15	3,355	9,970
Available-for-sale financial assets	12	196	166
Total financial assets by category		5,452	10,253
Financial liabilities			
Derivatives designated as hedging instruments	19	188	478
Financial liabilities at fair value through profit and loss			
Derivatives not designated as hedging instruments	19, 21	78	455
Borrowings in a fair value hedge relationship	19	13,856	15,116
Financial liabilities measured at amortized cost	18, 19, 21	29,524	10,931
Total financial liabilities by category		43,646	26,980

Note 23 (Parent Company) Financial Risk Management

General

For general information on financial risk management relevant to TeliaSonera AB, see "Notes to Consolidated Financial Statements" (Note 28).

Liquidity risk management

As of December 31, 2007, contractual undiscounted cash flows for interest-bearing borrowings represented the following expected maturities, including estimated interest payments. The balances due within 12 months equal their carrying values as the impact of discounting is insignificant. Corresponding information on non-interest-bearing liabilities are presented in Note 21 "Short-term Provisions, Trade Payables and Other Current Liabilities."

Expected maturity, SEK in millions	2008	2009	2010	2011	2012	Later years	Total
Open-market financing program borrowings	3,125	4,382	5,876	3,811	6,419	25,942	49,555
Other borrowings	816	–	–	–	–	–	816
Currency swaps and forward exchange contracts							
Payables	64,015	2	–	–	–	–	64,017
Receivables	-63,993	-2	–	–	–	–	-63,995
Cross currency interest rate swaps and interest rate swaps							
Payables	1,877	1,917	4,142	2,935	6,567	13,373	30,811
Receivables	-1,712	-1,747	-4,070	-2,713	-6,580	-13,602	-30,424
Total, net	4,128	4,552	5,948	4,033	6,406	25,713	50,780

For additional information on liquidity risk management relevant to TeliaSonera AB, see "Notes to Consolidated Financial Statements" (corresponding section in Note 28).

Credit risk management

TeliaSonera AB's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments (excluding receivables from subsidiaries), as follows.

SEK in millions	December 31,	
	2007	2006
Other financial assets (Note 12)	772	338
Trade and other receivables (Note 14)	1,890	2,322
Short-term investments, cash and cash equivalents (Note 15)	2,790	7,593
Total	5,452	10,253

For additional information on credit risk management relevant to TeliaSonera AB, see "Notes to Consolidated Financial Statements" (corresponding section in Note 28).

Note 24 (Parent Company) Operating Lease Agreements

All lease agreements are accounted for as operating leases. TeliaSonera AB leases primarily premises and land. Most of the leases are from outside parties. Subletting of premises, mainly to subsidiaries, was terminated in the latter part of 2006. The leases are on commercial terms with respect to prices and duration.

Future minimum leasing fees under operating lease agreements in effect as of December 31, 2007 that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity, SEK in millions	Future minimum leasing fee
2008	305
2009	263
2010	77
2011	52
2012	50
Later years	59
Total	806

In 2007 and 2006, total rent and leasing fees paid were SEK 493 million and SEK 620 million, respectively. In these years, revenue for subleased items totaled SEK – million and SEK 33 million, respectively.

Note 25 (Parent Company) Contingencies, Other Contractual Obligations and Litigation

Contingent assets, collateral pledged and guarantees

As of the balance sheet date, contingent assets, collateral pledged and guarantees reported as contingent liabilities were distributed as follows.

SEK in millions	December 31,	
	2007	2006
Contingent assets	–	–
Collateral pledged		
For warranty provisions: Blocked funds in bank accounts	1	1
Total	1	1
Guarantees		
Guarantees on behalf of subsidiaries	2,686	2,570
Credit guarantee on behalf of Svenska UMTS-nät AB	1,838	1,685
Other credit and performance guarantees, etc.	13	8
Guarantees for pension obligations	132	129
Total	4,669	4,392

Some loan covenants agreed limit the scope for divesting or pledging certain assets. For information on change-of-control provisions in some of TeliaSonera AB's more recent financing arrangements, see "Notes to Consolidated Financial Statements" (corresponding section in Note 30).

For all guarantees, except the credit guarantee on behalf of TeliaSonera AB's indirectly 50 percent owned joint venture Svenska UMTS-nät AB, stated amounts equal the maximum potential amount of future payments that TeliaSonera AB could be required to make under the respective guarantee. For information on the guarantee on behalf of Svenska UMTS-nät, see "Notes to Consolidated Financial Statements" (corresponding section in Note 30).

Guarantees on behalf of subsidiaries include SEK 1,690 million (EUR 178 million) related to Xfera Móviles S.A., comprising a counter guarantee of EUR 135 million as TeliaSonera's share on behalf of Xfera's performance requirements in relation to its UMTS license and a counter guarantee of EUR 43 million as TeliaSonera's share to cover payment to a former Xfera shareholder, should the outcome of a legal dispute concerning Xfera's spectrum fee for 2001 be favorable. Guarantees on behalf of subsidiaries also include SEK 424 million related to Swedish pension obligations and SEK 272 million related to the Danish 3G license.

In addition to guarantees indicated above, guarantees for fulfillment of contractual undertakings are granted by TeliaSonera AB on behalf of subsidiaries, as part of the Group's normal course of business. At the balance sheet date, there was no indication that payment will be required in connection with any such contractual guarantee.

Other unrecognized contractual obligations

As of December 31, 2007, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected maturity, SEK in millions	2008	Later years	Total
Property, plant and equipment	580	–	580
Total	580	–	580

Obligations with respect to property, plant and equipment refer to the continued expansion of transmission capacity in the Swedish fixed network.

Legal and administrative proceedings

For additional information relevant to TeliaSonera AB, see "Notes to Consolidated Financial Statements" (corresponding section in Note 30).

Note 26 (Parent Company) Cash Flow Information

Financial items

Interest received, interest paid and dividends received were as follows.

SEK in millions	January-December	
	2007	2006
Interest received	3,517	1,931
Interest paid	-5,408	-2,935
Dividends received	16,841	609
Net position	14,950	-395

Income taxes

Income taxes paid in 2007 and 2006, respectively, totaled SEK 2,600 million and SEK 3 million.

Non-cash transactions

In 2007 and 2006, claims on subsidiaries totaling SEK 4 million and SEK 12,113 million, respectively, were converted to equity in the companies.

Note 27 (Parent Company) Human Resources

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

Country	January–December 2007		January–December 2006	
	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	2,501	69.2	2,475	74.3
Total	2,501	69.2	2,475	74.3

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 5 other members (2006: 4 members) of the Leadership Team.

Percent	December 31, 2007		December 31, 2006	
	Board of Directors	Other Corporate Officers	Board of Directors	Other Corporate Officers
Women	40.0	14.3	27.3	0.0
Men	60.0	85.7	72.7	100.0
Total	100.0	100.0	100.0	100.0

Absence due to illness, as a percentage of ordinary work hours excluding leave time and vacation, was distributed as follows.

Percent	January–December	
	2007	2006
Total absence due to illness	2.6	2.8
Absence due to illness that for a period of 60 consecutive days or longer	1.5	1.7
Total absence due to illness, men	2.0	2.4
Total absence due to illness, women	3.8	3.8
Total absence due to illness, employees 29 years of age and younger	1.1	1.2
Total absence due to illness, employees 30–49 years of age	2.2	2.5
Total absence due to illness, employees 50 years of age and older	3.0	3.1

Total personnel expenses were distributed by nature as follows.

SEK in millions	January–December	
	2007	2006
Salaries and other remuneration	1,218	1,135
Social security expenses		
Employer's social security contributions	403	365
Pension expenses	-288	-280
Total social security expenses	115	85
Other personnel expenses	86	74
Total personnel expenses recognized by nature	1,419	1,294

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

Country, SEK in millions	January–December, 2007		January–December, 2006	
	Corporate Officers (of which variable salary)	Other employees	Corporate Officers (of which variable salary)	Other employees
Sweden	58 (7)	1,160	32 (6)	1,103
Total	58 (7)	1,160	32 (6)	1,103

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 5 other members (2006: 4 members) of the Leadership Team.

Pension expenses and outstanding pension commitments for Corporate Officers were as follows. There are no pension benefit arrangements for external members of the Board of Directors.

SEK in millions	January–December or December 31,	
	2007	2006
Pension expenses	18	19
Outstanding pension commitments	184	175

For additional information, see section "Remuneration to corporate officers" in "Notes to Consolidated Financial Statements" (Note 32).

Note 28 (Parent Company) Auditors' Fees and Services

Remuneration paid was as follows. See also additional information in "Notes to Consolidated Financial Statements" (Note 33).

SEK in millions	January–December	
	2007	2006
PricewaterhouseCoopers AB (PwC)		
Audits	9	21
Audit-related services	1	–
Tax services, all other services	1	1
Total	11	22
Ernst & Young AB (E&Y)		
Tax services, all other services	1	1
Total	1	1
KPMG Bohlins AB (KPMG)		
Tax services, all other services	6	2
Total	6	2
Other accounting firms		
Tax services, all other services	4	6
Total	4	6
Total	22	31

In addition, fees for accounting firm services capitalized as transaction costs in business combinations and similar transactions totaled SEK – million in 2007 and SEK 4 million in 2006 (other non-audit services: PwC SEK 1 million, E&Y SEK 1 million and KPMG SEK 2 million).

Note 29 (Parent Company) Specification of Shareholdings and Participations

Subsidiary, Corp. Reg. No., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions)	
			2007	2006
Swedish companies				
Telia Nättjänster Norden AB, 556459-3076, Stockholm	100	10,000	5,557	377
Baltic Tele AB, 556454-0085, Stockholm	100	100,000	3,096	3,096
TeliaSonera Sverige AB, 556430-0142, Stockholm	100	3,000,000	2,898	2,898
Amber Mobile Teleholding AB, 556554-7774, Stockholm	100	1,000	2,806	2,806
TeliaSonera Mobile Networks AB, 556025-7932, Nacka	100	550,000	2,683	2,683
Telia International AB, 556352-1284, Stockholm	100	20,000	1,722	1,722
Telia Fastigheter Telaris AB, 556343-6434, Stockholm	100	50,000,000	731	731
Cygate Group AB (publ), 556364-0084, Solna	100	532,724,280	681	–
Telia International Holdings AB, 556572-1486, Stockholm	100	1,000	508	508
TeliaSonera International Carrier AB, 556583-2226, Stockholm	100	1,000,000	453	338
IKT I Holding AB, 556635-7298, Stockholm	100	3,759,720	275	275
TeliaSonera Finans AB, 556404-6661, Stockholm	100	1,000	229	229
TeliaSonera Försäkring AB, 516401-8490, Stockholm	100	1,000,000	200	200
TeliaSonera Sverige Net Fastigheter AB, 556368-4801, Stockholm	100	5,000	169	169
IKT II Holding AB, 556635-7306, Stockholm	100	1,822,791	120	120
Sonera Sverige AB, 556476-3133, Stockholm	100	52,000	75	75
Telia Electronic Commerce AB, 556228-8976, Stockholm	100	27,500	45	45
Sense Communications AB, 556582-8968, Stockholm	100	250,000	34	–
Infonet Svenska AB, 556263-3080, Stockholm	100	40,000	25	25
Sergel Kredittjänster AB, 556264-8310, Stockholm	100	5,000	8	8
Telia InfoMedia Interactive AB, 556138-5781, Stockholm	100	250,000	8	8
Telia International Management AB, 556595-2917, Stockholm	100	1,000	5	5
Telia Holding Personal AB, 556595-2958, Stockholm	100	1,000	4	4
TeliaSonera Network Sales AB, 556458-0040, Stockholm	100	10,000	3	3
TeliaSonera Skanova Access AB, 556446-3734, Stockholm	100	5,000	3	3
TeliaSonera Asset Finance AB, 556599-4729, Stockholm	100	1,000	3	3
Telia Norge Holding AB, 556591-9759, Stockholm	100	1,000	0	0
Other operating, dormant and divested companies			0	0

Subsidiary, Corp. Reg. No., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions)	
			2007	2006
Companies outside Sweden				
TeliaSonera Finland Oyj, 1475607-9, Helsinki	100	1,417,360,375	71,184	71,184
TeliaSonera International Carrier Finland Oy, 1649304-9, Helsinki	100	100	37	37
Sergel Oy, 1571416-1, Helsinki	100	267,966,000	277	–
Telia NetCom Holding AS, 954393232, Oslo	100	100	4,596	4,596
TeliaSonera Chess Holding AS, 980107760, Bergen	100	160,959,656	2,315	2,315
NextGenTel AS, 981649141, Bergen	100	3,750,000,000	2,335	2,335
TeliaSonera International Carrier Norway AS, 981946685, Oslo	100	32,666	80	80
TeliaSonera Norge Business Solutions AS, 975961176, Oslo	100	2,000	189	189
TeliaSonera Danmark A/S, 18530740, Copenhagen	100	14,500	6,835	6,835
Amber Teleholding A/S, 20758694, Copenhagen	100	1,000	3,048	3,048
debitel Danmark A/S, 19670996, Albertslund	100	200,000,000	1,344	–
TeliaSonera International Carrier Denmark A/S, 24210413, Copenhagen	100	1,000	172	172
Latvijas Mobilais Telefons SIA, 000305093, Riga	24.5	140,679	2	2
TeliaSonera International Carrier Latvia SIA, 000325135, Riga	100	205,190	13	13
SIA Telia Latvija, 000305757, Riga	100	192,280	13	13
Xfera Móviles S.A., A82528548, Madrid	76.6	517,025,247	2,523	–
TeliaSonera International Carrier Germany GmbH, HRB50081, Frankfurt am Main	100	–	1,329	1,329
TeliaSonera International Carrier France S.A.S., B421204793, Paris	100	2,700,000	681	681
TeliaSonera International Carrier Switzerland AG, 2171000547-8, Zurich	100	1,000	54	54
TeliaSonera International Carrier Netherlands B.V., 34128048, Amsterdam	100	910	60	60
Telefos II B.V., 34188614, Amsterdam	100	180	26	26
TeliaSonera International Carrier Belgium S.A., 469422293, Brussels	100	50,620	20	20
TeliaSonera International Carrier Italy S.p.A, 07893960018, Turin	100	530,211	17	17
ZAO TeliaSonera International Carrier Russia, 102780919732, Moscow	100	220,807,825	200	200
TeliaSonera International Carrier Poland Sp. z o.o., KRS00000186, Warsaw	100	52,500	63	63
TeliaSonera International Carrier Czech Republic a.s., 26207842, Prague	100	20,000	182	182
TeliaSonera International Carrier Hungaria Távközlési Kft., 01-09-688192, Budapest	100	1	15	15
TeliaSonera International Carrier, Inc., 541837195, Herndon, VA	100	100	530	530
Telia International Carrier Networks Pte Ltd, 200005728N, Singapore	100	1,200,002	5	0
Telia Swedtel (Philippines), Inc., AS095-003695, Manila	100	124,995	2	2
Other operating, dormant and divested companies			0	13
Total			120,488	110,342

Equity participation corresponds to voting rights participation in all companies except Xfera Móviles S.A., where TeliaSonera controls 80 percent of the votes by virtue of a shareholders agreement.

Telia Danmark is a branch of Telia Nättjänster Norden AB. Telia Norge Holding AB and Telia NetCom Holding AS jointly own all shares in NetCom AS. Baltic Tele AB holds a majority stake in AS Eesti Telekom (59.3 percent). Amber Teleholding A/S owns 60 percent of the shares in TEO LT, AB. Amber Mobile Teleholding AB owns all shares in UAB Omnitel. Another 24.5 percent of the shares in Latvijas Mobilais Telefons SIA are owned by a subsidiary. TeliaSonera has a board majority on Latvijas Mobilais Telefons. Fintur Holdings B.V. and TeliaSonera UTA Holding B.V. are indirect subsidiaries to TeliaSonera Finland Oyj.

In 2007, 82 percent of the shares in Telia Nättjänster Norden AB and the holdings in Sense Communications AB, Sergel Oy and Xfera Móviles S.A. were transferred from other subsidiaries. For NextGenTel AS, the comparative year's carrying value refers to NextGenTel Holding AS, which was merged downstream into NextGenTel AS in 2007. Other operating and dormant companies do not control Group assets of significant value. Holdings of Other non-Swedish subsidiaries for the comparative year (SEK 13 million), refer to the liquidation of Sonera Deutschland GmbH in 2007.

In addition to the companies mentioned above, TeliaSonera AB indirectly controls a number of operating and dormant subsidiaries of subsidiaries.

Proposed Appropriation of Earnings

At the disposal of the Annual General Meeting:

	SEK
Retained earnings	24,846,600,112
Net income	20,001,420,237
Total	44,848,020,349

The Board proposes that this sum be appropriated as follows:

	SEK
SEK 1.80 per share ordinary dividend to the shareholders	8,082,822,983
SEK 2.20 per share extra dividend to the shareholders	9,879,005,869
To be carried forward to 2008	26,886,191,497
Total	44,848,020,349

The Board of Directors and the President and CEO certify that the consolidated financial statements have been prepared in accordance with IFRS 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 11, 2008

Tom von Weymarn
Chairman

Agneta Ahlström

Maija-Liisa Friman

Elof Isaksson

Conny Karlsson

Lars G Nordström

Timo Peltola

Jon Risfelt

Caroline Sundewall

Berith Westman

Lars Nyberg
President and CEO

Our auditors' report was rendered March 14, 2008

PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Auditor in charge

Håkan Malmström
Authorized Public Accountant

Auditors' Report

*To the Annual Meeting of the shareholders of TeliaSonera AB (publ)
Corporate Reg. No. 556103-4249*

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of TeliaSonera AB (publ) for the year 2007. The company's annual accounts are included in the printed version on pages 28–115. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as

well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, March 14, 2008

PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Auditor in charge

Håkan Malmström
Authorized Public Accountant

Ten-Year Summary Financial Data

TeliaSonera Group Financial Data (IFRS)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Income statements (SEK in millions)										
Net sales	96,344	91,060	87,661	81,937	82,425	59,483	57,196	54,064	52,121	49,569
Operating income	26,155	25,489	17,549	18,793	14,710	-10,895	5,460	12,006	5,946	7,220
Income after financial items	25,251	25,226	17,019	17,448	13,899	-11,616	4,808	11,717	5,980	7,143
Net income	20,298	19,283	13,694	14,264	10,049	-7,997	1,891	10,270	4,226	5,051
of which attributable to parent company shareholders	17,674	16,987	11,697	12,964	9,080	-8,067	1,869	10,278	4,222	5,011
EBITDA excluding non-recurring items	31,021	32,266	29,411	30,196	30,700	15,692	12,915	13,087	14,059	13,309
EBITDA	30,333	31,113	27,508	30,841	32,035	9,421	13,299	21,425	12,875	15,070
Amortization, depreciation and impairment losses	11,875	11,203	13,188	15,596	17,707	20,844	13,975	8,222	7,652	7,146
Balance sheets (SEK in millions)										
Goodwill and other intangible assets	83,909	74,172	74,367	69,534	61,820	68,106	26,816	25,198	2,146	1,844
Property, plant and equipment	52,602	48,195	48,201	47,212	49,161	56,172	47,314	43,807	33,318	34,801
Financial assets	48,633	41,826	40,526	35,353	42,061	48,534	20,784	22,335	18,023	12,553
Current assets and non-current assets held-for-sale	31,558	35,199	40,681	39,873	37,018	33,844	33,277	31,375	23,117	18,080
<i>Total assets</i>	<i>216,702</i>	<i>199,392</i>	<i>203,775</i>	<i>191,972</i>	<i>190,060</i>	<i>206,656</i>	<i>128,191</i>	<i>122,715</i>	<i>76,604</i>	<i>67,278</i>
Total equity	127,057	127,717	135,694	128,067	115,834	113,949	60,089	56,308	33,103	29,554
of which shareholders' equity	117,274	119,217	127,049	121,133	112,393	108,829	59,885	55,988	32,893	29,344
Provisions	16,748	15,471	15,564	13,402	15,297	18,406	13,107	11,351	10,488	7,735
Interest-bearing liabilities	43,579	27,729	26,735	24,675	30,554	44,732	29,124	34,042	16,057	13,553
Non-interest-bearing liabilities	29,318	28,475	25,782	25,828	28,375	29,569	25,871	21,014	16,956	16,436
<i>Total equity and liabilities</i>	<i>216,702</i>	<i>199,392</i>	<i>203,775</i>	<i>191,972</i>	<i>190,060</i>	<i>206,656</i>	<i>128,191</i>	<i>122,715</i>	<i>76,604</i>	<i>67,278</i>
Capital employed	153,090	127,195	146,712	147,132	142,235	157,035	90,971	92,374	50,936	43,440
Operating capital	140,925	110,163	125,299	126,198	120,006	137,113	70,150	75,042	39,160	34,921
Net debt	34,718	14,957	8,373	7,062	18,207	38,075	20,004	32,512	14,280	12,870
Net interest-bearing liability	31,830	10,736	5,320	3,741	8,847	25,034	10,661	20,235	7,527	6,767
Cash flows (SEK in millions)										
Cash flow from operating activities	26,529	27,501	26,990	24,403	26,443	12,449	10,416	10,152	10,715	10,301
Cash flow from investing activities	-15,705	-13,084	-12,236	-7,991	-3,443	-5,553	3,632	-37,121	-10,701	-8,967
<i>Cash flow before financing activities</i>	<i>10,824</i>	<i>14,417</i>	<i>14,754</i>	<i>16,412</i>	<i>23,000</i>	<i>6,896</i>	<i>14,048</i>	<i>-26,969</i>	<i>14</i>	<i>1,334</i>
Cash flow from financing activities	-14,726	-19,382	-15,653	-11,102	-16,412	-10,344	-6,608	26,818	1,005	-2,301
<i>Cash flow for the year</i>	<i>-3,902</i>	<i>-4,965</i>	<i>-899</i>	<i>5,310</i>	<i>6,588</i>	<i>-3,448</i>	<i>7,440</i>	<i>-151</i>	<i>1,019</i>	<i>-967</i>
Free cash flow	13,004	16,596	15,594	14,118	17,351	3,877	-6,506	-5,845	2,828	2,638
Investments (SEK in millions)										
CAPEX	13,531	11,101	11,583	10,331	9,267	14,345	17,713	16,580	7,701	7,663
Acquisitions and other investments	7,171	3,951	2,732	9,099	2,851	40,093	3,022	31,162	4,444	4,075
<i>Total investments</i>	<i>20,702</i>	<i>15,052</i>	<i>14,315</i>	<i>19,430</i>	<i>12,118</i>	<i>54,438</i>	<i>20,735</i>	<i>47,742</i>	<i>12,145</i>	<i>11,738</i>
Business ratios										
EBITDA margin (%)	32.2	35.4	33.6	36.9	37.2	26.4	22.6	24.2	27.0	26.8
Operating margin (%)	27.1	28.0	20.0	22.9	17.8	-18.3	9.5	22.2	11.4	14.6
Return on sales (%)	21.1	21.2	15.6	17.4	12.2	-13.4	3.3	19.0	8.1	10.2
Amortization, depreciation and impairment losses as a percentage of net sales	12.3	12.3	15.0	19.0	21.5	35.0	24.4	15.2	14.7	14.4
CAPEX-to-sales ratio (%)	14.0	12.2	13.2	12.6	11.2	24.1	31.0	30.7	14.8	15.5
Total asset turnover (multiple)	0.46	0.45	0.44	0.43	0.42	0.36	0.46	0.54	0.72	0.74
Turnover of capital employed (multiple)	0.69	0.67	0.60	0.57	0.55	0.48	0.62	0.75	1.10	1.10
Return on assets (%)	13.1	13.2	9.4	10.5	8.7	-5.7	5.7	13.6	9.4	11.9
Return on capital employed (%)	19.4	19.5	12.6	13.9	11.6	-7.7	7.8	18.9	14.4	17.6
Return on equity (%)	18.6	17.2	10.3	11.6	8.5	-9.7	3.3	23.9	14.2	19.2
Equity/assets ratio (%)	50.3	49.9	58.9	63.8	58.5	54.2	46.4	44.7	41.3	41.8
Net debt/equity ratio (%)	31.8	15.0	7.0	5.8	16.4	34.0	33.6	59.3	45.1	45.7
Interest coverage ratio (multiple)	14.2	18.1	11.7	7.6	5.1	-4.7	3.0	7.3	8.5	10.4
Self-financing rate (multiple)	1.28	1.83	1.89	1.26	2.18	0.23	0.50	0.21	0.88	0.88
Share data										
Number of outstanding shares (millions)										
- at the end of the period	4,490.5	4,490.5	4,490.5	4,675.2	4,675.2	4,605.8	3,001.2	3,001.2	8.8	8.8
- average, basic ¹⁾	4,490.5	4,490.5	4,574.0	4,675.2	4,667.6	3,124.3	3,001.2	2,932.8	2,851.2	2,851.2
- average, diluted ¹⁾	4,490.5	4,490.5	4,574.0	4,675.2	4,668.4	3,125.3	3,001.2	2,932.8	2,851.2	2,851.2
Basic and diluted earnings/loss per share (SEK)	3.94	3.78	2.56	2.77	1.95	-2.58	0.62	3.50	1.48	1.76
Cash dividend per share (SEK) ^{2), 3)}	4.00	6.30	3.50	1.20	1.00	0.40	0.20	0.50	0.52	0.49
Total cash dividend (SEK in millions) ^{2), 3)}	17,962	28,290	15,717	5,610	4,675	1,870	600	1,501	1,470	1,400
Pay-out ratio (%)	101.6	166.5	136.9	43.3	51.4	n/a	32.1	14.3	34.8	27.9
Shareholders' equity per share (SEK)	26.12	26.55	28.29	25.91	24.04	23.63	19.95	18.66	11.54	10.29

1) Adjusted for 324-to-1 share split in 2000.

2) For 2007 as proposed by the Board of Directors and including an extra dividend of SEK 2.20 per share, totaling SEK 9,879 million.

3) For 2006 and 2005 including extra dividends of 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	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Mobility Services										
Total subscriptions (thousands)	14,501	13,434	13,000	11,545	9,519	9,202	4,936	4,519	2,841	2,326
<i>of which Sweden</i>										
Mobile telephony, total subscriptions (thousands)	4,807	4,603	4,387	4,243	3,838	3,604	3,439	3,257	2,638	2,206
Mobile telephony, total GSM/UMTS (thousands)	4,807	4,489	4,267	4,117	3,706	3,467	3,295	3,076	2,348	1,703
Mobile telephony, total NMT (thousands)	–	114	120	126	132	137	144	181	290	503
Mobile telephony, outgoing traffic (millions of minutes)	6,635	5,335	4,456	3,814	3,313	3,201	3,016	2,591	2,089	1,745
Mobile telephony, incoming traffic (millions of minutes)	3,474	3,058	2,750	2,573	2,400	2,272	2,067	1,766	1,416	1,091
Mobile telephony, MoU (minutes)	178	157	139	131	128	131	127	123	121	114
Mobile telephony, blended churn (%)	15	17	15	11	13	n/a	n/a	n/a	n/a	n/a
Mobile telephony, ARPU (SEK)	194	204	213	227	252	262	285	308	332	362
<i>of which Finland</i>										
Mobile telephony, total subscriptions (thousands)	2,449	2,407	2,507	2,297	2,428	2,790	239	149	33	8
Mobile telephony, outgoing traffic (millions of minutes)	5,473	5,936	5,642	4,820	4,743	n/a	n/a	n/a	n/a	n/a
Mobile telephony, incoming traffic (millions of minutes)	2,656	2,554	2,405	2,147	2,090	n/a	n/a	n/a	n/a	n/a
Mobile telephony, traffic per customer and month (minutes)	284	285	277	253	232	n/a	n/a	n/a	n/a	n/a
Mobile telephony, blended churn (%)	16	19	24	28	17	n/a	n/a	n/a	n/a	n/a
Mobile telephony, ARPU (EUR)	29	29	30	38	38	n/a	n/a	n/a	n/a	n/a
<i>of which Norway</i>										
Mobile telephony, total subscriptions (thousands)	1,577	1,641	1,651	1,308	1,195	1,089	970	850	–	–
Mobile telephony, traffic per customer and month (minutes)	236	218	192	175	164	156	133	130	–	–
Mobile telephony, ARPU (NOK)	348	352	333	339	342	330	310	308	–	–
<i>of which Denmark</i>										
Mobile telephony, total subscriptions (thousands)	1,449	1,123	1,154	1,115	472	421	288	263	170	112
<i>of which Baltic countries</i>										
Mobile telephony, subscriptions, Lithuania (thousands)	2,012	2,074	1,889	1,338	1,052	851	–	–	–	–
Mobile telephony, subscriptions, Latvia (thousands)	1,015	803	735	649	534	447	–	–	–	–
Mobile telephony, subscriptions, Estonia (thousands)	765	759	677	595	–	–	–	–	–	–
<i>of which Spain</i>										
Mobile telephony, subscriptions (thousands)	427	24	–	–	–	–	–	–	–	–
Broadband Services										
Broadband, total subscriptions (thousands)	2,326	1,990	1,430	1,029	678	495	255	59	14	4
Internet dial-up access, total subscriptions (thousands)	558	701	857	1,031	1,036	1,017	747	687	598	439
Fixed telephony, total subscriptions (thousands)	6,218	6,497	7,064	8,312	8,087	8,296	6,585	6,621	6,519	6,389
<i>of which Sweden</i>										
Broadband, subscriptions (thousands)	1,061	915	711	526	394	317	194	27	2	–
Internet dial-up access, total subscriptions (thousands)	514	625	722	817	823	763	747	687	598	439
Fixed telephony, total subscriptions (thousands)	4,295	4,586	5,036	6,115	6,283	6,415	6,585	6,621	6,519	6,389
<i>of which Finland</i>										
Broadband, subscriptions (thousands)	473	412	350	243	150	82	–	–	–	–
Internet dial-up access, subscriptions (thousands)	23	41	76	113	149	181	–	–	–	–
Fixed telephony, total subscriptions (thousands)	497	580	647	740	804	722	–	–	–	–
<i>of which Norway</i>										
Broadband, subscriptions (thousands)	177	172	–	–	–	–	–	–	–	–
<i>of which Denmark</i>										
Broadband, subscriptions (thousands)	187	162	151	126	104	81	58	30	11	3
Internet dial-up access, total subscriptions (thousands)	12	17	24	43	28	34	n/a	n/a	n/a	n/a
Cable TV, subscriptions (thousands)	210	210	204	201	195	188	179	175	170	164
Fixed telephony, prefix and contract customers (thousands)	251	165	195	212	172	223	n/a	n/a	n/a	n/a
<i>of which Baltic countries</i>										
Broadband, subscriptions, Lithuania (thousands)	259	181	105	50	25	11	–	–	–	–
Internet dial-up access, subscriptions, Lithuania (thousands)	5	11	21	36	36	39	–	–	–	–
Fixed telephony, subscriptions, Lithuania (thousands)	789	785	798	819	828	936	–	–	–	–
Broadband, subscriptions, Estonia (thousands)	163	141	107	77	–	–	–	–	–	–
Internet dial-up access, subscriptions, Estonia (thousands)	4	7	14	22	–	–	–	–	–	–
Fixed telephony, subscriptions, Estonia (thousands)	386	381	388	426	–	–	–	–	–	–

Ten-Year Summary on Operational Data continues on next page.

Operational Data	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Eurasia										
Mobile telephony, total subscriptions (thousands)	12,147	7,352	6,146	3,866	2,385	1,614	–	–	–	–
Mobile telephony, subscriptions, Kazakhstan (thousands)	6,017	3,539	3,320	1,795	990	615	–	–	–	–
Mobile telephony, subscriptions, Azerbaijan (thousands)	3,029	2,333	1,741	1,291	912	669	–	–	–	–
Mobile telephony, subscriptions, Uzbekistan (thousands)	690	–	–	–	–	–	–	–	–	–
Mobile telephony, subscriptions, Tajikistan (thousands)	611	–	–	–	–	–	–	–	–	–
Mobile telephony, subscriptions, Georgia (thousands)	1,296	1,032	715	481	307	198	–	–	–	–
Mobile telephony, subscriptions, Moldova (thousands)	504	448	370	299	176	132	–	–	–	–
Human Resources										
Number of employees as of December 31	31,292	28,528	28,175	29,082	26,694	29,173	17,149	29,868	30,643	30,593
Average number of full-time employees during the year	28,376	26,969	27,403	25,381	26,188	17,277	24,979	30,307	29,546	31,320
of whom, in Sweden	10,002	10,427	11,061	10,948	11,321	12,593	20,922	25,383	25,414	27,540
of whom, in Finland	5,697	5,936	6,369	6,750	6,408	1,142	775	999	662	521
of whom, in other countries	12,677	10,606	9,973	7,683	8,459	3,542	3,282	3,925	3,470	3,259
of whom, women	12,371	12,164	11,934	11,427	10,936	7,546	9,196	11,521	11,268	11,486
of whom, men	16,005	14,805	15,469	13,954	15,252	9,731	15,783	18,786	18,278	19,834
Salaries and remuneration (SEK in millions)	9,632	8,918	9,023	8,674	8,460	6,732	8,852	9,543	9,184	9,098
Employer's social security contributions (SEK in millions)	1,971	1,903	1,970	1,902	1,950	1,804	2,614	3,055	2,895	2,762
Salaries and employer's social security contributions as a percentage of operating costs	14.8	15.2	15.5	16.4	14.9	14.9	19.4	25.5	26.2	25.8
Net sales per employee (SEK in thousands)	3,395	3,376	3,199	3,228	3,147	3,443	2,290	1,784	1,764	1,583
Operating income per employee (SEK in thousands)	922	945	640	740	562	-631	219	396	201	230
Change in labor productivity (%)	7.1	11.2	8.3	10.8	-4.9	53.5	31.9	8.3	17.9	20.2
Net income per employee (SEK in thousands)	715	715	500	511	347	-467	75	339	143	160

Definitions

Concepts

EBITDA

An abbreviation of "Earnings Before Interest, Tax, Depreciation and Amortization." Equals operating income before amortization, depreciation and impairment losses, and before income from associated companies.

Non-recurring items

Non-recurring items include capital gains and losses, costs for phasing out operations, personnel redundancy costs, and non-capitalized expenses in conjunction with the merger with Sonera in 2002. Effective January 1, 2003, only capital gains/losses, write-downs, restructuring programs or similar that represent more than SEK 100 million on an individual basis, are reported as non-recurring. Previous periods have not been restated.

Adjusted shareholders' equity

Reported equity (excluding minority interests) less the (proposed) dividend. For the parent company also including untaxed reserves net of tax.

Capital employed

Total assets less non-interest-bearing liabilities and non-interest-bearing provisions, and the (proposed) dividend.

Operating capital

Non-interest-bearing assets less non-interest-bearing liabilities, including the (proposed) dividend, and non-interest-bearing provisions.

Segment assets and liabilities (segment operating capital)

As Operating capital, but assets and liabilities exclude deferred and current tax items, respectively, and liabilities exclude the (proposed) dividend.

Net interest-bearing liability

Interest-bearing liabilities and provisions less interest-bearing assets but including investments in associated companies and joint ventures.

Net borrowings

Interest-bearing liabilities less interest-bearing assets but including investments in associated companies and joint ventures.

Net debt

Interest-bearing liabilities less short-term investments and cash and bank.

Free cash flow

Cash flow from operating activities less cash CAPEX.

CAPEX

An abbreviation of "Capital Expenditure." Investments in intangible and tangible non-current assets but excluding goodwill, fair-value adjustments and asset retirement obligations.

Acquisitions and other investments

Investments in goodwill and fair-value adjustments, shares and participations, and asset retirement obligations.

EBITDA margin

EBITDA excluding non-recurring items expressed as a percentage of net sales.

Operating margin (EBIT margin)

Operating income expressed as a percentage of net sales.

Return on sales

Net income (including minority interests) expressed as a percentage of net sales.

Total asset turnover

Net sales divided by the average balance sheet total.

Turnover of capital employed

Net sales divided by the average capital employed.

Return on assets

Operating income plus financial revenues expressed as a percentage of the average balance sheet total.

Return on capital employed

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

Return on equity

Net income (excluding minority interests) expressed as a percentage of average adjusted shareholders' equity.

Equity/assets ratio

Adjusted shareholders' equity and minority interests expressed as a percentage of total assets.

Net debt/equity ratio

Net debt expressed as a percentage of adjusted shareholders' equity and minority interests.

Interest coverage ratio

Operating income plus financial revenues divided by financial expenses.

Self-financing rate

Cash flow from operating activities divided by gross investments.

Share data

Earnings per share are based on the weighted average number of shares before and after dilution with potential ordinary shares, while shareholders' equity per share is based on the number of shares at the end of the period.

Pay-out ratio

Dividend per share divided by basic earnings per share.

MoU

Minutes of usage per subscription and month.

Blended churn

The number of lost subscriptions (postpaid and prepaid) expressed as a percentage of the average number of subscriptions (postpaid and prepaid).

ARPU

Average monthly revenue per user.

Labor productivity

Year-on-year percentage change in the ratio of net sales at fixed prices to the average number of full-time employees.

Notation conventions

In conformance with international standards, this report applies the following currency notations:

SEK	Swedish krona
AZN	Azerbaijan manat
DKK	Danish krone
EEK	Estonian kroon
EUR	European euro
GBP	Pound sterling
JPY	Japanese yen
KZT	Kazakhstan tenge
LTL	Lithuanian lita
LVL	Latvian lat
NOK	Norwegian krone
RUB	Russian ruble
TJS	Tajikistan somoni
TRY	Turkish lira
USD	U.S. dollar
UZS	Uzbekistan som

Corporate Governance Report

Introduction

TeliaSonera has in the opinion of the Board of Directors followed the Swedish Code of Corporate Governance during 2007.

The corporate governance report, including the description of internal controls, does not form part of the official annual report and has not been audited.

TeliaSonera's corporate governance model

TeliaSonera's corporate governance model is designed to ensure that operative results correspond to decisions made, and is structured to encourage all employees to strive, within set boundaries, towards the same goals, with a common clear understanding of direction, shared values, roles, responsibilities and authority to act.

The Shareholders' meeting

The Shareholders' Meeting is the company's highest decision-making forum. Among other issues, the Shareholders' Meeting elects the members of the Board of Directors.

The Board of Directors

The Board of Directors is responsible for the governance, choice of strategic direction as well as substance of external communication of the Group. In that role the board makes decisions on i.a.:

- Appointment and dismissal of the CEO
- The overall organization of the Group
- The delegation of authority within the Group
- The internal control and risk management system of the Group
- Guidelines and instructions for the management
- The strategic direction and key strategic initiatives of the Group
- The core content of the Group's external communication

The CEO

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

Group-wide governance framework

The Group-wide governance framework comprises common direction and shared values, the management model and delegation of obligations and authority as well as the policies issued by Group functions. The Board of Directors approves the more important documents within the

Group-wide governance framework, including certain policies issued by Group functions.

Common direction and shared values

In order to provide a general guidance to all employees in the Group the following documents have been issued.

Business concept

Our business concept defines what services TeliaSonera provides and where.

Vision

Our vision, "Simplicity makes everything possible," is what we want to achieve by 2010.

Shared values

Our shared values, "Add value," "Show respect" and "Make it happen," focus on the behavior we want to promote.

Code of ethics

Our code of ethics sets out the ethical standards within which we act.

Corporate strategy

Our corporate strategy sets out the general direction of the Group.

Management model

The management model describes

- The governance system
- The organization
- The roles and responsibilities within the organization
- Business planning and reporting

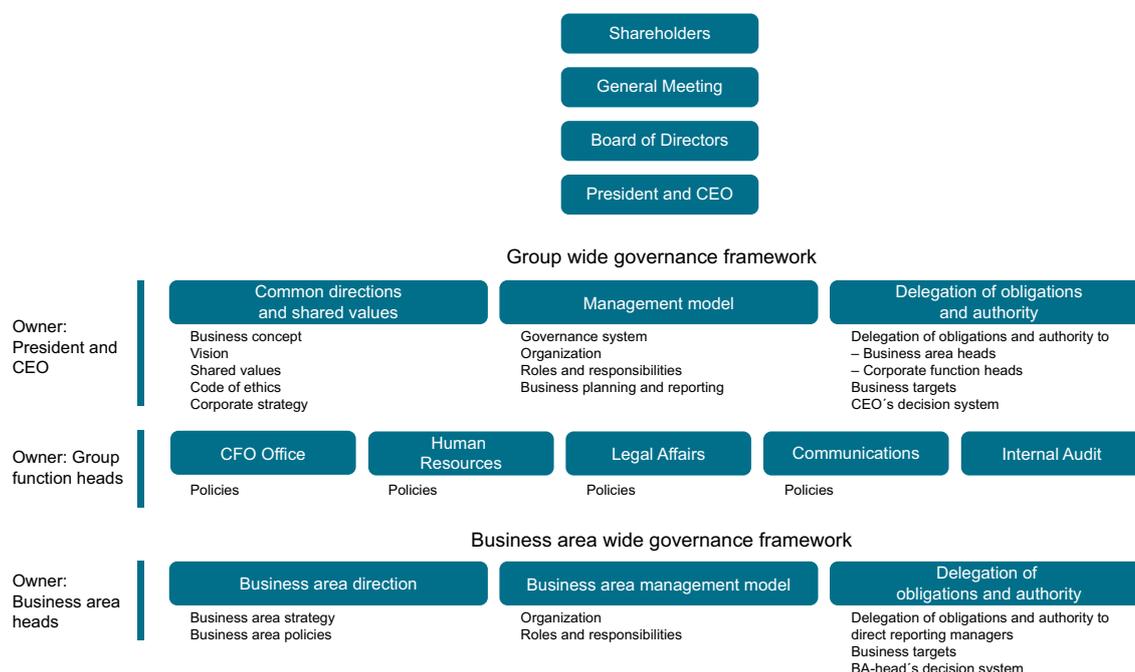
Delegation of obligations and authority

Defines the obligations imposed on the heads of business areas and corporate functions and within which limits they may make decisions.

Business targets

Describes yearly targets for the Group as a whole and for each business area and is directed to the heads of business areas and corporate functions.

TeliaSonera corporate governance model



CEO's decisions system

Sets out how decisions by the CEO are made in individual cases.

Policies issued by Group functions

The heads of Group functions may issue policies within their area of responsibility.

Business area-wide governance framework

The business area-wide governance framework shall be set within the boundaries of the Group wide framework. The business concept, vision, shared values and code of ethics are common for the entire Group as well as the common business planning process and reporting.

Head office

The corporate head office assists the CEO in setting the framework for the activities of the business areas and provides the head office and the business areas with certain support functions.

Shareholders' General Meeting

TeliaSonera is a Swedish, public, limited liability company and is governed by the Swedish Companies Act and the company's Articles of Association. According to the Companies Act, the Shareholders' General Meeting is the company's highest decision-making forum where the owners exercise their shareholder power.

The TeliaSonera share is listed on the Stockholm and the Helsinki Stock Exchanges. TeliaSonera has only one type of shares. Each TeliaSonera share represents one vote at the General Meeting of Shareholders. TeliaSonera had 655,247 shareholders at year-end 2007.

The company announced in the Interim Report January-September 2007 that the Annual General Meeting (AGM) will be held on March 31, 2008, in Stockholm.

Information about the shareholders' rights to have an issue addressed at the General Meeting and the deadline for when such a request must have been received by the company to ensure that it is included in the notice of the ordinary AGM can be found on the company's website.

Shareholders had the opportunity to register for the AGM 2007 in several ways, for example via the company's website.

The AGM 2007 was held on April 24, 2007, in Stockholm. A shareholders' information meeting was held in Helsinki the following day, which was attended by the company's management and parts of the Board.

The entire Board of Directors, all members from the Executive Management and the chief auditor attended the AGM 2007. After nomination by the Nomination Committee, attorney Sven Unger was elected chairman of the AGM 2007. Magnus Landare, representing Alecta Pensionsförsäkring, and Helena Levander, representing Tredje AP-fonden, were appointed to approve the minutes. None of them were members of the Board or employees in the company.

The AGM was held in Swedish and simultaneously interpreted into Finnish and English due to the company's international ownership. Material for the meeting was available in Swedish, Finnish and English. TeliaSonera also provided shareholders who could not attend the AGM the possibility to follow the meeting via the Internet. The shareholders attending the AGM were given the opportunity to ask questions, comment and make proposals for decisions. The minutes from the meeting are available on the company's web site in Swedish, Finnish and English.

A remuneration policy stating the principles for remuneration to the Executive Management was presented and approved at the meeting.

Nomination Committee

After the AGM 2007, TeliaSonera's Nomination Committee consists of the company's four largest shareholders at the time of the notice of the AGM and the Chairman of the Board. The AGM decided that the Nomination Committee should consist of Jonas Iversen, Chairman (the Swedish State), Markku Tapio (the Finnish State), KG Lindvall (Swedbank Robur Funds), Lennart Ribohn (SEB Funds) and the Chairman of the Board Tom von Weymarn. Within the scope of its instructions, the Swedish State has in November 2007 replaced its representative in the committee with Viktoria Aastrup. Information about the Nomination Com-

mittee's composition and changes to the composition have been made public as they occurred.

- The Nomination Committee shall in accordance with its instruction
- nominate the Chairman and other members of the Board,
 - propose the Board remuneration that is divided among the Chairman and other members and remuneration for serving on committees,
 - nominate the Chairman of the AGM and
 - nominate the auditors.

The Nomination Committee has reported to the company that the Committee is following the Code's guidelines and that it intends to report its activities at the AGM and on the company's website.

Shareholders are welcome to send nomination proposals to the Nomination Committee. Proposals can be sent by e-mail to "forslagstillstyrelseledamot@teliasonera.com". The Nomination Committee's proposals shall in accordance with the instruction be made public at the latest in connection with the notice of the AGM.

External auditors

PricewaterhouseCoopers AB was appointed auditor at the AGM 2004 and Göran Tidström (born 1946) is the auditor in charge.

PricewaterhouseCoopers AB is often engaged by the company's largest shareholder, the Swedish State, for both audit and advisory services. Current audit assignments include Svenska Spel and Samhall.

Göran Tidström is also an auditor of Meda, Securitas, Trelleborg and Volvo. He is the Chairman of the Board of PricewaterhouseCoopers AB, the Nordic audit profession's Board representative in International Federation of Accountants, IFAC, and Chairman of the Board of the European Financial Reporting Advisory Group, EFRAG.

Board of Directors

As of the AGM 2007, TeliaSonera's Board of Directors consists of seven members elected by the AGM, serving one-year terms, and three employee representatives from the Swedish operations. An additional Finnish employee representative is present at Board meetings, but without voting rights. The AGM 2007 elected Tom von Weymarn to serve as Chairman of the Board.

The members elected by the AGM are considered to be independent in relation to the company and the shareholders.

The guidelines for the work of the Board of Directors are set down in standing orders. The standing orders contain rules regarding the number of ordinary board meetings, the agenda items for ordinary board meetings, responsibilities within the Board, including the tasks of the Chairman of the Board, the division of responsibilities between the Board and the CEO and how work is to be carried out in committees.

To improve the efficiency of board work, the Board has appointed a Remuneration Committee and an Audit Committee.

The Remuneration Committee handles issues regarding salary and other remuneration to the CEO and Executive Management and incentive programs that target a broader group of employees.

The Audit Committee reviews the company's external financial reporting, internal financial reporting processes and the environment of internal control over financial reporting.

The Board of Directors' committees prepare decisions for the Board. The Remuneration Committee has the authority to approve remuneration to persons who report directly to the CEO. The Audit Committee – and in some cases its chairman – has the right to make decisions regarding the purchase of services from the company's auditors within the framework decided by the Board.

TeliaSonera's General Counsel Jan Henrik Ahmell served as secretary at the Board's and its committees' meetings.

Work of the Board of Directors during 2007

The Board of Directors held nine ordinary meetings during 2007 as well as four extra meetings.

In addition to following up on the day-to-day business of the Group, the Board of Directors paid special attention to:

- Value-creating strategic options
- Target definition for the operations

- Investments in Eurasia, including Russia and Turkey
- Internal control over financial reporting
- Restructuring of the Group's organization
- Capital structure
- Company acquisitions
- Remuneration issues

The Board of Directors applied a systematic and structured evaluation to its internal work, also with the assistance of external consultants – Active Owner Partners AB. The result of this evaluation was reported to the Nomination Committee.

Remuneration structure in TeliaSonera

According to the remuneration policy established by the AGM, TeliaSonera shall offer a competitive package of rewards and remuneration to executives, managers and employees without being market leader in this area.

The salary consists of a base part and a variable part. The base salary follows the salary structure in each respective country while the objectives of the variable salary are established in a plan for each calendar year and are based on the Group's financial performance, the business unit's financial performance and individual performance objectives. The level of the variable salary varies depending on the employee's position in the company.

There are currently no share or share price-related incentive programs at TeliaSonera.

The Board of Directors determines the base salary and other remuneration for the CEO. The Remuneration Committee approves, after proposals from the CEO, base salaries and other remuneration to those persons who report directly to the CEO.

Lars Nyberg, TeliaSonera's CEO as of September 2007, had an annual base salary of SEK 8,000,000. The CEO's variable salary may be a maximum of 50 percent of the base salary. Anders Igel, who was TeliaSonera's CEO until July 31, 2007, had an annual base salary of SEK 7,087,100.

Internal control over financial reporting

The Board of Directors is according to the Swedish Companies Act and the Swedish Code of corporate governance responsible for the internal control. The description below is limited to internal control over financial reporting.

Internal control over financial reporting is an integral part of TeliaSonera's corporate governance. It includes methods and procedures to safeguard the Group's assets, ensure and control the reliability and correctness of financial reporting in accordance with applicable legislation and guidelines, improve operational efficiency and control the level of risk in the business operations.

According to company policy adopted by the Board of Directors, the financial reporting of TeliaSonera shall be in line with high professional standards and be full, fair, accurate, punctual and understandable. TeliaSonera's policy for internal control over financial reporting is based on the international COSO internal control framework.

The Board of Directors strives for a sufficient internal control environment within the Group. This environment should be stable and independent of external control requirements. For example, TeliaSonera's deregistration from the U.S. Securities and Exchange Commission in June 2007 did not change the Board's target for the internal control environment.

Control environment

In 2007, management has updated the company's Code of ethics. The purpose of the code is, among other things, to further promote honest and ethical conduct, clear communication, compliance with applicable governmental rules, the prompt internal reporting of violations of the code, and accountability for adherence to the code.

The rapid changes in the market require a flexible planning system. Planning and follow-up are conducted in rolling seven-quarter plans. The CEO sets goals for the operations based on the guidelines of the Board of Directors. To ensure performance, managers have targets for their particular operations.

Each unit of operations has a controller responsible for ensuring that the monthly and quarterly financial reporting follows policies and that the reports are delivered on time, sufficient internal controls exist and are performed, required reconciliations are properly done and larger business and financial risks are identified and reported.

TeliaSonera has a common system for all large wholly owned units of operation for standardized control and reporting. TeliaSonera has also established a financial shared services unit that takes care of the standardized financial accounting processes across all large wholly owned units.

Risk management

Risk management is an integral part of the Group's business control and monitoring. Risks that may pose a threat to achieving business objectives are identified, and measures to control these risks are introduced. A process exists to regularly identify risks that could lead to material misstatements of financial information.

The Group's security unit works with preventive security measures and crisis management to protect the Group's assets, IT systems, personnel and to safeguard telecom networks, services and customers from infringements and fraud. The Group's insurance coverage is managed by central guidelines.

Control activities

To mitigate risks, TeliaSonera performs control activities, both automated and manual, to ensure that necessary actions are taken to either prevent or detect material misstatements and to safeguard the assets of the company.

Processes are described in a common and structured way, and key controls that are critical in mitigating the financial reporting risks are identified and documented. During 2007, selected testing activities were performed to assure that these key controls are functioning as intended. Remediation activities were taken to correct or improve controls where such activities were necessary. Testing activities for 2007 were performed by the Group's internal audit function, on behalf of management.

Monitoring of control activities

The Board of Directors actively monitors the environment of internal control over financial reporting, specifically through the Audit Committee.

The Board of Directors receives monthly financial reports from the CEO. The Board of Directors and its Audit Committee go through all external financial reports before they are made public. The Audit Committee receives direct reports from the external and internal auditors and discusses and follows up their viewpoints. Both the external and internal auditors are represented at the meetings of the committee. At least once a year, the entire Board of Directors meets with the external auditors, in part without the presence of management.

The Board of Directors receives regularly risk reports compiled by management. Every year, the Audit Committee also meets and discusses with responsible persons from TeliaSonera's risk management, business control, corporate finance and treasury, legal department, tax department, and representatives for the control of the financial reporting from the business areas. The purpose of these meetings is to increase the Board's understanding of major issues related to TeliaSonera's risk management and controls. The Audit Committee addresses, among other issues, internal control environment, impairment valuations, interpretations of accounting principles of special importance for the Group, legal matters that could have a significant impact on the financial statements and evaluation of the auditors' performance.

TeliaSonera also has an internal disclosure committee that reports to the CEO and CFO and that exercises additional control over TeliaSonera's responsibilities regarding external financial reporting. This committee includes responsible persons from corporate control, internal audit, legal department, corporate finance and treasury, risk management, tax department and investor relations.

TeliaSonera has implemented a structured monitoring process, systematic testing activities of key controls, and periodic monitoring on the performance of internal controls at both the business area and the Group

level. At the Group level meetings regarding the monitoring of internal controls are chaired by the CFO and all finance officers responsible for the business areas participate as well as the responsible persons from corporate control, internal audit, legal department, IT units and risk management. The Group level meetings are also attended by the external auditors. The CFO regularly reports to the Audit Committee on the monitoring of internal controls. Both the Audit Committee and the Board of Directors have reviewed and discussed management's assessment of the company's internal controls, and have actively followed up the related improvement measures by management.

Internal audit

The Group has an internal audit function that reviews the Group's operations and makes proposals with a view to improve internal controls, streamline processes and increase efficiency. In addition, the internal audit function has in 2007 tested and evaluated key controls over financial reporting, on behalf of management. The head of corporate internal audit reports to the CEO, who decides in consultation with the Audit Committee on the function's tasks and priorities. The internal audit's tasks and priorities as well as findings are reported to and discussed on a regular basis at the Audit Committee meetings.

Board of Directors



From left; Elof Isaksson, Berith Westman, Maija-Liisa Friman, Conny Karlsson, Lars G Nordström, Timo Peltola, Tom von Weymarn, Caroline Sundewall, Jon Risfelt and Agneta Ahlström

Tom von Weymarn (Born 1944)

Chairman of the Board. Elected to the Board of Directors in 2002. He is the Chairman of the Remuneration Committee of TeliaSonera and was a member of the Audit Committee of TeliaSonera until April 24, 2007. In addition, Mr. von Weymarn is the Chairman of the Board of Directors of Lännen Tehtaat Plc and Turku Science Park Oy, a board member of Pohjola Bank Plc, CPS Color Group Oy, Hydrios Biotechnology Oy, Sibelius Academy, a Senior Advisor and member of the Supervisory Board of IndustriKapital and partner of Boardman Oy.

Mr. von Weymarn served as President and CEO of Oy Rettig Ab between 1997 and 2004, and as Executive Vice President of Cultor Plc between 1991 and 1997. He was a Director of Oy Karl Fazer Ab between 1983 and 1991, the last two years as President and CEO. Mr. von Weymarn holds a Master of Science in Chemical Engineering. Shares in TeliaSonera: 15,316.

Maija-Liisa Friman (Born 1952)

Elected to the Board of Directors in 2007. In addition, Ms. Friman was the CEO of Aspocomp Group Oyj until November 8, 2007. She is a member of the Boards of Directors of Metso Oyj and The Finnish Medical Foundation.

She is also a member of the Management Council for Keskinäinen Vakuutusyhtiö Ilmarinen. Ms. Friman holds a Master of Science degree in Engineering. Shares in TeliaSonera: 5,597¹⁾.

Conny Karlsson (Born 1955)

Elected to the Board of Directors in 2007. Mr. Karlsson is also a member of the Audit Committee of TeliaSonera. In addition, he is the Chairman of the boards of Swedish Match AB, SEB Investment Management AB and Zodiak Television AB.

He has previously been CEO of Duni AB and has held several managerial positions in Procter & Gamble. Mr. Karlsson holds a Master of Business Administration. Shares in TeliaSonera: 10,000.

Lars G Nordström (Born 1943)

Elected to the Board of Directors in 2007. Mr. Nordström is also a member of the Remuneration Committee of TeliaSonera. In addition, he is a board member of Nordea Bank AB, of which he was President and CEO between 2002 and 2007.

He is the chairman of the Finnish-Swedish Chamber of Commerce, the European Financial Management & Marketing Association (EFMA), and the Royal Swedish Opera. He is also a member of the boards of the Swedish American Chamber of Commerce and Viking Line Abp. Mr. Nordström studied law at Uppsala University. Shares in TeliaSonera: 4,000.

Timo Peltola (Born 1946)

Elected to the Board of Directors in 2004. Mr. Peltola is also a member of the Remuneration Committee of TeliaSonera. In addition, Mr. Peltola is the Chairman of the Boards of Directors of Neste Oil Oyj and AW-Energy Oy, Deputy Chairman of the Board of Directors of Nordea Bank AB and member of the Board of SAS AB.

He is also a member of the Advisory Board of CVC Capital Partners and Sveafastigheter AB. Mr. Peltola served as President and CEO of

Huhtamäki Oyj between 1989 and 2004. Mr. Peltola holds a Doctor degree in Economics hc. Shares in TeliaSonera: 3,000.

Jon Risfelt (Born 1961)

Elected to the Board of Directors in 2007. Mr. Risfelt is also a member of the Audit committee of TeliaSonera as from April 24, 2007. In addition, he is Chairman of the Board of XponCard AB and of Wayfinder AB, Deputy Chairman of the Board of Directors of Ortivus AB and holds board assignments at Enea Data AB, Bilia AB and Ängpanneföreningen AB.

He has earlier served as CEO of Europolitan AB and Nyman & Schultz AB. 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: 2,000.

Caroline Sundewall (Born 1958)

Elected to the Board of Directors in 2001. She is the Chairman of the Audit Committee of TeliaSonera. In addition, Ms. Sundewall is a board member of Swedbank AB, Electrolux AB, Haldex AB, Lifco AB, Pågen-gruppen AB, Aktiemarknadsbolagens Förening and Ahlsell AB.

Ms. Sundewall has previously served as business editor for Finanstidningen and business commentator and business editor for Sydsvenska Dagbladet. She has also held the position of business controller of Ratos AB. Ms. Sundewall holds a Bachelor of Science in Economics. Shares in TeliaSonera: 4,000¹⁾.

Agneta Ahlström (Born 1960)

Employee representative, appointed by the trade union to the Board of Directors in 2007. Ms. Ahlström is deputy Chairman of the Swedish Union of Clerical and Technical Employees in Industry, Telecommunications section (SIF-TELE).

Previously, she was the Chairman of the section of SIF-TELE at TeliaSonera International Carrier. Shares in TeliaSonera: 200.

Elof Isaksson (Born 1942)

Employee representative, appointed by the trade union to the Board of Directors in 2000. In addition, Mr. Isaksson is the Chairman of the Union of Service and Communication Employees within TeliaSonera, SEKO TELE, and Chairman of the European Work Council at TeliaSonera.

He is also a board member of the Telia Pension Fund. Shares in TeliaSonera: 1,750¹⁾.

Berith Westman (Born 1945)

Employee representative, appointed by the trade union to the Board of Directors in 1993. In addition, Ms. Westman is the Chairman of the Swedish Union of Clerical and Technical Employees in Industry, the Telecommunications section (SIF-TELE) and a board member of Telia Pension Fund. Shares in TeliaSonera: 1,000.

Remuneration and attendance see next page.

1) Including shareholdings by spouse and/or affiliated persons.

Board of Directors Remuneration during the Year, Attendance

Name	Elected	Position	Committee	Presence Board Meetings	Presence Committee Meetings	Total Remuneration and Benefits (SEK)	No of shares in TeliaSonera
Tom von Weymarn	2002	Chairman of the Board and Chairman of the Remuneration Committee	Remuneration	100%	100%	940,012	15,316
Majja-Liisa Friman	2007	Director		77%		383,174	5,597 ¹⁾
Conny Karlsson	2007	Director	Audit	92%	83%	474,848	10,000
Lars G Nordström	2007	Director	Remuneration	92%	100%	401,511	4,000
Timo Peltola	2004	Director	Remuneration	100%	100%	420,012	3,000
Jon Risfelt	2007	Director	Audit	100%	100%	452,035	2,000
Caroline Sundewall	2001	Director and Chairman of the Audit Committee	Audit	100%	100%	550,008	4,000 ¹⁾
Agneta Ahlström	2007	Employee Representative		100%			200
Elof Isaksson	2000	Employee Representative		100%			1,750 ¹⁾
Yvonne Gustafsson ²⁾	2002	Employee Representative		40%			175
Arja Kivin ²⁾	2007	Employee Representative		100%			0
Berith Westman	1993	Employee Representative		77%			1,000

See also Note 32 to the consolidated financial statements.

1) Including shareholdings by spouse and/or affiliated persons.

2) Yvonne Gustafsson, formerly Karlsson, was in April 2007 replaced by Arja Kivin, who in turn was replaced by Agneta Ahlström in December 2007.

Leadership Team


Lars Nyberg (Born 1951)

President and Chief Executive Officer. Mr. Nyberg was appointed President and CEO on July 27, 2007, and assumed his position on September 3. Mr. Nyberg is also Chairman of DataCard Inc. and board member of Autoliv Inc. Between 1995 and 2003 he was Chairman and CEO of NCR Corp, where he continued as Chairman until 2005. Previously, Mr. Nyberg held several managerial positions in Philips, and was a member of Philips Group Management Committee. Mr. Nyberg holds a Bachelor of Science degree in Business Administration. Shares in TeliaSonera: 100,000¹⁾.


Anders Bruse (Born 1954)

President of business area Broadband Services. Mr. Bruse has been employed by TeliaSonera since 1989 and has served in a number of senior positions. Prior to his time at TeliaSonera he was employed by, among others, Ericsson and Vattenfall AB. Mr. Bruse holds a Master of Science in Engineering Physics. Shares in TeliaSonera: 1,680.


Kim Ignatius (Born 1956)

Executive Vice President and Chief Financial Officer of TeliaSonera. Mr. Ignatius was appointed Executive Vice President and CFO of Sonera in 2000. Prior to joining Sonera, Mr. Ignatius was CFO and a member of the executive board of Tamro Corporation. Mr. Ignatius has also held various managerial positions at Amer Group Plc. Mr. Ignatius holds a Bachelor of Science in Business Administration and Economics. Shares in TeliaSonera: 3,028.


Kenneth Karlberg (Born 1954)

President of business area Mobility Services. Mr. Karlberg has been employed by TeliaSonera since 1987. Mr. Karlberg has previously held several executive positions in TeliaSonera, including Executive Vice President of Telia and head of the Telia Mobile business area. Mr. Karlberg has undergone the Senior Officer program at the Swedish Military Academy. Shares in TeliaSonera: 1,600²⁾.


Jan Henrik Ahrnell (Born 1959)

Group Vice President and General Counsel of TeliaSonera since 1999. Mr. Ahrnell has been employed by TeliaSonera since 1989. Prior to his service 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. Mr. Ahrnell holds a Master of Law. Shares in TeliaSonera: 2,500.


Juho Lipsanen (Born 1961)

President of business area Integrated Enterprise Services. As of January 1, 2008, President of Business Services, the new division for TeliaSonera's business sales. Mr. Lipsanen has been employed by TeliaSonera since 2005. Mr. Lipsanen was previously President and CEO of Alma Media Corporation. He has held several managerial positions at ABB Ltd Switzerland and ABB Finland, including President of ABB New Ventures Ltd and CFO of Automation Segment. Mr. Lipsanen holds a Master of Science in Business Administration and Economics. Shares in TeliaSonera: 8,000.


Karin Eliasson (Born 1961)

Group 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. She has been the CEO of Novare Human Capital AB and Vice President Organizational Development at Stora Enso AB. Ms. Eliasson is a board member of Proffice AB, Pensionsgaranti and PRI Pensionstjänst AB. She holds a Bachelor of Science in Human Resource Development and Labour Relations. Shares in TeliaSonera: 500.


Tero Kivisaari (Born 1972)

President of business area Eurasia as of May 1, 2007. Mr. Kivisaari was previously Chief Financial Officer and Vice President of business area Eurasia. He is a board member of Turkcell and Fintur Holdings B.V. Mr. Kivisaari has also been the CFO of SmartTrust AB. Before that, he held the position of Vice President of Sonera Corporation's International Operations. Mr. Kivisaari holds a MBA in Finance. Shares in TeliaSonera: 0.


Karin Moberg (Born 1963)

Vice President and acting Head of Group Communications since November, 2007. Ms. Moberg has been employed by TeliaSonera since 1994 and has held several senior positions in primarily sales and marketing. Ms. Moberg headed the broadband and Internet business of Telia in 2000–2002. Previously she worked as a management consultant. She is a board member of AP7. Ms. Moberg holds a Bachelor of Science in Business Administration and Economics. Shares in TeliaSonera: 1,488.

Leadership Team Remuneration, see next page.

1) By way of pension insurance.

2) Including shareholdings by spouse and minors.

Leadership Team Remuneration and other benefits during the year, pension commitments

SEK	Base salary	Variable salary	Other remuneration	Other benefits	Pension expense	Total remuneration and benefits	Total pension commitment
Lars Nyberg ¹⁾ , CEO	2,616,001	1,308,000	–	30,077	2,770,740	6,724,818	–
Kim Ignatius, EVP	5,519,454	1,066,500	–	186,264	2,250,061	9,022,279	9,123,495
Other members of the Leadership Team (seven individuals)	18,237,019	3,476,356	540,375	2,281,451	10,156,219	34,691,420	51,053,872

See also Note 32 to the consolidated financial statements and Report of the Directors (Remuneration to Executive Management).

¹⁾ Lars Nyberg assumed his position on September 3, 2007.

Glossary

3G third generation of mobile phone standards and technology.

ADSL Asymmetric Digital Subscriber Line is a form of DSL, a data communications technology that enables faster data transmission over copper lines than a conventional voice band modem can provide.

ADSL2+ extends the capability of basic ADSL. The data rates can be as high as 24 Mbit/s.

Blog A website where entries are written in chronological order and commonly displayed in reverse chronological order.

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

EDGE Enhanced Data rates for GSM Evolution or Enhanced GPRS (EGPRS), is a digital mobile phone technology that allows increased data transmission rates and improved data transmission reliability.

GPRS General Packet Radio Service is a mobile data service available to users of GSM and mobile phones.

GPS Global Positioning System.

GSM Global System for Mobile communications is the most common standard for mobile phones in the world.

HDTV High-definition television is a digital television broadcasting system with greater resolution than traditional television systems.

HSDPA High-Speed Downlink Packet Access is a 3G mobile telephony communications protocol in the HSPA family, which allows networks based on UMTS to have higher data transfer speeds and capacity. HSDPA is sometimes called Turbo 3G.

HSPA High-Speed Packet Access is a collection of mobile telephony protocols that extend and improve the performance of existing UMTS protocols.

ICT Information and communications technology.

IP Internet Protocol is a data-oriented protocol used for communicating data across a packet-switched Internet work. IP provides the service of communicable unique global addressing amongst computers.

IPTV Internet Protocol Television is a system where a digital television service is delivered by using Internet Protocol over a network infrastructure, which may include delivery by a broadband connection. A general definition of IPTV is television content that, instead of being delivered through traditional broadcast and cable formats, is received by the viewer through the technologies used for computer networks.

Java refers to a number of computer software products and specifications from Sun Microsystems that together provide a system for developing application software and deploying it in a cross-platform environment. Java is used in a wide variety of computing platforms spanning from embedded devices and mobile phones on the low end to enterprise servers and super computers on the high end. Java is fairly common in mobile phones, web servers and enterprise applications, and somewhat less common on desktop computers though users may sometimes come across Java applets when browsing the World Wide Web.

LAN Local Area Network is a computer network covering a small geographic area, like a home, office, or group of buildings e.g. a school.

LTE Long Term Evolution is the name given to a project within the Third Generation Partnership Project to improve the UMTS mobile phone standard to cope with future requirements. Goals include improving efficiency, lowering costs, improving services, making use of new spectrum opportunities, and better integration with other open standards. The LTE project is not a standard, but it will result in the new evolved release 8 of the UMTS standard, including mostly or wholly extensions and modifications of the UMTS system.

Mbps Megabit per second is a unit of data transfer rate equal to 1,000,000 bits per second.

Mobile 2.0 refers to a perceived next generation of mobile Internet services.

PDA Personal Digital Assistant is a handheld computer, also known as pocket computer or palmtop computer.

PSTN all standard analogue lines, whether or not they are overlaid or augmented by other technologies (such as xDSL). Includes circuit-switched cable telephony lines, but excludes direct access VoIP.

SIM Subscriber Identity Module is part of a removable smart card ICC (Integrated Circuit Card), also known as a SIM Card, for mobile cellular telephony devices such as mobile phones and computers.

SOHO small office home office, a market segment.

Triple Play the triple play service is a marketing term for the provisioning of the two broadband services, high-speed Internet access and television, and one narrowband service, telephone over a single broadband connection.

UMTS Universal Mobile Telecommunications System is a 3G mobile phone technology.

VDSL2 Very High Speed Digital Subscriber Line 2 is the newest and most advanced standard of DSL broadband wireline communications. Designed to support the wide deployment of triple play services such as voice, video, data, HDTV and interactive gaming.

VoIP Voice over Internet Protocol.

WAP Wireless Application Protocol is an open international standard for applications that use wireless communication. Its principal application is to enable access to the Internet from a mobile phone or PDA.

Web 2.0 the phrase refers to a perceived second generation of web-based communities and hosted services which aim to facilitate creativity, collaboration, and sharing between users.

WiMAX Worldwide Interoperability for Microwave Access is a telecommunications technology aimed at providing wireless data over long distances in a variety of ways, from point-to-point links to full mobile cellular type access.

WLAN wireless LAN is a wireless local area network, which is the linking of two or more computers without using wires.

Definitions used in graph Non-voice ARPU Western Europe (page 11)

ARPU Average Revenue Per User.

Browsing the accessing of content that is available over cellular networks at no charge other than any charges that apply for mobile Internet access.

Data networking the use of shared applications (such as applications for customer relationship management, enterprise resource planning or mobile workforce management), as well as access to corporate intranets; data networking is exclusive to the business segment.

Email paid-for person-to-person communications via email (mainly BlackBerry-type email services).

Entertainment personalisation services (such as ringtones and logos); downloads (of cartoons, music and video clips, and other forms of entertainment over a cellular network, including streamed and broadcast TV); messaging based on third-party content; interaction with other media (such as TV programs); and gambling.

M-commerce mobile ticketing, mobile shopping, mobile banking, mobile trading and mobile advertising; m-commerce does not include revenue derived from digital content delivered over operators' or third-party mobile portals (such as games and ringtones).

Other P2P messaging person-to-person communications other than SMS and email, mainly MMS (picture messages and video messages) and MIM (mobile instant messaging), but excluding any messages used to deliver third-party content.

Paid information push or pull electronic content delivered over cellular networks, for which a premium (over standard network access charges) is charged.

SMS person-to-person messaging via SMS, excluding any SMS messages used to deliver third-party content.

Video telephony real-time audiovisual person-to-person communications.

Source: Analysys Research, 2007

Annual General Meeting 2008

TeliaSonera's Annual General Meeting (AGM) will be held on Monday, March 31, 2008, at 3 p.m. at Stockholm International Fairs in Älvsjö, Stockholm, Sweden. The complete notification was published on TeliaSonera's website, www.teliasonera.com at the end of February. The AGM will be interpreted from Swedish into English and Finnish.

Right to participate in the AGM

Shareholders who wish to attend the AGM shall:

- be entered into the transcription of the share register as of Tuesday, March 25, 2008, kept by the Swedish central securities depository ("VPC AB"); and
- give notice of attendance to the Company no later than 4.00 p.m. on Tuesday, March 25, 2008.

Notice to the Company

Notice of attendance can be given from February 26, 2008:

- in writing to TeliaSonera AB, Box 10, SE-182 11 Danderyd, Sweden,
- by telephone +46 (0)8 611 6015 on weekdays between 10.00 a.m. and 4.00 p.m.,
- by fax +46 (0)8 611 6017, or,
- via the Company's website www.teliasonera.com (only private individuals).

In providing such notice, shareholders should state:

- name/company
- social security number/corporate registration number
- telephone number office hours (including area/country code)
- 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 VPC AB as of Tuesday, March 25, 2008, 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 ("APK") are nominee registered at VPC AB, these Finnish shareholders have to contact APK, by e-mail: thy@ncsd.eu or by phone: +358 (0)20 770 6609, for re-registration well in advance of March 25, 2008, to be able to participate in the meeting.

Special proxy voting

The Board offers shareholders a possibility to vote by proxy at the AGM by using a proxy form, supplied by the Board, in which the shareholders may tick off the applicable boxes to indicate how they wish to vote on the different items on the agenda. Carl Svernlöv, attorney-at-law at the law firm Baker & McKenzie in Stockholm, will act as the shareholder's representative in respect of the proxy voting.

Proxy form can be obtained from the Company by telephone +46 (0)8 611 60 15 or at TeliaSonera AB, Box 10, SE-182 11 Danderyd, Sweden and is also available at the Company's website www.teliasonera.com. The original copy of the proxy form must be in Carl Svernlöv's possession no later than March 25, 2008, at the following address: Carl Svernlöv, c/o TeliaSonera AB, Box 10, SE-182 11 Danderyd, Sweden. Representatives of legal entities are required to submit a certified copy of the registration certificate or an equivalent certificate of authority.

It should be noted that shareholders that are present through a representative by proxy form also must notify the Company of their participation according to the instructions set out above and also be entered into the share register kept by VPC AB as of Tuesday March 25, 2008.

Notice to follow the meeting on distance via Internet

Shareholders also have the opportunity to follow the AGM on distance via an Internet connection. Shareholders wishing to follow the meeting on distance via Internet must be listed as shareholders in the printout

of the share register issued by VPC AB already on Friday, February 29, 2008, and have notified the company of their intention to follow the meeting on distance no later than 4 p.m. on Tuesday, March 25, 2008.

Shareholders following the meeting via Internet are considered as guests and can only follow the AGM and are not able to vote, make proposals or express opinions. Shareholders who have fulfilled the above criteria will be provided with details of the connections and their personal passwords before the meeting. If a shareholder wishes to participate in the meeting through a representative and to personally follow the meeting via Internet, the notice procedure as a whole must be applied.

Please note that following the AGM via an Internet connection requires a PC, Operating system: Windows XP, Web browser: Internet Explorer 6, Media Player: Windows Media Player 9 or higher, Internet connection for good quality: Broadband with speed of 1 Mbps or faster (not a requirement).

Decisions to be made by the AGM

The AGM determines, among other matters, the appropriation of the Company's profits and whether to discharge the Board of Directors and President from liability. The AGM also appoints the Board of Directors and makes decisions regarding remuneration to the Board. The Board of Directors proposes to the AGM 2008 a dividend of SEK 4.00 per share, composed of an ordinary dividend of SEK 1.80 per share and extraordinary dividend of SEK 2.20 per share, to be distributed to the shareholders.

The recommended record date at VPC for the right to receive dividend will be April 3, 2008. If the AGM votes to approve the Board's proposals, dividends are expected to be distributed by VPC on April 8, 2008.

Shareholders' information meeting in Finland

A Finnish shareholders' information meeting will be held on April 1, 2008, at 3 p.m. Finnish time at the Finlandia House, Helsinki. The Finnish shareholders will have the possibility to meet representatives from the management and the Board in person. The meeting will be held in Finnish.

Contact TeliaSonera

TeliaSonera AB

Mailing address:
TeliaSonera AB,
SE-106 63 Stockholm
Sweden

Visiting address:
Sturegatan 1, Stockholm

Telephone: +46 (0)8 504 550 00
Fax: +46 (0)8 504 550 01
E-mail: teliasonera@teliasonera.com

President and Chief Executive Officer

Lars Nyberg
Mailing address:
TeliaSonera AB
SE-106 63 Stockholm
Sweden

Telephone: +46 (0)8 504 550 00
Fax: +46 (0)8 504 550 14

Group Communications

Karin Moberg
Mailing address:
TeliaSonera AB
SE-106 63 Stockholm
Sweden

Telephone: +46 (0)8 504 550 00
Fax: +46 (0)8 611 46 42

Group Investor Relations

Martti Yrjö-Koskinen
Mailing address:
TeliaSonera AB
SE-106 63 Stockholm
Sweden

Telephone: +46 (0)8 504 550 00
Fax: +46 (0)8 611 46 42
E-mail: investor-relations@teliasonera.com