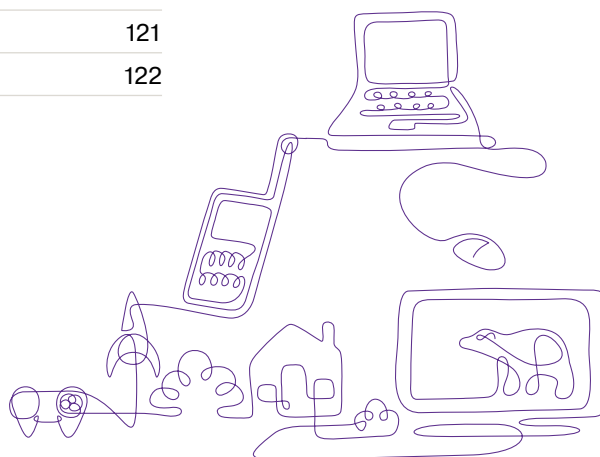




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TeliaSonera in brief

Communication the easy way

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

TeliaSonera creates a world with better opportunities

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

We are an international group

We have majority-owned operations from the Nordics to Nepal, with a total of nearly 63 million subscriptions at year-end as well as more than 107 million subscriptions in our associated companies, mainly in Russia and Turkey. We are also the leading European wholesale provider with a wholly-owned international carrier network.

We want to help our customers get connected

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

We are organized into three business areas

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



- Mobility Services
- Broadband Services
- Eurasia

The number of employees

We had 28,412 employees at year-end.

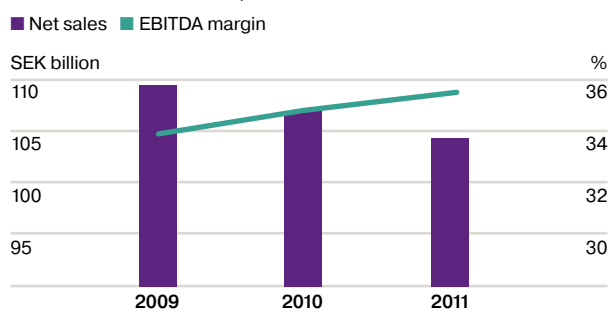
28,412

The year in brief

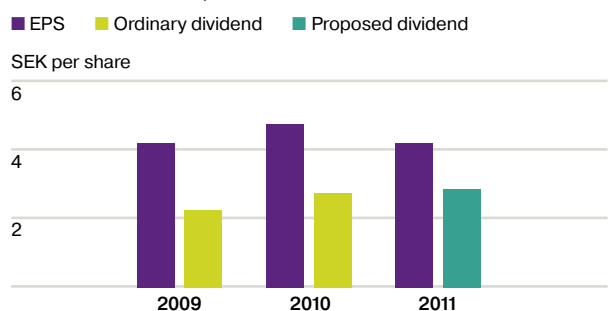
2011 – an eventful year

- Today our customers recognize us under a common brand identity with local brand names. The unified purple logotype was introduced in May across all our main brands.
- We dramatically decreased data roaming fees in 2011 in many countries. As an additional benefit our customers gained better cost control and can continue to stay online while traveling.
- In order to meet customer demand for triple-play and capacity hungry applications and because our fixed network remains a key strategic asset, we decided to invest more than SEK 8 billion in fiber until 2014, of which SEK 5 billion in Sweden. It will be a selective roll-out to ensure a good return on investment. Today approximately 20 percent of our broadband customers are connected over fiber.
- As an industry pioneer we rolled out and introduced super high-speed mobile services, 4G services, in seven countries in the Nordics and Baltics.
- Growth in Eurasia remains very healthy and the business area delivered double-digit revenue growth. 3G services are now available in all countries within Eurasia. We aim to be the leading provider of mobile data.
- Our financial position is solid and the EBITDA margin, excluding non-recurring items, increased for the third consecutive year.

NET SALES AND EBITDA MARGIN, EXCLUDING NON-RECURRING ITEMS, 2009–2011



EPS AND DIVIDENDS, 2009–2011



9.9 SEK billion

In addition to the ordinary dividend we returned SEK 9.9 billion to our shareholders in April through a share repurchase program.

Financial highlights

SEK in millions, except key ratios, per share data and margins	2011	2010	2009
Net sales	104,354	106,979	109,550
EBITDA, excluding non-recurring items	36,914	36,897	36,584
margin (%)	35.4	34.5	33.4
Operating income	29,567	32,003	30,242
Operating income, excluding non-recurring items	29,737	31,935	31,597
Net income	21,072	23,562	21,280
of which attributable to owners of the parent company	18,341	21,257	18,854
Earnings per share (SEK)	4.20	4.73	4.20
Return on equity (% , rolling 12 months)	16.8	17.8	15.2
CAPEX-to-sales (%)	16.5	14.0	12.8
Free cash flow	9,629	12,901	16,643

Letter from the CEO

Dear shareholders,

2011 was an exciting year, both for TeliaSonera and the telecom industry. It started with the Arab spring, where the importance of telecommunication services became very evident. In our markets, the demand for smartphones and tablets exploded and drove the traffic in our networks to new highs.

We believe that telecommunication services have enormous benefits as they cater to a very basic human need – to communicate – by sharing information, exchanging ideas, staying in touch with family and friends, as well as enjoying education, doing business, and taking advantage of medical assistance. Telecommunications also drive economic growth, competitiveness, the transition to knowledge based society and wider socio-economic development. Therefore, TeliaSonera is committed to bridging the digital divide by offering our services and extending our networks in both mature and emerging markets.

The birth of the information society

Since the birth of the information society a few decades ago we have seen three major technology leaps, all changing the way people communicate and interact. The PC entered the scene in the 80's. During the 90's computers were connected to networks and the internet, and after the millennium shift laptops and 3G technology made telecommunications mobile.

At birth, the information society and communication services were for the select few. Today, they are global and available to the vast majority of people, regardless of time, place and country. At the end of 2011,

there were globally some 5 billion mobile subscriptions and 2 billion people were connected to the internet. This means that in just a few decades, communication services have transformed from being expensive and exclusive into services which are essential, affordable and personal. They have become an integral part of our daily lives, all over the world.

The fourth generation

Now we are in the midst of the next big shift, the fourth generation information society. During the past 24 months, we have witnessed an explosive growth in the use of smartphones. The internet has moved into our palms and pockets. Combined with the rise of social media, such as Facebook with close to 1 billion users, these handsets have transformed the way we connect and interact, the way we do business and the way we socialize. We now have family, friends and colleagues in our pocket – just a swipe away. The information society has gone smart, social and truly global.

If we just go back a few years in time, few of us would have imagined that communication services would change countries and economies, overthrow dictatorship and give birth to democracy.



We make sure that you can communicate

It may sound bold, but we consider ourselves to be at the very core of this development, in the driving seat of the fourth generation information society. Because regardless of your device, operating system, platform or even country, we ensure that your communications function. We make sure that you can connect to anyone at any time and at any location – in short, that you can communicate.

170 million subscriptions from the Nordics to Nepal

In 2011, the number of subscribers using our and our affiliated companies' networks grew by 13 million to 170 million in total, all the way from the Nordic countries, across our Eurasian footprint to the Himalayas in Nepal.

We invested more than SEK 17 billion in networks and licenses. We have taken the technology leadership in many of our countries by being the first operator in the world to launch 4G services, and with Azercell's 3G launch in Azerbaijan in November we now provide 3G services in all our Eurasian markets. Our ambition is to take the lead in providing our customers with fast access to the internet across our Eurasian footprint, where fixed networks are very limited.

In May 2011, we manifested our heritage and strategy of being a smart, leading international company with a strong local knowledge and connection by uniting all our main brands under a common identity. Eighteen brands now share the same identity, logo and color scheme, but keep their individual names.

The unified brand further strengthens our position on the international scene by manifesting TeliaSonera's unique combination of global reach and local connection. Our strength lies in the combination of these two features. We are one of Europe's leading operators with significant experience of rolling out networks, developing telecommunication services and we have significant financial muscles. At the same time, we operate through strong local brands and are very close to our



We make sure that you can connect to anyone at any time and at any location – in short, that you can communicate.

customers in each market. This clearly differentiates us from our competitors.

Our strategy is based on providing high quality networks, a world-class customer experience and a product portfolio that meets our customers' needs. We also take pride in the early implementation of new technology at a commercially reasonable pace.

The most tangible benefit for our customers in 2011 was our new offer with significantly lower cost and cost control for data roaming. Users are now able to keep the same mobile behavior when traveling abroad as they do in their home country, without facing any bill shocks when they return. We are convinced that the increased usage this will generate over time will compensate for a short-term negative impact on revenues. In fact, we can already see that volumes have more than doubled compared to a year ago.

Financially a strong year

Financially, 2011 was another strong year for TeliaSonera and we are proud that we were able to generate growth and keep a healthy balance between revenues and costs. Thereby, we were able to improve our EBITDA margin for the third consecutive year.

Looking ahead, we believe our revenues and earnings will continue to grow in 2012 despite macroeconomic and industrial challenges and we are committed to our strategy of delivering a world class customer experience.

Stockholm, March 8, 2012










Lars Nyberg
President and CEO

Markets and brands




















Strong market positions

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




Majority-owned companies

Country	Trademark	Ownership	Service	Market position	Market share ¹
Sweden					
 Telia	Telia, Halebop	100%	Mobile	1	41%
	Telia	100%	Broadband	1	44%
 halebop [✳]	Telia	100%	Fixed Voice incl. VoIP	1	63%
	Telia	100%	TV	4	11%
Finland					
 Sonera	Sonera, TeleFinland	100%	Mobile	2	35%
	Sonera	100%	Broadband	2	30%
 tele Finland	Sonera	100%	Fixed Voice incl. VoIP	2	23%
	Sonera	100%	TV	3	18%
Norway					
 NetCom	NetCom, Chess	100%	Mobile	2	26%
	NextGenTel	100%	Broadband	2	11%
 Chess	NextGenTel	100%	Fixed Voice (VoIP)	5	1%
	NextGenTel	100%	TV	<10	<1%
Denmark					
 Telia	Telia, Call me	100%	Mobile	3	17%
	Telia, DLG Tele ²	100%	Broadband	4	4%
 Call me	Telia, Call me, DLG Tele ²	100%	Fixed Voice incl. VoIP	3	7%
	Telia	100%	TV	10	<1%
 dlgtel					

Majority-owned companies

Country	Trademark	Ownership	Service	Market position	Market share ¹
Lithuania					
	Omnitel, Ezys	100%	Mobile	1	39%
	TEO	68.3%	Broadband	1	51%
	TEO	68.3%	Fixed Voice incl. VoIP	1	93%
	TEO	68.3%	TV	1	26%
Latvia					
	LMT, Okarte, Amigo	60.3%	Mobile	1	43%
					
Estonia					
	EMT, Diil	100%	Mobile	1	44%
	Elion	100%	Broadband	1	55%
	Elion	100%	Fixed Voice incl. VoIP	1	80%
	Elion	100%	TV	2	33%
Spain					
	Yoigo	76.6%	Mobile	4	5%
Kazakhstan³					
	Kcell, Activ	51%	Mobile	1	48%
Azerbaijan³					
	Azercell	51.3%	Mobile	1	54%
Uzbekistan					
	Ucell	94%	Mobile	2	31%
Tajikistan					
	Tcell ⁴	60%, 59.4%	Mobile	1	36%
Georgia³					
	Geocell, Lailai	100%	Mobile	1	42%
					
Moldova³					
	Moldcell	100%	Mobile	2	34%
Nepal⁵					
	Ncell	80%	Mobile	1	49%

Associated companies

Country	Trademark	Ownership	Service	Market position	Market share ¹
Latvia					
	Lattelecom	49%	Broadband	1	50%
	Lattelecom	49%	Fixed Voice incl. VoIP	1	75%
	Lattelecom	49%	TV	1	26%
Russia					
	MegaFon	43.8%	Mobile	2	27%
Turkey					
	Turkcell	38%	Mobile	1	53%

¹ In Broadband and Fixed Voice TeliaSonera's market share estimate is based on the share of revenues where data is available, and number of subscriptions where no data is available. In Mobile the market share is based on the number of subscriptions except for subsidiaries in Eurasia where it is based on interconnect traffic. For TV market share is based on the number of pay-TV subscriptions of cable TV, satellite TV, terrestrial TV and IPTV. For Russia, ownership is based on information from ACM Consulting and market share is based on share of subscriptions. For Turkey, market share is Turkcell estimates.

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

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

⁴ Comprising Indigo Tajikistan (60 percent) and Somoncom (59.4 percent).

⁵ For Nepal the ownership percentage indicates holdings by TeliaSonera Asia Holding B.V.'s. TeliaSonera holds 75.45 percent in TeliaSonera Asia Holding B.V.

Report of the Directors

TeliaSonera reports its financial result by business area segments Mobility Services, Broadband Services, Eurasia and Other operations. The business areas are based on business units that in most cases are country organizations, and for which certain financial information is reported. The area Other operations includes the units Other Business Services, TeliaSonera Holding and Corporate functions, which are all reported collectively. TeliaSonera has corporate functions for Communication, Finance (including M&A and Sourcing), Human Resources, Internal Audit, IT and Legal.

Vision, Mission and Strategy

TeliaSonera is an international company with a global strategy, but wherever we operate, we act as a local company.

TeliaSonera's mission is to help people and companies communicate in an easy, efficient and environmentally friendly way, by providing network access and telecommunication services.

Our focus is to deliver a world-class customer experience, while ensuring the quality of our networks and maintaining a cost efficient structure.

TeliaSonera's unified brand further strengthens our position on the international scene by manifesting our unique combination of global reach and local connection.

TeliaSonera aims to be seen as the most attractive brand in our industry in each market, providing the best customer experience. The unified brand gives the experience of TeliaSonera's operators as smart, leading and local, wherever we operate.

For more information about TeliaSonera's vision, mission, strategy and organization, see the Corporate Governance Statement.

Risks and Risk Management

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

TeliaSonera has an established risk management framework in place to regularly identify, analyze, assess, and report business, financial and corporate responsibility risks and uncertainties, and to mitigate such risks when appropriate. Risk management is an

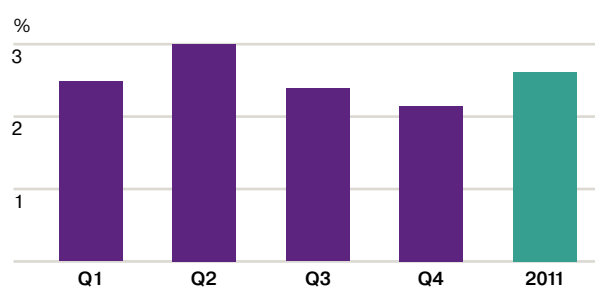
integrated part of TeliaSonera's business planning process and monitoring of business performance. Main risks relate to industry and market conditions, operations and strategic activities, associated companies and joint ventures, ownership of TeliaSonera shares, financial management, financial reporting and corporate responsibility.

Risks and uncertainties related to the business, shareholder issues and to corporate responsibility are described in Note C35 and financial risks in Note C27 to the consolidated financial statements. The control environment and risk management related to internal control over financial reporting are described in the Corporate Governance Statement.

Group Development in 2011

During 2011, net sales in local currencies and excluding acquisitions increased 2.6 percent. Growth was driven by the positive development in mobile data and mobile equipment, Yoigo in Spain and Eurasia. In reported currency, net sales decreased 2.5 percent to SEK 104.4 billion. As set out in the graph below, over the year, the growth rate in net sales in local currencies and excluding acquisitions decreased.

NET SALES IN LOCAL CURRENCIES AND EXCLUDING ACQUISITIONS, QUARTERLY GROWTH %, Y/Y



EBITDA, excluding non-recurring items, was in line with 2010 at SEK 36.9 billion. EBITDA margin increased for the third consecutive year and was 35.4 percent (34.5). Net income attributable to the owners of the parent company was SEK 18.3 billion (21.3) and earnings per share SEK 4.20 (4.73). The lower earnings per share were primarily a result of negative currency effects on profits from foreign operations and lower income in associated companies. Free cash flow decreased to SEK 9.6 billion (12.9), due to lower dividends from associated companies of SEK 1.2 billion and higher cash CAPEX of SEK 2.9 billion, of which SEK 1.8 billion was investments in licenses.

In February, TeliaSonera issued a 9-year Eurobond of EUR 750 million and in September, a 10.5-year Eurobond of EUR 500 million, both under TeliaSonera's existing EUR 10 billion EMTN (Euro Medium Term Note) program.

In March, TeliaSonera took legal action against Turkcell's Chairman of the Board in order to safeguard good corporate governance in Turkcell and to protect its legal rights as a minority shareholder.

In April, TeliaSonera launched the first commercial 4G services in Lithuania and in June TeliaSonera launched the first commercial 4G services in Latvia. This means that TeliaSonera has launched 4G services in seven countries; Sweden, Norway, Finland, Denmark, Estonia, Latvia and Lithuania, pioneering the Nordic and Baltic markets with superfast mobile services. The roll-out will continue and for example in Sweden the 4G services now cover 200 locations and will expand by one city or village every day during 2012. Before year-end, 4G tablets were launched to the market and during the first quarter of 2012 TeliaSonera will be able to offer 4G handsets.

In May, TeliaSonera launched a new brand identity. TeliaSonera's 18 main brands were united under a common brand identity, while retaining their brand names.

In May, TeliaSonera also lowered Nordic and Baltic roaming prices by approximately 90 percent. The new lower prices and the cost control function automatically apply to all customers during travel in the Nordic and Baltic countries, without customers needing to make any specific action. Users are now able to keep the same mobile behavior when traveling as they do in their home country. TeliaSonera is convinced that increased usage in the longer perspective will compensate for a short-term negative impact on revenues.

In June, Telia, TeliaSonera's subsidiary in Denmark, entered into a network sharing agreement with Telenor to create Denmark's best mobile network. The companies will also establish a common infrastructure company to operate the joint network.

In September, TeliaSonera announced that an arbitration tribunal of the International Chamber of Commerce (ICC) had issued its final award related to a dispute concerning the 2005 Turkcell Holding share purchase agreement between TeliaSonera and Cukurova. The tribunal ordered Cukurova to pay damages to TeliaSonera to an amount of USD 932 million, plus interest. TeliaSonera has taken actions to recover these damages.

In October, TeliaSonera received USD 100 million from Altimio as certain milestones had been met in fulfilling the agreement signed in November 2009. Altimio made an initial payment to TeliaSonera of USD 50 million at signing in 2009.

In November, Azericell launched 3G services in Azerbaijan and TeliaSonera now provides 3G services in all its Eurasian markets.

In December, in line with the strategy to increase ownership in core holdings, TeliaSonera signed an

agreement with Kazakhtelecom, to acquire 49 percent of the shares in Kcell in Kazakhstan. TeliaSonera has also agreed to sell 25 percent of the shares minus one share in Kcell in an Initial Public Offering (IPO), expected to be completed during 2012.

In the fourth quarter, important milestones were met for several operations. TeliaSonera has now more than half a million TV subscribers in Sweden. Yoigo in Spain passed 3 million subscribers and reported positive EBIT and cash flow. Ncell in Nepal became the overall market leader.

In 2011, TeliaSonera acquired several new telecom and frequency licenses.

- Yoigo, TeliaSonera's mobile operation in Spain, acquired an upgrade of its 3G mobile network license for higher speed and wider coverage. The network infrastructure will be modernized and prepared for future 4G activities and will cover most cities in Spain.
- TeliaSonera acquired Swedish nationwide frequencies on the 800 MHz band for a continued cost efficient 4G roll-out. The licenses granted for frequency blocks of 2*10 MHz are valid for 25 years and are not subject to any conditions related to construction pace or population coverage. The cost was SEK 854 million and payment was made during the second quarter of 2011.
- TeliaSonera acquired nationwide frequencies in the 1,800 MHz band (5 blocks, 2*25MHz) for the Swedish market. The licenses granted for the 1,800 MHz band are valid for 25 years starting from 2013, and the cost for the new frequency blocks was SEK 920 million in total. Payment to the Swedish Post and Telecom Agency was made during the fourth quarter of 2011.

SEK in millions, except earnings per share and margins	2011	2010	Change, %
Net sales	104,354	106,979	-2
Addressable cost base ¹	-30,751	-32,090	-4
EBITDA ² excluding non-recurring items ³	36,914	36,897	0
Margin (%)	35.4	34.5	
Depreciation, amortization and impairment losses	-13,023	-13,479	-3
Income from associated companies and joint ventures	5,717	7,821	-27
Non-recurring items ³ , within EBITDA	-41	764	
Operating income	29,567	32,003	-8
Financial income and expenses, net	-2,793	-2,067	35
Income taxes	-5,702	-6,374	-11
Net income	21,072	23,562	-11
Attributable to:			
Shareholders of the parent company	18,341	21,257	-14
Non-controlling interests	2,731	2,305	18
Earnings per share (SEK)	4.20	4.73	-11
Operating income excluding non-recurring items ³	29,737	31,935	-7
Margin (%)	28.5	29.9	

¹ For details of addressable cost base, see "Expenses" below.

² 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.

³ For details on non-recurring items, see "Non-recurring items" below.

Net sales

Reported net sales SEK in millions	Change, SEK Change, million %			
	2011	2010	million	%
Mobility Services	51,032	50,659	373	1
Broadband Services	36,811	39,875	-3,064	-8
Eurasia	17,330	16,458	872	5
Other operations	3,992	5,102	-1,110	-22
Eliminations of internal sales	-4,811	-5,115	304	6
Group	104,354	106,979	-2,625	-2

Net sales decreased 2.5 percent to SEK 104,354 million (106,979). Net sales in local currencies and excluding acquisitions increased 2.6 percent. The negative effect of disposals was 0.9 percent and the negative effect of exchange rate fluctuations was 4.2 percent.

Net sales in local currencies and excluding acquisitions	2011
Change (%), Mobility Services	4.2
Change (%), Broadband Services	-5.7
Change (%), Eurasia	17.0
Change (%), Other operations	-0.8
Change (%), Group	2.6

In Mobility Services, net sales increased 0.7 percent to SEK 51,032 million (50,659). Net sales in local currencies and excluding acquisitions increased 4.2 percent. The negative effect of exchange rate fluctuations was 3.5 percent.

In Broadband Services, net sales decreased 7.7 percent to SEK 36,811 million (39,875). Net sales in local currencies and excluding acquisitions decreased 5.7 percent. The positive effect of acquisitions was 0.1 percent and the negative effect of exchange rate fluctuations was 2.1 percent.

In Eurasia, net sales rose 5.3 percent to SEK 17,330 million (16,458). Net sales in local currencies and excluding acquisitions increased 17.0 percent. The negative effect of exchange rate fluctuations was 11.7 percent.

The number of subscriptions rose by 13.0 million to 170.0 million. The number of subscriptions in the majority-owned operations rose to 62.8 million of which Eurasia rose with 6.3 million to 34.8 million. The number of subscriptions in the associated companies rose to 107.2 million.

Expenses

Cost of goods sold¹ was SEK 37,504 million (38,494) a decrease of 2.6 percent compared to 2010, with the largest effect from lower interconnect expenses. The change was in line with net sales development, and the gross margin was stable between 2010 and 2011 at 64.1 percent (64.0).

Addressable costs in local currencies and excluding acquisitions rose 0.6 percent compared to last year, with increases in Eurasia and a slight increase in Mobility Services, partly offset by cost reductions in Broadband Services and Corporate functions.

Personnel expenses decreased substantially, -3.9 percent in local currencies and excluding acquisitions, compared to 2010. While personnel expenses

increased in Eurasia, where TeliaSonera is growing, expenses decreased in Mobility Services, Broadband Services and within the corporate functions. The total number of employees decreased by 533 to 28,412 at year-end.

Marketing expenses increased somewhat as a combination of the effects from sales activities and marketing activities, including the global rebranding activity executed during the first half of 2011. Other costs, such as facility costs, IT, travel and consultants, increased slightly.

Depreciation, amortization and impairment losses decreased 3.4 percent to SEK 13,023 million (13,479), where 2010 included write-downs of SEK 678 million related to the operations in Cambodia. Depreciation excluding non-recurring items increased to SEK 12,957 million (12,787) related to the investments in mobile network capacity and coverage in Mobility Services and Eurasia. In local currencies and excluding acquisitions the increase was 7.3 percent.

Other operating income and expenses, net, was positive at SEK 763 million (578).

Expenses SEK in millions	Change, SEK Change, million %			
	2011	2010	million	%
Goods and sub-contracting services purchased	-14,778	-15,399	621	4
Interconnect and roaming expenses	-13,387	-15,630	2,243	14
Other network expenses	-5,663	-5,378	-285	-5
Change in inventories	-3,676	-2,087	-1,589	-76
Addressable cost base	-30,751	-32,090	1,339	4
Personnel expenses	-12,628	-13,685	1,057	8
Marketing expenses	-7,548	-7,704	156	2
Other expenses	-10,575	-10,701	126	1
Total excluding depreciation, amortization and impairment losses	-68,255	-70,584	2,329	3
Depreciation, amortization and impairment losses	-13,012	-12,791	-221	-2
Other operating income and expenses	763	578	185	32
Total expenses	-80,504	-82,797	2,293	3

¹ Cost of goods sold consists of goods and sub-contracting services purchased, interconnect and roaming expenses, other network expenses and change in inventories.

Non-recurring items

Non-recurring items affecting operating income were SEK -170 million (68), including positive effects of SEK 617 million as compensation for meeting certain milestones in fulfilling the agreement with Altimo signed in November 2009 and negative effects of SEK 955 million from restructuring charges in 2011, mainly related to staff redundancy costs.

The following table presents non-recurring items for 2011 and 2010. These items are not included in "EBIT-DA excluding non-recurring items" or in "Operating income excluding non-recurring items," but included in the total results for TeliaSonera and for each of the business areas.

Non-recurring items SEK in millions	2011	2010
Within EBITDA	-41	764
Restructuring charges, synergy implementation costs, etc.:		
Mobility Services	-221	-26
Broadband Services	-575	-142
Eurasia	-19	-47
Other operations	-177	-144
of which TeliaSonera Holding	28	-37
Capital gains/losses		
Telia Stofa	-	830
Other entities	951	293
Within Depreciation, amortization and impairment losses	-66	-692
Impairment losses, accelerated depreciation:		
Broadband Services	-66	-14
Other operations	-	-678
Within Income from associated companies and joint ventures	-63	-4
Capital gains	-	-4
Within Financial net	-	-
Total	-170	68

Earnings

EBITDA, excluding non-recurring items, remained flat at SEK 36,914 million (36,897). The increase in local currencies and excluding acquisitions was 4.7 percent. The EBITDA increase was driven by the strong top line growth as well as margin improvements in Mobility Services and Eurasia. The EBITDA margin rose to 35.4 percent (34.5).

EBITDA excluding non-recurring items SEK in millions	2011	2010	Change, SEK million	Change, %
Mobility Services	15,746	14,928	818	5
Broadband Services	12,101	13,035	-934	-7
Eurasia	8,850	8,348	502	6
Other operations	257	560	-303	-54
Eliminations	-40	26	-66	
Group	36,914	36,897	17	0

Operating income, excluding non-recurring items, decreased to SEK 29,737 million (31,935) mainly due to lower income from associated companies, which decreased by 26.9 percent to SEK 5,717 million (7,821). Income from associates was impacted by currency fluctuations as well as lower underlying results from operations in Turkcell and MegaFon.

Operating income excluding non-recurring items SEK in millions	2011	2010	Change, SEK million	Change, %
Mobility Services	11,263	10,776	487	5
Broadband Services	7,168	7,969	-801	-10
Eurasia	11,749	13,314	-1,565	-12
Other operations	-406	-154	-252	-164
Eliminations	-37	30	-67	
Group	29,737	31,935	-2,198	-7

Financial net, taxes and non-controlling interests

Financial items totaled SEK -2,793 million (-2,067), of which SEK -2,364 million (-1,784) related to net interest expenses.

Income taxes amounted to SEK 5,702 million (6,374). The effective tax rate was unchanged at 21.3 percent (21.3). The tax rate was negatively impacted mainly by lower income from associated companies, while reduced losses in Yoigo in Spain had a positive impact. Recognized deferred tax assets decreased to SEK 8,073 million (9,048) due to utilization but also from a revaluation effect related to the corporate tax rate cut in Finland.

Net income attributable to non-controlling interests in subsidiaries increased to SEK 2,731 million (2,305), of which SEK 2,420 million (2,237) was related to the operations in Eurasia and SEK 262 million (302) to LMT and TEO.

Net income attributable to owners of the parent company decreased 13.7 percent to SEK 18,341 million (21,257) and earnings per share decreased to SEK 4.20 (4.73), primarily due to negative currency effects on profits from foreign operations and lower income in associated companies.

Financial Position, Capital Resources and Liquidity

Financial Position

SEK in millions	2011	2010	Change, SEK million	Change, %
Assets				
Goodwill and other intangible assets	91,915	90,531	1,384	2
Property, plant and equipment	59,580	58,353	1,227	2
Investments in associated companies and joint ventures, deferred tax assets and other financial assets	65,743	62,458	3,285	5
Total non-current assets	217,238	211,342	5,896	3
Current assets (except cash and cash equivalents)	24,043	23,865	178	1
Cash and cash equivalents	12,600	15,344	-2,744	-18
Total current assets	36,643	39,209	-2,566	-7
Total assets	253,881	250,551	3,330	1
Equity and liabilities				
Shareholders' equity	116,680	125,907	-9,227	-7
Non-controlling interests	7,353	6,758	595	9
Total equity	124,033	132,665	-8,632	-7
Long-term borrowings	68,108	60,563	7,545	12
Other long-term liabilities	25,572	24,823	749	3
Total non-current liabilities	93,680	85,386	8,294	10
Short-term borrowings	11,734	4,873	6,861	141
Other current liabilities	24,434	27,627	-3,193	-12
Total current liabilities	36,168	32,500	3,668	11
Total equity and liabilities	253,881	250,551	3,330	1

The financial position remained stable year-on-year. Meanwhile goodwill remained unchanged, other intan-

gible assets increased SEK 1.7 billion in 2011 as a result of investments in telecom and frequency licenses in Sweden and Eurasia. The currency effects had limited impact (SEK -0.3 billion). Property, plant and equipment increased through capital expenditures (CAPEX) of SEK 12.1 billion and decreased due to negative exchange rate differences of SEK 0.3 billion (-4.1).

Depreciation and impairment losses were SEK 10.3 billion. The carrying value of associated companies and joint ventures was SEK 47.7 billion (46.5). The value increased due to income from these companies (SEK 5.8 billion), and was partly offset by dividends received, mainly from Svenska UMTS-nät in Sweden, (SEK 0.5 billion) and by negative exchange rate differences (SEK 4.5 billion).

Deferred tax assets decreased from utilization of tax losses as well as an adjustment of deferred tax assets in Finland of SEK 0.3 billion following the enactment of a lower corporate tax rate. In total, the net deferred tax liability of SEK 3.5 billion in 2010 increased to SEK 5.4 billion at year-end 2011.

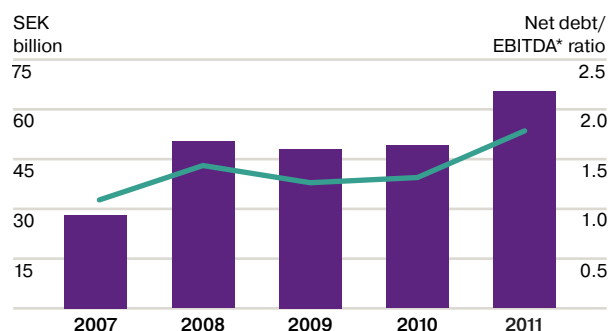
Net working capital (inventories and non-interest-bearing receivables, less non-interest-bearing liabilities) remained negative at SEK -1.0 billion (-3.6).

Shareholders' equity decreased to SEK 116.7 billion (125.9), impacted by net income of SEK 18.3 billion (21.3), negative exchange rate differences of SEK -5.2 billion (-19.4), dividends of SEK 12.3 billion and the share repurchase of SEK 10.0 billion. Equity attributable to non-controlling interests was SEK 7.4 million (6.8).

As of 2013, TeliaSonera's accounting for pension liabilities will change following the implementation of certain IFRS amendments (IAS 19). Among a number of changes impacting TeliaSonera, the most significant is the elimination of the "corridor approach." As a result, historical accumulated actuarial gains and losses will increase recognized pension liabilities and decrease shareholders' equity. Future actuarial gains and losses will not be deferred, but immediately impact shareholders' equity through other comprehensive income.

The equity/assets ratio, adjusted for the proposed dividend, decreased to 44.0 percent (48.0). Net debt increased from SEK 47.3 billion to SEK 65.1 billion. Dividend payments and the share repurchase had a negative impact of SEK 24.8 billion. The net debt/EBITDA ratio increased to 1.76 (1.28) and the net debt/equity ratio increased to 58.3 percent (39.3).

NET DEBT AND NET DEBT / EBITDA* (MULTIPLE)



* Excluding non-recurring items.

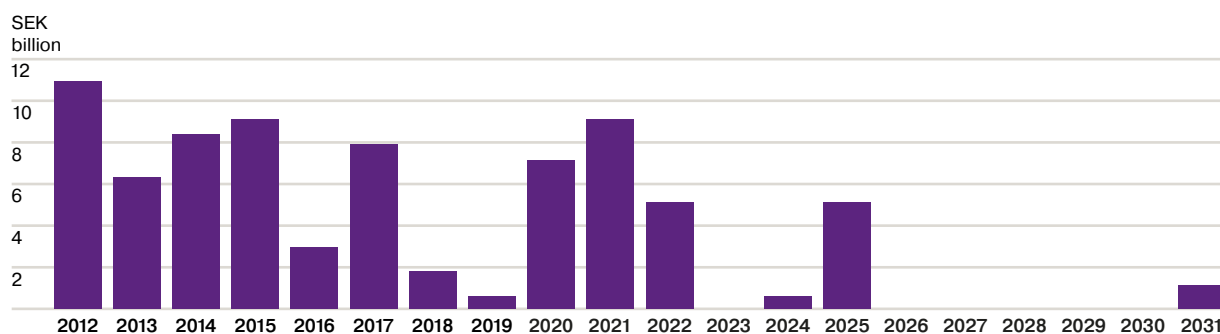
See Consolidated Statements of Financial Position, Consolidated Statements of Changes in Equity and related notes to the consolidated financial statements for further details.

Credit facilities

TeliaSonera believes that its bank credit facilities and open-market financing programs are sufficient for the present liquidity requirements. At year-end, TeliaSonera's surplus liquidity (short-term investments and cash and bank) totaled SEK 12.7 billion (16.4). In addition, the total available unutilized amount under committed bank credit facilities as well as overdraft and short-term credit facilities at year-end was SEK 16.2 billion (11.9).

TeliaSonera's credit ratings as such remained unchanged. The rating from Moody's Investors Service is A3 for long-term borrowing and Prime-2 for short-term

DEBT PORTFOLIO MATURITY SCHEDULE – 2012 AND ONWARDS



borrowing, however with a negative outlook. The rating from Standard & Poor's Ratings Services is A for long-term borrowing and A2 for short-term borrowing, with a stable outlook.

TeliaSonera generally seeks to arrange its financing through the parent company TeliaSonera AB. The primary means of external borrowing are described in Notes C21 and C27 to the consolidated financial statements. During 2011, TeliaSonera AB issued some SEK 17.9 billion equivalent in the debt capital markets under its EMTN (Euro Medium Term Note) program. Most of the new funding was denominated in EUR and most of it was issued on a long-term basis. The average time to maturity of TeliaSonera AB's overall debt portfolio was approximately 5.6 years at year-end.

At the end of 2011, TeliaSonera AB had no Commercial Papers outstanding.

Cash Flow

SEK in millions	2011	2010	Change, SEK million	
			Change, million	%
Cash from operating activities	27,023	27,434	-411	-1
Cash used in capital expenditure	-17,394	-14,533	-2,861	-20
Free cash flow	9,629	12,901	-3,272	-25
Cash used in other investing activities	88	-1,943	2,031	
Cash flow before financing activities	9,717	10,958	-1,241	-11
Cash used in financing activities	-12,035	-17,736	5,701	32
Cash and cash equivalents, opening balance	15,344	22,488	-7,144	-32
Net cash flow for the period	-2,318	-6,778	4,460	66
Exchange rate differences	-426	-366	-60	-16
Cash and cash equivalents, closing balance	12,600	15,344	-2,744	-18

Cash flow from operating activities was SEK 27.0 billion in 2011, approximately at the same level as in 2010. The cash flow was positively affected by lower payments for restructuring provisions and taxes, while lower dividends from associates of SEK 1.2 billion and changes in working capital had a negative impact. Cash flow from change in working capital was SEK -1.8 billion (-1.4) in 2011. Cash used in capital expenditure (cash CAPEX) increased by SEK 2.9 billion or 20 percent. As a result, free cash flow (cash flow from operating activities less capital expenditure) decreased 25 percent in 2011 to a total of SEK 9.6 billion.

Cash used in other investing activities consists of acquisitions, divestments, changes in loans receivable and in short-term investments, and repayments from or additional contributions to pension funds. Cash paid for acquisitions was SEK 0.3 billion (3.2), and cash used for granting loans was SEK 2.5 billion (0.8).

Cash used in financing activities in 2011 includes the share repurchase of SEK 10.0 billion and dividends of SEK 14.8 billion, of which paid to shareholders of the parent company SEK 12.3 billion (10.1) and to non-controlling interests SEK 2.5 billion (2.9). Net new borrowings were SEK 13.8 billion (-0.8).

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

Outlook for 2012

The growth in net sales in local currencies and excluding acquisitions is expected to be within the range of 1-2 percent. Currency fluctuations may have a material impact on reported figures in Swedish krona.

The EBITDA margin, excluding non-recurring items, in 2012 is expected to remain at the same level compared with 2011.

The CAPEX-to-sales ratio is expected to be approximately 13-14 percent in 2012, excluding license and spectrum fees.

Ordinary Dividend to Shareholders

For 2011, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 2.85 (2.75) per share, an increase of 3.6 percent, totaling SEK 12,341 million (12,349), or 68 percent of net income attributable to owners of the parent company.

The Board of Directors proposes that the final day for trading in shares entitling shareholders to dividend be set for April 3, 2012, and that the first day of trading in shares excluding rights to dividend be set for April 4, 2012. The recommended record date at Euroclear Sweden for the right to receive dividend will be April 10, 2012. If the AGM votes to approve the Board's proposals, the dividend is expected to be distributed by Euroclear Sweden on April 13, 2012.

According to its dividend policy, TeliaSonera shall target a solid investment grade long-term credit rating (A- to BBB+) to secure the company's strategically important financial flexibility for investments in future growth, both organically and by acquisitions. The ordinary dividend shall be at least 50 percent of net income attributable to owners of the parent company. In addition, excess capital shall be returned to shareholders after the Board of Directors has taken into consideration to Chapter 18 Section 4 of the Swedish Companies Act, to assess whether the proposed dividend is justified. The Board of Directors assesses that:

- The parent company's restricted equity and the group's total equity attributable to the shareholders of the parent company, after the distribution of profits in accordance with the proposal, will be sufficient in relation to the scope of the parent company's and the group's business.
- The proposed dividend does not jeopardize the parent company's or the group's ability to make the investments that are considered necessary.
- 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.

Proposal for Authorization of Repurchase of Shares

In order to provide TeliaSonera with an additional instrument to adjust the company's capital structure, the Board of Directors proposes that the Annual General Meeting resolve to authorize the Board of Directors to repurchase a maximum of 10 percent of the company's total number of outstanding shares, with the intention of cancelling repurchased shares.

In 2011, TeliaSonera repurchased 160,372,432 of the company's shares. SEK 9,943 million was distributed to the shareholders of TeliaSonera as payment for the repurchased shares. The repurchase was initiated after careful evaluation of expected future cash flows and balance sheet projections. The strong cash flows allowed the Board of Directors to grant the repurchase offer to the shareholders in addition to the proposed ordinary dividend.

Business Area Development in 2011

Mobility Services

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

The strong demand for mobile internet access in the Nordic countries was driving mobile data revenues and equipment sales and continued to offset a reduction in voice revenues. New offers for mobile data were launched in several markets to better reflect customers' different needs. Less expensive smartphones were available, allowing new consumer segments to be targeted. The exceptional demand for smartphones in combination with the release of several new phone models led to a strong growth in equipment sales especially towards the end of the year.

In May, TeliaSonera considerably reduced the data traffic rate for subscribers roaming in the Nordic and Baltic countries, meeting the need for mobile surfing when staying in these countries. As a result, data traffic rose sharply. In October, the Swedish operation continued to make internet surfing on their mobile phones easier for customers while traveling in Europe. TeliaSonera's customers in Sweden will be the first to experience feeling secure when browsing the mobile web in 25 countries in Europe on a low data roaming price, with complete control over their bill. The new price offering on data roaming was very well received by the customers.

In the first quarter of 2011, TeliaSonera acquired a license in the 800 MHz frequency band in Sweden which

will make it possible to continue the roll-out of high quality 4G services in the whole country. By the end of 2011, approximately 200 locations were covered and will expand by one city or village every day during 2012. In the second quarter, LMT in Latvia and Omnitel in Lithuania were the first operators to launch 4G services and TeliaSonera now offers commercial 4G services in all Nordic and Baltic countries.

In Spain, Yoigo acquired a license in the 1,800 MHz frequency band. The license will enable Yoigo to offer 4G services and reduce costs for national roaming. Yoigo reached a milestone and passed 3 million subscriptions in December 2011 and reported positive EBIT and cash flow in the fourth quarter.

In Denmark, TeliaSonera has entered into a network sharing agreement with Telenor to create Denmark's best mobile network. The agreement involves the 2G, 3G and 4G networks.

SEK in millions, except margins, operational data and changes	2011	2010	Change, %
Net sales	51,032	50,659	1
EBITDA excl. non-recurring items	15,746	14,928	5
Margin (%)	30.9	29.5	
Operating income	11,064	10,750	3
Operating income excl. non-recurring items	11,263	10,776	5
CAPEX	6,600	3,879	70
Subscriptions, period-end (thousands)	19,520	18,384	6
Employees, period-end	7,771	7,488	4

Additional segment information available at www.teliasonera.com. See also information regarding restated financial information at the end of this report.

Net sales

Net sales in local currencies and excluding acquisitions increased 4.2 percent. In reported currency, net sales increased by 0.7 percent to SEK 51,032 million (50,659). The negative effect from exchange rate fluctuations was 3.5 percent.

Overall subscription growth, higher usage of mobile broadband and data services as well as equipment sales drove sales higher. Growth was offset by price competition and regulatory interventions, including interconnect and roaming pricing.

The operations in Sweden, Spain, Estonia and Latvia grew during the year. In Sweden, growth came from continued increase in voice and mobile broadband subscriptions as well as increased usage and equipment sales.

Strong net intake of 756,000 subscriptions, an increase in the subscriber base of 33.1 percent, generated growth in Spain. In the Baltics, the growth is explained by higher usage, in Latvia also by a larger customer base, together with equipment sales. Operations in other markets declined in 2011.

Earnings

EBITDA, excluding non-recurring items, increased 8.2 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items increased to SEK 15,746 million (14,928) and the margin rose to 30.9 percent (29.5).

The growth in EBITDA, excluding non-recurring items was driven by Sweden and Spain. In Sweden, top line growth in combination with limited growth in other OPEX grew EBITDA, excluding non-recurring items. In Spain, Yoigo became EBIT positive in the fourth quarter. The earnings improvement in Spain was achieved through improved gross margin, as a result of more traffic in Yoigo's own network, and balanced growth for personnel and marketing expenses.

Operating income improved to SEK 11,064 million (10,750), mainly because of the development in EBITDA. Amortization and depreciation was higher than previous year, mainly in Sweden, Norway and Spain, due to increased CAPEX in recent years. Operating income was further put under pressure by decreased income from associates, mainly referring to the joint venture Svenska UMTS-nät in Sweden.

Non-recurring items amounting to SEK 200 million (25) and primarily related to restructuring charges affected operating income negatively.

CAPEX

CAPEX increased to SEK 6,600 million (3,879). Excluding investments in licenses, CAPEX increased to SEK 4,327 million (3,490). CAPEX included continued investments in network capacity, coverage and modernization, mainly for 3G (UMTS) networks. 4G (LTE) networks build-out continued in 2011 while investments in 2G (GSM) networks declined further in the year. The CAPEX-to-sales ratio was 12.9 percent (7.7), while excluding licenses 8.5 percent (6.9).

SEK in millions, except margins and changes	2011	2010	Change, %
Net sales	51,032	50,659	1
of which Sweden	16,204	15,195	7
of which Finland	8,922	9,613	-7
of which Norway	8,314	8,597	-3
of which Denmark	5,525	6,305	-12
of which Lithuania	1,451	1,662	-13
of which Latvia	1,722	1,806	-5
of which Estonia	1,608	1,650	-3
of which Spain	7,451	5,979	25
EBITDA excl. non-recurring items	15,746	14,928	5
Margin (%), total	30.9	29.5	
Margin (%), Sweden	44.7	40.9	
Margin (%), Finland	31.9	31.1	
Margin (%), Norway	34.8	35.4	
Margin (%), Denmark	13.5	18.9	
Margin (%), Lithuania	27.9	33.3	
Margin (%), Latvia	37.9	40.0	
Margin (%), Estonia	34.4	39.6	
Margin (%), Spain	5.6	neg	

Net sales in local currencies and excluding acquisitions	2011
Change (%), total	4.2
Change (%), Sweden	6.6
Change (%), Finland	-1.9
Change (%), Norway	-0.5
Change (%), Denmark	-7.4
Change (%), Lithuania	-7.7
Change (%), Latvia	0.5
Change (%), Estonia	3.0
Change (%), Spain	31.7

Broadband Services

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

In Sweden, around 800,000 broadband connections over the copper network will be upgraded with VDSL2. This upgrade will enable speeds up to between 30 and 60 Mbit/s and in a better way support HD-TV, online gaming and on-demand services. The upgrade started in April 2011 and will be finished by 2013.

As TeliaSonera's fixed networks remain a key strategic asset and in order to meet the customers' demand for triple play and capacity-hungry applications, TeliaSonera will invest more than SEK 8 billion in fiber until 2014, of which SEK 5 billion in Sweden. The roll-out will be selective to ensure a good return on investment. By the end of 2014, TeliaSonera aims to expand the coverage by fiber to 2.3 million connected homes in the Nordic and Baltic countries, of which almost 1 million in Sweden.

The cost efficiency measures implemented early in 2011 had a positive impact and the profitability margin was defended despite lower net sales. The international carrier operations showed a positive trend in profitability by focusing on higher-margin traffic.

SEK in millions, except margins, operational data and changes	2011	2010	Change, %
Net sales	36,811	39,875	-8
EBITDA excl. non-recurring items	12,101	13,035	-7
Margin (%)	32.9	32.7	
Operating income	6,582	7,813	-16
Operating income excl. non-recurring items	7,168	7,969	-10
CAPEX	5,448	4,928	11
Subscriptions, period-end (thousands)			
Broadband	2,481	2,402	3
Fixed voice and VoIP	4,805	5,040	-5
TV	1,177	935	26
Employees, period-end	13,305	13,901	-4

Additional segment information available at www.teliaSonera.com. See also information regarding restated financial information at the end of this report.

Net sales

Net sales in local currencies and excluding acquisitions decreased 5.7 percent. In reported currency, net sales decreased 7.7 percent to SEK 36,811 million (39,875). The positive effect from acquisitions was 0.1 percent and the negative effect from exchange rate fluctuations was 2.1 percent.

The number of broadband subscriptions rose to 2.5 million, an increase of 79,000 during the year, driven by growth in fiber subscriptions, accelerating during the fourth quarter. By the end of 2011, 0.5 million homes and offices were connected by fiber, representing more than 20 percent of all broadband connections. The number of TV subscriptions increased by 242,000 to 1.2 million, whereof 0.5 million in Sweden, while fixed-voice subscriptions decreased by 399,000 to 4.3 million. This was offset by an increase of VoIP subscriptions of 164,000, to 0.5 million.

IP services represented 41 percent of total sales in 2011 (37). Net sales in most markets continued to suffer from the decline in traditional fixed line services which was only partly compensated for by growth in IP-based services.

Earnings

EBITDA, excluding non-recurring items, decreased 5.4 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 7.2 percent to SEK 12,101 million (13,035) and the margin was 32.9 percent (32.7).

The decline in earnings was the result of the decreased sales which were not fully compensated for by cost reductions in several markets. In Sweden, earnings grew 0.8 percent as the result of the implemented cost savings programs and continued efforts to improve efficiency in network maintenance. Also Denmark managed to show increased earnings, mainly due to improved cost efficiency. In Finland, earnings decreased due to the decline in net sales and gross margin, the latter as a result of sales of low-margin products such as equipment together with increased costs for fault handling. Estonia grew net sales in local currency 5.3 percent, while earnings decreased slightly due to lower gross margin.

Operating income decreased to SEK 6,582 million (7,813). In addition to the lower EBITDA, higher non-recurring items of SEK 587 million (156), in terms of restructuring charges, affected operating income negatively. Amortization and depreciation decreased compared to previous year.

CAPEX

CAPEX increased to SEK 5,448 million (4,928), of which mostly in Sweden. A dominant part of CAPEX was spent on deployment of fiber and IP-based infrastructure and services, also representing the increase in CAPEX compared to the previous year. The CAPEX-to-sales ratio was 14.8 percent (12.4).

SEK in millions, except margins and changes	2011	2010	Change, %
Net sales	36,811	39,875	-8
of which Sweden	17,264	18,085	-5
of which Finland	5,289	5,820	-9
of which Norway	1,063	1,157	-8
of which Denmark	929	983	-5
of which Lithuania	1,962	2,139	-8
of which Estonia	1,903	1,910	0
of which Wholesale	9,654	11,214	-14
EBITDA excl. non-recurring items	12,101	13,035	-7
Margin (%), total	32.9	32.7	
Margin (%), Sweden	39.3	38.2	
Margin (%), Finland	24.2	29.5	
Margin (%), Norway	16.4	15.8	
Margin (%), Denmark	11.0	10.0	
Margin (%), Lithuania	40.3	39.8	
Margin (%), Estonia	28.3	30.7	
Margin (%), Wholesale	25.2	24.0	

Net sales in local currencies and excluding acquisitions	2011
Change (%), total	-5.7
Change (%), Sweden	-4.5
Change (%), Finland	-4.5
Change (%), Norway	-5.5
Change (%), Denmark	-0.2
Change (%), Lithuania	-3.1
Change (%), Estonia	5.3
Change (%), Wholesale	-12.0

Eurasia

Business area Eurasia comprises mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal. The business area is also responsible for developing TeliaSonera's shareholding in Russian MegaFon (44 percent) and Turkish Turkcell (38 percent). The main strategy is to create shareholder value by increasing mobile penetration and introducing value-added services in each country.

The number of subscriptions in the consolidated operations was 34.8 million at the end of 2011. During the year, important milestones were reached as Kazakhstan and Uzbekistan passed 10 million and 7 million subscriptions, respectively. Ncell in Nepal became the GSM market leader and increased its subscription base by 2.8 million to a total of 6.8 million subscriptions by the end of the year. Azercell launched 3G services in Azerbaijan in November and TeliaSonera now provides 3G services in all the Eurasian markets and the clear ambition is to become the market leader in mobile data.

In addition to increased mobile penetration, there is an untapped potential in mobile data in Eurasia. In one year, mobile data as a percentage of total revenues has almost doubled and represents around 6 percent of total sales in the region. In Uzbekistan, value-added services constitute 25 percent of Ucell's revenues.

In Russia, MegaFon has passed VimpelCom as the country's second largest mobile operator, both in terms of subscriptions and revenues. Within mobile data, MegaFon was considered being the market leader. Competition in the Russian mobile market has increased due to fights over market shares with lower average price per minute as a result.

SEK in millions, except margins, operational data and changes	2011	2010	Change, %
Net sales	17,330	16,458	5
EBITDA excl. non-recurring items	8,850	8,348	6
Margin (%)	51.1	50.7	
Income from associated companies			
Russia	4,410	5,053	-13
Turkey	1,331	2,550	-48
Operating income	12,499	13,267	-6
Operating income excl. non-recurring items	11,749	13,314	-12
CAPEX	4,538	5,473	-17
Subscriptions, period-end (thousands)			
Subsidiaries	34,840	28,505	22
Associated companies	106,225	100,900	5
Employees, period-end	4,994	4,853	3

Additional segment information available at www.teliasonera.com. See also information regarding restated financial information at the end of this report.

Net sales

Net sales in local currencies and excluding acquisitions rose 17.0 percent. Net sales in reported currency increased 5.3 percent to SEK 17,330 million (16,458). The negative effect from exchange rate fluctuations was 11.7 percent.

In Kazakhstan, the largest market in the business area, sales rose by 17.2 percent in local currency. Growth was generated by strong increase in the subscriber base of 1.9 million to 10.9 million and increased usage. A price cap on retail tariffs and the launch by a third operator have put pressure on the average price per minute. Mobile data continued to grow strongly.

In Azerbaijan, net sales decreased by 2.0 percent in local currency due to significant price erosion in the market. The launch of 3G services has been well received and data volumes increased strongly in the fourth quarter. In Uzbekistan, net sales rose 29.8 percent in local currency as a result of strong subscriber intake of 0.9 million to 7.7 million and relatively high usage, both for voice and value added services. However, net sales in Uzbekistan declined in the fourth quarter due to power shortage in the country. The number of subscriptions in Nepal grew by 2.8 million to 6.8 million and net sales rose 92.9 percent in local currency.

Also in Tajikistan and Moldova, net sales grew in 2011 in local currencies, primarily driven by increases in the subscriber base, but in Tajikistan also by increased

usage and higher average revenue per minute. In Georgia, sales decreased 14.6 percent in local currency due to severe price competition in the market. Excise tax on revenues and lower interconnect fees were introduced in the third quarter of 2010 and maximum retail tariffs were introduced in April 2011.

Earnings

EBITDA, excluding non-recurring items, increased 17.6 percent in local currencies and excluding acquisitions as a result of increased sales and slightly increased margins. In reported currency, EBITDA, excluding non-recurring items increased 6.0 percent to SEK 8,850 million (8,348).

The growth in EBITDA, in local currencies, was mainly driven by increased net sales in combination with continued margin improvements in Kazakhstan, Nepal and Uzbekistan. The EBITDA margin increased to 51.1 percent (50.7).

Operating income decreased to SEK 12,499 million (13,267). The EBITDA improvement was offset by increased amortization and depreciation, mainly in Kazakhstan, Nepal and Uzbekistan, together with decreased earnings from the associated companies Turkcell and MegaFon.

In 2011, Eurasia had a non-recurring income of SEK 750 million, of which SEK 617 million related to compensation for meeting certain milestones in fulfilling the agreement with Altimo signed in November 2009.

CAPEX

CAPEX decreased to SEK 4,538 million (5,473) and the CAPEX-to-sales ratio decreased to 26.2 percent (33.3). CAPEX, excluding licenses, amounted to SEK 4,129 million (4,941) and the CAPEX-to-sales ratio to 23.8 percent (30.0). CAPEX was driven by investments in additional capacity, and to improve coverage and maintain a high service quality in the network, mainly focused to Kazakhstan, Uzbekistan and Nepal.

SEK in millions, except changes	2011	2010	Change, %
Net sales	17,330	16,458	5
of which Kazakhstan	7,913	7,450	6
of which Azerbaijan	3,449	3,817	-10
of which Uzbekistan	1,738	1,607	8
of which Tajikistan	834	823	1
of which Georgia	926	1,133	-18
of which Moldova	518	489	6
of which Nepal	1,960	1,149	71

Net sales in local currencies and excluding acquisitions	2011
Change (%), total	17.0
Change (%), Kazakhstan	17.2
Change (%), Azerbaijan	-2.0
Change (%), Uzbekistan	29.8
Change (%), Tajikistan	18.2
Change (%), Georgia	-14.6
Change (%), Moldova	11.1
Change (%), Nepal	92.9

Associated companies – Russia

MegaFon (associated company, in which TeliaSonera holds 43.8 percent) in Russia increased its subscription base by 5.3 million to 62.5 million. MegaFon increased its market share from 26 to 27 percent.

TeliaSonera's income from Russia decreased to SEK 4,410 million (5,053), due to intensified competition in the Russian market, which has caused lower prices and margins, increasing share of lower margin handset sales and fixed broadband. The Russian ruble depreciated 6.8 percent against the Swedish krona which had a negative impact of SEK 322 million.

Associated companies – Turkey

Turkcell (associated company, in which TeliaSonera holds 38.0 percent, reported with a one-quarter lag) in Turkey increased its subscription base by 0.5 million to 34.4 million. In Ukraine, the number of subscriptions declined by 0.5 million to 9.3 million.

TeliaSonera's income from Turkey decreased to SEK 1,331 million (2,550), mainly due to maximum tariff regulation, lower interconnect rates and increased marketing expenses driven by aggressive competition in Turkey. TeliaSonera's income from Turkey was also negatively affected by devaluation and goodwill impairment in Belarus. The Turkish lira depreciated 13.8 percent against the Swedish krona, which had a negative impact of SEK 213 million.

The 2010 dividend from Turkcell was delayed and not paid in 2011. Turkcell's Annual General Meeting failed to approve any dividends as TeliaSonera and Altimo abstained from voting due to issues relating to the corporate governance of the company. TeliaSonera's part of the proposed dividend is approximately SEK 1.9 billion.

Other operations

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

SEK in millions, except changes	2011	2010	Change, %
Net sales	3,992	5,102	-22
EBITDA excl. non-recurring items	257	560	-54
Income from associated companies	-115	-23	
Operating income	-541	143	
Operating income excl. non-recurring items	-406	-154	
CAPEX	657	654	0

Additional segment information available at www.teliasonera.com. See also information regarding restated financial information at the end of this report.

Net sales in local currencies and excluding acquisitions and divestments decreased 7.3 percent, mainly as a result of declining sales in the retail chain Veikon Kone. In reported currency, net sales decreased to SEK 3,992 million (5,102). In 2010, the Danish subsidiary Telia Stofa was sold and deconsolidated as of August 1.

EBITDA, excluding non-recurring items decreased to SEK 257 million (560) mainly due to the divestment of Telia Stofa and losses in Veikon Kone.

Income from associated companies decreased to SEK -115 million (-23) largely due to an impairment charge of SEK 63 million.

Operating income decreased to SEK -541 million (143). In 2010, operating income was positively impacted by the capital gain of SEK 830 million from the sale of Telia Stofa and an additional non-cash capital gain of SEK 347 million from the dissolution of a Dutch holding company structure, but offset by the write-down of SEK 678 million related to the operations in Cambodia.

Restated financial information

In this report, prior periods have been restated to reflect the discovery of certain classification errors, referring to: (a) certain commission fees to retailers in business area Eurasia; (b) certain equipment sales and commission fees in business area Mobility Services; and (c) certain leasing agreements with customers in reportable segment Other operations.

Acquisitions and Divestitures

- On September 1, 2011, Telia Norge AS sold North Sea Communications AS to HitecVision for SEK 190 million. TeliaSonera recognized a capital gain of SEK 98 million in the third quarter of 2011.
- In line with the strategy to increase ownership in core holdings, TeliaSonera signed an agreement with Kazakhtelecom on December 22, 2011, to acquire 49 percent of the shares in Kcell in Kazakhstan. TeliaSonera has also agreed to sell 25 percent of the shares minus one share in Kcell in an Initial Public Offering (IPO), expected to be completed during 2012. Depending on the share price development after the IPO, TeliaSonera may have to make an additional payment to Kazakhtelecom. Once both steps of the transaction have been completed, TeliaSonera's effective ownership in Kcell, which currently is 37.9 percent, will be 61.9 percent. The acquisition is expected to positively affect earnings per share. At the date of closing of the first step, retained earnings in shareholders' equity and non-controlling interests in equity will decrease and net debt will increase. The transaction, which was subject to several conditions, including approval by the regulator, closed on February 1, 2012 and USD 1,519 million was paid on the same day.

Innovation, Research and Development

The main focus of innovation, research and development (R&D) at TeliaSonera is to ensure our pioneering position in the telecom industry as well as support future profitable growth and cost efficiency.

The innovation and R&D activities focus on developing reliable and innovative services, products, systems and concepts that can offer an excellent user experience. The current core communication and

access business is developed in order to catch new business opportunities. Customer focus, cooperation with partners and innovation clusters, open standards, integration of third party solutions, holistic approach and business models are specifically considered in the innovation and R&D work.

A key focus for innovation and R&D during 2011 has been world class network quality in mobile and fiber, mobile data and to strengthen TeliaSonera's technology leadership. TeliaSonera has continued to investigate new communication services, such as GSM Rich Communication, Next generation Unified Communications and Voice over LTE, to enable richer experiences for the customers. TeliaSonera has also concentrated on the M2M (machine-to-machine) area. M2M and Internet of Things will become an increasingly important business as more and more equipment will be connected. The TV offering was developed with enhanced on-demand services and flexible customer offerings. The business service portfolio is being further developed with emphasis on cloud-based functions. TeliaSonera has also paved the way for increased use of mobile terminals for payment and other services.

As of December 31, 2011, TeliaSonera had approximately 440 patent "families" and approximately 2,560 patents and patent applications, none of which, individually, is material to its business.

In 2011, TeliaSonera incurred R&D expenses of SEK 508 million (801).

Environment

TeliaSonera is committed to environmental responsibility. The work is guided by TeliaSonera's Code of ethics and conduct which serves as an overall policy document, also covering the majority-owned companies. TeliaSonera publicly reports annually on its environmental performance in a separate Corporate Responsibility Report.

The environmental impact from TeliaSonera's operations is mainly associated with energy utilization and material usage. The customers demand 24/7 mobile and internet connectivity and even with using cutting-edge technology, the energy consumption required to meet this demand and to run the operations represent the greatest part of TeliaSonera's calculated carbon footprint today. One of the permanent priorities is to continuously try to find more energy-efficient solutions for networks and data centers.

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

TeliaSonera's indirect environmental impacts include various ways in which customers can use TeliaSonera's services to reduce their own carbon dioxide (CO₂) emissions. Other indirect environmental impacts

related to TeliaSonera's value chain include activities such as the manufacturing of the equipment and devices used by the customers and TeliaSonera's own network equipment, as well as the end-of-life treatment of these products.

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

TeliaSonera Share

The TeliaSonera share is listed at the NASDAQ OMX Stockholm and Helsinki stock exchanges. In 2011, the share price declined 12.3 percent to SEK 46.77. During the same period the OMX Stockholm 30 Index declined 14.5 percent and the STOXX 600 Telecommunications Index declined 6.2 percent.

At year-end 2011, TeliaSonera's market capitalization was SEK 202.5 billion, the sixth largest company at NASDAQ OMX Stockholm. Besides NASDAQ OMX Stockholm and Helsinki, the share was traded at other platforms with the major trading volumes at Boat and Chi-X. In Europe, TeliaSonera was the fifth largest telecom company in terms of market capitalization at the end of the year.

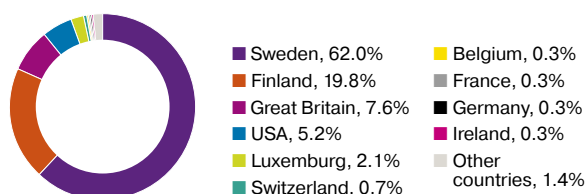
Holdings outside Sweden and Finland increased from 17.6 percent to 18.2 percent and TeliaSonera had 580,076 shareholders at the end of the year.

Shareholder structure, as of December 31, 2011

	Number of shareholders	Number of shares	Percent of outstanding shares/votes
1-500	495,201	88,836,320	2.05
501-1,000	34,963	27,377,160	0.63
1,001-5,000	40,761	90,028,583	2.08
5,001-10,000	4,884	35,702,501	0.82
10,001-15,000	1,311	16,285,255	0.38
15,001-20,000	698	12,622,107	0.29
20,001-	2,258	4,059,232,855	93.75
Total	580,076	4,330,084,781	100.00

Major shareholders, as of December 31, 2011

	Number of outstanding shares	Percent of outstanding shares/votes
Swedish State	1,614,513,748	37.3
Finnish State	594,123,642	13.7
Capital Group Funds	135,101,977	3.1
Swedbank Robur Funds	122,732,326	2.8
Alecta	103,372,322	2.4
AMF Insurance & Funds	62,544,971	1.4
Nordea Funds	57,521,134	1.3
SEB Funds	50,607,610	1.2
Fourth National Pension Fund	47,586,908	1.1
AFA Insurance	42,574,185	1.0
Total other shareholders	1,499,405,958	34.7
Total outstanding shares	4,330,084,781	100.0

MAJOR SHAREHOLDER COUNTRIES BY NUMBER OF SHARES, AS OF DECEMBER 31, 2011


Share data	2011	2010
Paid at year-end, SEK	46.77	53.30
Highest paid during the year, SEK	55.70	56.90
Lowest paid during the year, SEK	40.60	44.00
Number of shares at year-end, millions	4,330.1	4,490.5
Number of shareholders at year-end	580,076	601,736
Earnings per share, SEK	4.20	4.73
Dividend per share, SEK	2.85*	2.75
Pay-out ratio, %	68*	58
Equity per share, SEK	26.95	28.04

* Proposed by the Board of Directors.
Sources: Euroclear Sweden and SIS Ägarservice

On July 22, 2011, TeliaSonera announced that its share capital had been decreased by SEK 513,191,782.40, by means of cancellation of the 160,372,432 shares repurchased in the repurchase offer in the spring of 2011.

As of December 31, 2011, TeliaSonera's issued and outstanding share capital totaled SEK 13,856,271,299 distributed among 4,330,084,781 shares. All issued shares have been paid in full and carry equal rights to vote and participate in the assets of the company. At the general meeting of shareholders, each shareholder is entitled to vote for the total number of shares she or he owns or represents. Each share is entitled to one vote. TeliaSonera holds no own shares.

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

As of December 31, 2011, TeliaSonera AB had two shareholders with more than 10 percent of the shares and votes: the Swedish State with 37.3 percent and the Finnish State with 13.7 percent. TeliaSonera is not aware of any agreements between major shareholders of the company regarding the TeliaSonera shares.

As of December 31, 2011, TeliaSonera's pension funds and TeliaSonera Finland Oyj's Personnel Fund held 0.04 percent and 0.01 percent of the company's shares and votes, respectively.

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

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

Remuneration to Executive Management

Proposed remuneration policy for executive management 2012.

The Board of Directors' proposal for the remuneration policy for executive management, to be adopted at the Annual General Meeting on April 3, 2012, is as follows.

The guiding principles are:

TeliaSonera's objective is to offer remuneration levels and other employment conditions required to attract, retain and motivate high caliber executives needed to maintain the success of the business. Remuneration should be built upon a total reward approach allowing for a market relevant – but not market leading – and cost effective executive remuneration based on the following compensation components.

1. Base salary
2. Pension
3. Other benefits

The base salary should reflect the competence required in the position and the responsibility, complexity and the business contribution of the executive. The base salary should also reflect the performance of the executive and consequently be individual and differentiated.

Pension and other retirement benefits should be based on the defined contribution method.

The termination period may be up to six months when given by the executive and up to 12 months when given by the employer (in relation to the CEO six months). In case of termination given by the employer, the executive may be entitled to a severance payment of up to 12 months (in relation to the CEO 24 months).

The severance payment shall not constitute a basis for calculation of vacation pay or pension benefits and shall be reduced should the executive be entitled to pay from a new employment or from conducting his own business during the period under which the severance is payable to the executive.

The executive may be entitled to a company car benefit, health care provisions, travel insurance, etc. in accordance with local labor market practice.

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

Long-term variable pay program

The Annual General Meeting held on April 6, 2011, decided to launch a long-term variable pay program which includes approximately 100 key employees. This program is not available for the members of Group Management. A long-term variable pay program should ensure long-term sustainability of the company, secure a joint interest in increased shareholder value and provide an alignment between key employees and the shareholders by sharing risks and rewards of the TeliaSonera share price.

The program rewards performance measured over a minimum of a three year period is capped to a maximum of 37.5 percent of the annual base salary and is equity based (invested and delivered in TeliaSonera shares with the ambition that the employee should remain shareholders also after vesting). A prerequisite for payout from such a program is the continuous employment at the end of the performance period. The program measures performance over a 3-year period in relation to Earnings Per Share (EPS) – weight 50 percent – and Total Shareholder Return (TSR) compared to a corresponding TSR development of a pre-defined peer-group of companies – weight 50 percent. The program may be annually repeated. In 2010, an equal program was launched for approximately 90 key employees. The prevalence of a long-term variable pay program is subject to the approval of the Annual General Meeting. For more information, see Note C32 to the consolidated financial statements.

Parent Company

The parent company TeliaSonera AB (Corporate Reg. No. 556103-4249), which is domiciled in Stockholm, comprises Group executive management functions including the group's internal banking operations. As of January 1, 2011, the streamlining of the parent company was finalized, as its fixed network and broadband operations were transferred to the subsidiary TeliaSonera Sverige AB.

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

Following the transfer of operations, net sales for the year declined to SEK 30 million (SEK 13,236 million in 2010), of which SEK 30 million (10,375) was billed to subsidiaries. Capital losses contributed to an operating loss of SEK 1,616 million (operating income 1,803). Financial net declined strongly, as a result of lower dividends and group contributions from subsidiaries as well as negative effects from foreign exchange derivatives, and income after financial items ended at SEK 11,034 million (34,761). Income before taxes was SEK 10,972 million (29,798) and net income was SEK 9,691 million (25,422).

The balance sheet total decreased to SEK 221,309 million (239,336), also due to lower group contribution receivables from subsidiaries at year-end. Shareholders' equity decreased to SEK 81,848 million (94,573) and retained earnings decreased to SEK 66,137 million (78,349) as net income could not compensate for the ordinary dividend payment of SEK 12,349 million and the share repurchase of SEK 9,983 million in 2011.

Free cash flow declined to SEK 4,330 million (19,470), mainly caused by the lower dividends received, and cash flow before financing activities was SEK -11,206 million (6,467). Net debt was SEK 112,574 million (112,172). Cash and cash equivalents totaled SEK 8,847 million (11,773) at year-end.

The equity/assets ratio (including the equity component of untaxed reserves and adjusted for the proposed dividend) was 35.8 percent (38.4).

Total investments in the year were SEK 4,042 million (11,898), of which SEK 4,014 million referred to shareholder contributions to subsidiaries. In 2010, investments amounting to SEK 10,967 million referred to acquisition of shares in subsidiaries.

Due to the transfer of operations, the number of employees decreased to 249 at December 31, 2011 from 1,255 at year-end 2010.

Significant Events after Year-End 2011

- On February 1, 2012, following regulatory approvals, TeliaSonera completed the first phase of its transaction to increase ownership in TOO GSM Kazakhstan, operating under the brand Kcell, by acquiring a 49 percent stake in the company from Kazakhtelecom. The process to sell 25 percent of the shares less one share in Kcell in an Initial Public Offering (IPO) has been initiated, and is expected to be completed during 2012.
- On February 7, 2012, TeliaSonera issued a Eurobond of EUR 750 million in a 12-year deal maturing in February 2024, under its existing EUR 10 billion EMTN (Euro Medium Term Note) program. The Re-offer yield was set at 3.663 percent p.a. equivalent to Euro Mid-swaps + 118 basis points.

Corporate Governance Statement

Introduction

This Corporate Governance Statement has been adopted by the Board of Directors at its meeting on March 8, 2012 and presents an overview of TeliaSonera’s corporate governance model and includes the Board’s description of the internal control environment and risk management regarding financial reporting. It is the opinion of the Board of Directors that TeliaSonera has complied with the Swedish Code of Corporate Governance during 2011 without deviations.

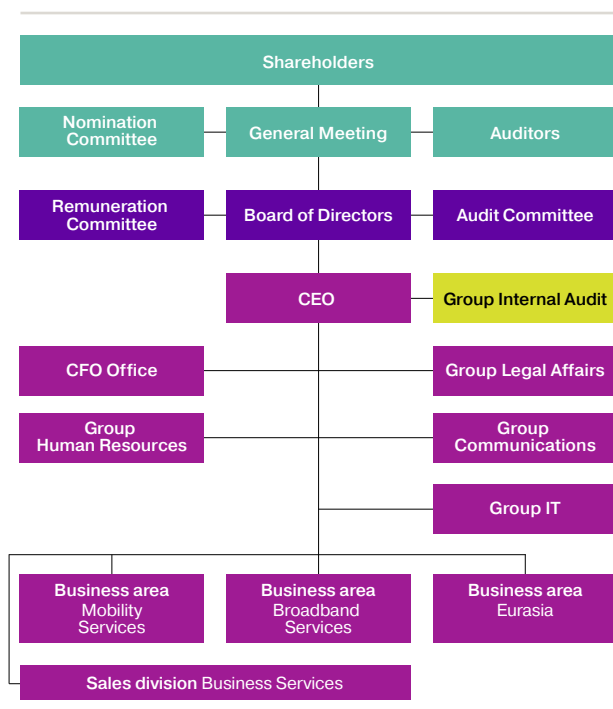
The 2011 Corporate Governance Statement has been prepared according to the Swedish Code of Corporate Governance and the Swedish Annual Accounts Act and has been audited by the external auditors.

In 2011, the development work in corporate governance has primarily focused on the areas IT governance, risk management, performance management and improved processes in financial reporting, in particular as regards cash-flow and operating capital.

Governing Bodies

The main governing bodies of TeliaSonera are:

- The Shareholders’ General Meeting
- The Board of Directors
- The CEO, assisted by Group Management



Shareholders

Shareholders’ General Meeting

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

The TeliaSonera share is listed on NASDAQ OMX Stockholm and NASDAQ OMX Helsinki. TeliaSonera has only one type of shares. Each TeliaSonera share represents one vote at the General Meeting of Shareholders. At year-end 2011, TeliaSonera had 580,076 shareholders. The ownership structure is further presented in the Report of the Directors.

The Annual General Meeting 2011 was held on April 6, 2011, in Stockholm. Among other issues, the Annual General Meeting 2011 decided upon the following:

- Composition of the Board
- Distribution of profits
- Remuneration policy for the executive management
- Authorization for the Board to decide upon acquisitions of the company’s shares within certain limits
- Long term incentive program for key employees
- Election of auditors

Auditors

At the Annual General Meeting 2011, PricewaterhouseCoopers AB was re-elected as auditor.

Nomination Committee

TeliaSonera’s Nomination Committee consists of representatives of the company’s four largest shareholders at the time of notice of the Annual General Meeting, and the Chairman of the Board. The Nomination Committee presently consists of Kristina Ekengren, Chairman (the Swedish State), Kari Järvinen (the Finnish State through Solidium Oy), Thomas Eriksson (Swedbank Robur Fonder), Per Frennberg (Alecta) and the Chairman of the Board, Anders Narvinger. 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 Annual General Meeting
- Nominate the external auditors

The Nomination Committee has received information from the Chairman of the Board and the CEO on TeliaSonera's position and strategic direction. Based on that information, the committee has assessed the competences needed in the Board of Directors as a whole as well as evaluated the competences of the present Board members. Taking into account the competences needed in the future, the competences of present Board members and the present Board members availability for re-election, the committee nominates Board members to the General Meeting.

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

Shareholders are welcome to send nomination proposals to the Nomination Committee. Proposals can be sent by email to forslagtillstyrelseledamot@teliasonera.com.

Board of Directors

Responsibilities and committees

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

- The strategic direction and key strategic initiatives of the group
- Major investments
- Appointment and dismissal of the CEO
- The delegation of authority
- The overall organization of the group
- The internal control environment and risk management model of the group
- The core content of the group's external communication

TeliaSonera's Board of Directors consists of eight members elected by the Annual General Meeting, 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. Anders Narvinger is Chairman of the Board. A more detailed presentation of the members of the Board of Directors can be found at the end of this statement.

In accordance with the guidelines of the Swedish Code of Corporate Governance, all members elected by the Annual General Meeting in 2011 are considered to be independent in relation to the company, to the administration of the company and to major 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, 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 committees prepare recommendations for the Board. The Remuneration Committee handles issues regarding salary and other remuneration to the CEO and Group Management and incentive programs that target a broader group of employees. The Remuneration Committee has the authority to approve remuneration to persons in TeliaSonera's Group Management, except for the CEO. The Audit Committee reviews for example financial statements, accounting, internal controls and auditing. The Audit Committee has the authority to decide on audit scope and audit fees and to approve purchase of non-audit services from the auditors.

Work of the Board of Directors during 2011

The Board of Directors held eight ordinary meetings during 2011 as well as eight extra meetings. In addition to following up on the day-to-day business of the group, the Board of Directors paid special attention to:

- Strategic options, with specific review of the changing business environment in the telecom industry
- Regulatory developments in the telecom industry
- Structure for target model and financial targets
- Potential acquisitions and increase of ownership in subsidiaries, in particular in Kcell and Ncell
- Investments in frequencies, in particular in Sweden and Spain
- Mobile network joint venture in Denmark
- Follow-up of CAPEX, in particular related to network investments
- Development in associated companies in Turkey and Russia, in particular the execution of the joint venture agreement between TeliaSonera and Altimo
- Development and governance of IT projects in the group
- Funding and debt structure, for example the repurchase program executed during spring 2011
- Organizational issues, in particular the multi market operations in the Nordic and Baltic countries
- Human Resources issues, in particular succession planning and performance management
- Follow-up of the rebranding of the group, executed during spring 2011
- Introduction of a Group Privacy Policy
- Follow-up of major strategic initiatives within the business areas, including for example pricing strategy
- Continuous evaluation of the performance of the CEO

During 2011, an external evaluation of the Board of Directors' internal work was performed. The result of this evaluation was reported to the Nomination Committee.

Remuneration Committee

Anders Narvinger is Chairman of the Remuneration Committee and during 2011, the Committee held four meetings. In 2011, the Committee handled, amongst others, the following issues:

- Structure for target model and financial targets
- Succession planning
- Performance management
- Remuneration to the CEO and Group Management

Audit Committee

Maija-Liisa Friman is Chairman of the Audit Committee and during 2011, the Committee held six meetings. When identifying risks areas related to the financial reporting, the Committee collaborates with the CEO and CFO, external audit, internal audit and internal controls. The input forms the basis when deciding on future focus areas. In 2011, five focus areas were identified by the Committee for monitoring and assessment:

- Financial reporting and process
- Procurement
- Large projects
- Mergers and acquisitions
- Corporate tax and pensions

Work in 2011 included, amongst others, the following issues:

- Reviews of the company's external financial reporting
- Reviewing of accounting principles of importance to the company
- Assessment of the environment of internal controls over financial reporting as well as over business operations, including the whistle-blower process
- Assessment of the quality and integrity in the enterprise risk reporting
- Assessment of the group's capital structure
- Reviews of head office functions such as e.g. Group Treasury and Group Procurement
- Reviews of the reports from the external auditors
- Overseeing developments in large operational risk areas such as the Eurasian operations, procurement and large projects
- Review and follow-up of whistle-blower cases
- Overseeing improvements of financial reporting processes
- Assessment and approval of the audit plans of external and internal auditors
- Assessment of the independence of external auditors

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

CEO and Group Management

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

Headed by the CEO, the Group Management consists of ten members: The CEO, CFO, General Counsel, Head of Group Human Resources, Head of Group Communications, CIO, Presidents of the three business areas and the Head of the business sales division Business Services.

Group Management holds meetings monthly. At these meetings, issues of strategic nature and group-wide importance are discussed.

Group-wide Governance Framework

TeliaSonera's group-wide governance framework is designed to ensure that operational results correspond to decisions made, and is structured to encourage all employees to strive, within set boundaries, towards the same goals, with a common clear understanding of direction, shared values, roles, responsibilities and authority to act. This governance framework has been decided by the Board of Directors.

GROUP-WIDE GOVERNANCE FRAMEWORK



Deciding what we shall achieve

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

Vision

TeliaSonera is a world-class service company recognized as an industry leader.

We are proud of being pioneers of the telecom industry, a position we have gained by being innovative, reliable and customer friendly.

We act responsibly, our activities based on a firm set of values and business principles. Our services form a major part of people's daily lives – for business, education and pleasure. Thereby, we contribute to a world with better opportunities.

Mission

TeliaSonera provides network access and telecommunication services that help people and companies communicate in an easy, efficient and environmentally friendly way. We create value by focusing on delivering a world-class customer experience, securing quality in our networks and having an efficient cost structure.

TeliaSonera is an international group with a global strategy, but wherever we operate we act as a local company.

Our focus areas are:

- To build a world-class service company
- To secure high quality in our networks
- To have an efficient cost structure

Strategy

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

Operational and financial targets

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

Setting the boundaries for how we act

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

Shared values

TeliaSonera's shared values – "Add value", "Show respect" and "Make it happen" form the foundation of everyday work.

Add value

The key to adding value lies in being customer focused and business minded. Being innovative and acting as pioneers is part of our heritage. We strive to share knowledge by collaborating in teams and across bor-

ders, as well as use our resources efficiently. We take ownership, follow up and give feedback to ensure that we foster simple and sustainable solutions that add value to our customers.

Show respect

We show trust, courage and integrity. Our employees' knowledge and diversity are highly valued, and we are all responsible for creating a good working climate. We treat others the way we want to be treated, in a professional and fair manner. Customer privacy and network integrity are carefully protected, and we always act in the best interest of both our customers and the company.

Make it happen

We make decisions to drive development and change. Planning and fast implementation are crucial. We foster a lively business climate where everyone can contribute and we make use of our employees' competence and commitment. Our customers should experience that it is easy and rewarding to do business with us, and recognize that we deliver on our promises.

Code of ethics and conduct

In all the countries where we operate, TeliaSonera strives to earn a reputation of trust and reliability. The TeliaSonera Code of ethics and conduct provides guidance for the employees on how to live up to such a reputation in practice. It also highlights the areas needed to be addressed to ensure that the business is conducted in a sustainable way.

Corporate responsibility

Governance of Corporate Responsibility is integrated in the governance framework of TeliaSonera. TeliaSonera addresses corporate responsibility throughout its whole value chain and aims to be accountable to its stakeholders. The term corporate responsibility is used as an umbrella term to describe responsible business operations that include economic, environmental and social responsibility. The main corporate responsibility impacts are related to e.g. assuring environmental and social sustainability in the supply chain, taking care of the well-being of employees, diminishing own and customer's carbon footprint, protecting customer privacy, complying with ethical business practices in the respective markets, protecting children online and supporting research related to exposure to electromagnetic fields.

Corporate responsibility work is guided by the TeliaSonera Code of ethics and conduct, which acts as an overall policy document. The Board of Directors is annually reviewing the performance. The code summarizes the commitments to Corporate Responsibility and gives guidance on how to interact with different stakeholders; customers, business partners, suppliers, competitors, co-workers, shareholders, governments and regulatory bodies, as well as with local communities in which TeliaSonera operates. The Code builds on TeliaSonera's mission, vision and shared values and

translates into conduct in day-to-day operations. The Code is made available in 21 languages to facilitate dissemination and understanding throughout the operations in all markets. TeliaSonera's Code applies in the majority-owned companies. In the associated companies, similar codes have been implemented.

TeliaSonera evaluates and selects its suppliers also against corporate responsibility requirements. TeliaSonera Supplier Code sets the basic social and environmental requirements for suppliers and its rules are mandatory to major suppliers. TeliaSonera Supplier Code defines the conduct expected from suppliers in relation to protecting human and labor rights, promoting occupational health and safety, environmental management and ethical business practices.

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

Group policies

The heads of head office functions shall secure that necessary group policies, instructions and guidelines are issued within their area of responsibility. Group policies are decided by the Board of Directors and the Board has issued group policies within the following areas:

- Financial management
- Risk management
- Procurement
- Insurance
- Privacy
- Security
- Communication
- Remuneration
- Recruitment
- Pensions
- Patents
- Insider trading

Organization

TeliaSonera's largest areas are Mobility Services, Broadband Services and the holdings of TeliaSonera in Russia, Turkey and Eurasia. In order to ensure strong leverage for profitable growth and cross-border synergies, TeliaSonera is organized in three international business areas. The business areas have full profit and loss responsibilities for their assigned businesses. A separate sales unit for all sales to business customers is established in Sweden and Finland.

Business area Mobility Services

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

Business area Broadband Services

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

Business area Eurasia

The business area comprises mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal. The business area is also responsible for developing TeliaSonera's shareholding in Russian MegaFon and Turkish Turkcell.

Multi market operations

TeliaSonera has a multi-market operating model within Mobility Services and Broadband Services in wholly-owned operations in the Nordic and Baltic countries. The multi market operations, which were initiated in 2011, aim to capture best practice and introduce best way of working in all units, as well as to capture scale advantages. The multi market operations cover many areas, for example product development and network operations.

Head office functions

The head office functions assist the CEO in setting the framework for the activities of the business areas and provide the business areas with certain support.

Delegation of obligations and authority

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

Follow-up of our performance

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

Business reviews

The CEO sets goals for the operations based on the decisions of the Board of Directors. To ensure performance, managers have annual targets for their particular operations. The planning of the business is documented in annual operating plans and the follow-up is conducted on a monthly basis, complemented with forecasts and quarterly business review meetings on business unit and business area levels. The business review meetings are held as physical meetings and include financial and business reviews for the reporting period and forecast period. The reviews also include for example risks and operations performance metrics

on network quality and customer service levels. At the business area review meetings, the CEO, CFO, Group Controller and selected members of Group Management attend in addition to the respective business area management.

The Board of Directors receives reports on operational performance on a monthly basis.

Performance management

In order to outperform competition and reach challenging goals, TeliaSonera is developing a high performance company culture. Setting individual objectives linked to strategic business goals and providing frequent feedback are crucial activities for managers at all levels.

TeliaSonera has established a group-wide performance management model currently valid for the five highest management levels in the organization. The model, which aims to focus on TeliaSonera’s business objectives and to cascade them into the different business areas, is designed to:

- Help managers to set and cascade business objectives
- Review individual performance
- Develop and reward high performance
- Address poor performance

TeliaSonera’s view on performance is that it is not only about what you achieve but how you achieve your objectives, i.e. what kind of competences and behaviors the employee applies in order to reach results.

The competency framework offers support to leaders when providing feedback to individuals on performance and on what competences that they could further develop. In order to establish shared principles and expectations on competences and behaviors TeliaSonera’s shared values are used as a platform for the evaluation of preferred behaviors. In combination with this a group-wide competency framework is established that outlines successful leadership competences for different roles and levels.

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

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

Risk Management and Control Environment

In accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for the internal control environment. The Board continually reviews the performance

of internal controls and initiates activities for the continuous improvement of internal controls.

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

- Safeguard the group’s assets
- Ensure the reliability and correctness of financial reporting in accordance with applicable legislation and guidelines
- Ensure that objectives are met in the business operations and thereby improve operational efficiency

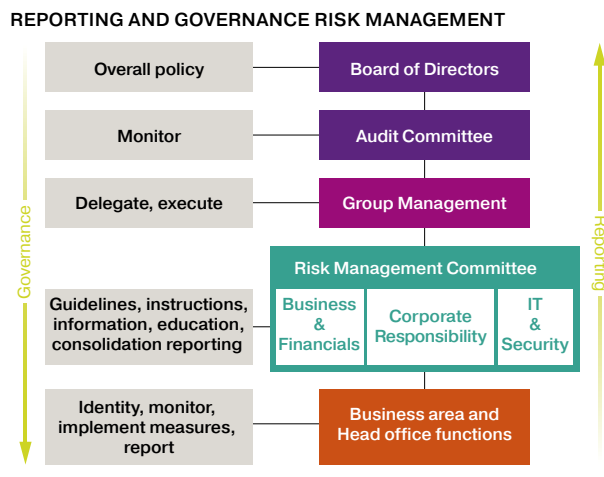
The objective for TeliaSonera’s financial reporting is to be in line with the highest professional standards and to be full, fair, accurate, punctual and understandable.

Internal controls over financial reporting within TeliaSonera are organized in accordance with the COSO framework for internal control. It consists of interrelated areas, which are risk management, control environment, Group IT Governance, control activities, information and communication and monitoring, as described below.

Risk management

Risk management is an integral part of the group’s business control. Risks that may pose a threat to achieving business objectives are identified, and measures are implemented to mitigate and monitor the identified risks.

The line organization has the primary responsibility for managing business risks. Line managers are responsible for identifying, monitoring, implementing measures and reporting all relevant business risks. The Chief Risk Officer is responsible for coordinating and monitoring the risk management processes in the group and consolidating the quarterly risk reports for Group Management and the Board of Directors. To support the Chief Risk Officer a Risk Management Committee has been established.



Risk areas

The risk assessment and follow-up is divided into three areas; business and financial risks; corporate responsibility, and IT and security. Business units and head office functions manage business continuity within their respective operational area of responsibility based on specified requirements. A process exists to regularly identify business and financial risks that could lead to material misstatements of financial information. The risks are reported by each sub-entity in a bottom-up process, and presented in quarterly business review meetings. Corporate responsibility is integrated into the day-to-day business as well as M&A and strategic purchasing processes. Within IT and security, potential threats to the IT environment are identified and plans are established to prevent problems in the continuity of the business. This area also covers preventive security measures and crisis management.

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

Internal controls over financial reporting and business operations

The most essential parts of the control environment related to financial planning, accounting, financial reporting and controls over financial reporting are included in steering documents and processes governing these areas. Management at each business unit or corporate function is responsible for ensuring that the monthly and quarterly financial reporting follows TeliaSonera's accounting policies and that the reports are delivered on time, sufficient internal controls exist and are performed, required reconciliations are properly done and material business and financial risks are identified and reported.

As part of the control environment at TeliaSonera, management at all levels is responsible for ensuring that group policies (including the Code of ethics and conduct), and requirements are implemented and followed. Group wide controls exist and are reviewed on

an annual basis. The purpose of this type of controls is to ensure that the organization complies with Delegation of obligation and authority, financial policies and reporting framework.

As a result of establishing the financial shared services unit, harmonized and standardized financial accounting processes and controls across large wholly-owned units have been implemented.

Group IT governance approach

The Group IT strategy which was further developed during 2011, stipulates how IT shall enable business success in TeliaSonera, in particular when addressing business demand for world-class customer experience, business growth, cost efficiency and the One TeliaSonera approach. Since trends and cycles change faster in business than in IT, the supply is managed through six long-term IT imperatives, as follows.

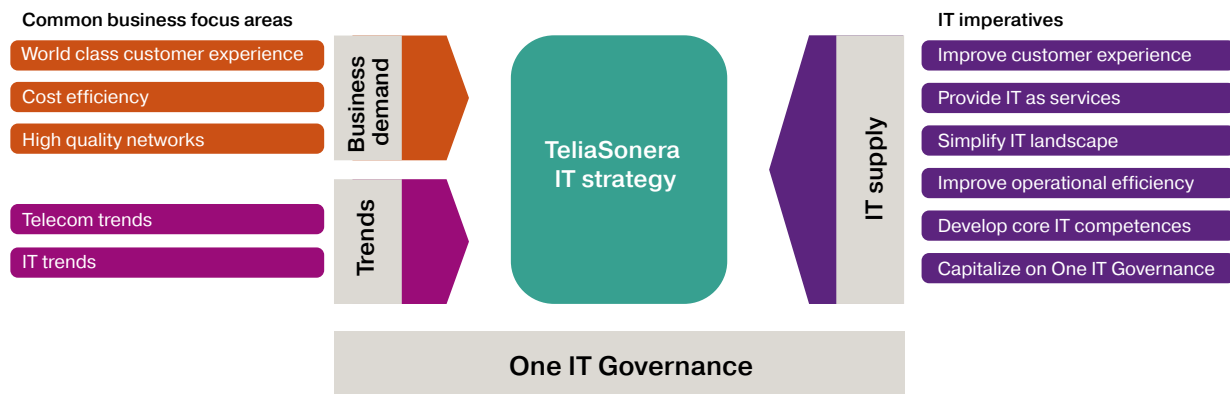
IT Governance stipulates the governing bodies with their roles and responsibilities in TeliaSonera, enabling one common decision and efficient communication.

IT GOVERNANCE BODIES AND THEIR RESPONSIBILITIES



Control activities

All business processes across TeliaSonera include controls regarding the initiation, approval, recording and accounting of financial transactions. Major processes, risks and key controls (including IT controls) are described and documented in a common and structured way. Controls are either automated or manual and designed to ensure that necessary actions are taken to either prevent or detect material errors



or misstatements and to safeguard the assets of the company. Controls for the recognition, measurement and disclosure of financial information are included in the financial closing and reporting process, including controls for the IT applications used for accounting and reporting.

In 2011, the implementation of standardized IT general controls was extended to include units in the Baltics and Eurasia. Standardized controls are expected to have a positive impact on quality and integrity.

The major business units within TeliaSonera have dedicated controller functions which take part in the financial planning and analysis of the respective unit's performance. In 2011, their work and expertise have been taken into the internal controls framework by the continued design and implementation of Business Performance Review controls in Mobility Services in Sweden, Finland and Denmark. These controls are based on the analyses of revenues, volumes, costs of goods sold, operating expenses, assets and working capital. The effect of the implementation is a better control environment on business unit level, as well as an improved efficiency in controls testing and auditing. The aim is to continue the implementation of Business Performance Review controls in several business units within Broadband Services during 2012.

A comprehensive objective in this area is to identify the key controls. From an efficiency perspective it is better to perform and monitor high quality and integrity controls which are better adapted to the business operations. As an effect, the total number of key controls might be fewer. As an example, Mobility Services has been able to reduce the number of controls with approximately 15 percent over a five year period, through continuous improvement and strengthening of selected controls. Another example is Financial Services where harmonization and standardization of controls, coordination between processes and continuous improvement has reduced the number of controls even more.

Control activities in business operations

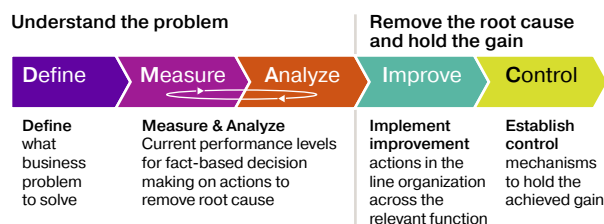
The purpose of internal controls over business operations is to monitor and support the development within TeliaSonera's corporate strategic focus areas. The monitoring of business operations performance is based on defined metric measurements; the Six Sigma framework. The metrics measure, amongst others,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

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

Six Sigma is a systematic problem solving methodology that utilizes a broad set of statistical tools to measure, analyze and improve a company's operational performance, practices and systems.

Lean Six Sigma focuses on identifying waste and defects in operations by means of statistical analysis. It also focuses on finding out and removing the root causes of problems. The problem solving framework DMAIC, or Define, Measure, Analyze, Improve and Control is the statistical problem-solving approach of Six Sigma.

SIX SIGMA



Information and communication

Instructions, guidelines and requirements regarding accounting and reporting as well as performing internal controls are made accessible to all relevant personnel through the use of TeliaSonera's regular internal communication channels. Business operations performance metrics are reported monthly and the results for all entities are shared with all business unit managers and their management teams. The sharing gives a good opportunity for benchmark and learning within the group.

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

Whistle-blower process

The Board of Directors has established a process which enables employees to anonymously report violations in accounting, reporting or internal controls, as well as compliance with the TeliaSonera Code of ethics and conduct, a so called whistle-blower process. TeliaSonera's whistle-blower tool is based on a user-friendly intranet solution. During 2012, the company intends to further educate employees and develop tools used for whistle-blowing.

Monitoring of control activities

The Board of Directors actively monitors the environment and effectiveness of internal controls over financial reporting, specifically through the Audit Committee. The Board of Directors receives monthly financial reports from the CEO.

The Board of Directors and its Audit Committee review all external financial statement reports before they are made public.

The Audit Committee receives reports directly from both external and internal auditors and discusses and follows up observations made. Both the external and internal auditors are represented at the committee meetings. At least once a year, the entire Board of Directors meets with the external auditors, in part without the presence of management. The Audit Committee monitors the external financial statement reporting, but also the effectiveness of the internal control environment. This is performed by having regular reviews of the external and internal audit, impairment valuations, financial policies and interpretations of accounting principles of special importance for the group. The work also includes reviewing selected topics that may impact the external financial reporting.

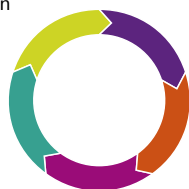
INTERNAL CONTROLS PERFORMANCE AND MONITORING PROCESS

5 Feedback & Assurance

- Assurance on controls' effectiveness is given to management and to the Audit committee.
- High risk issues identified in the monitoring and testing processes are reported to the appropriate level for decision on actions.

4 Monitoring & Testing

- Process owners make monthly assessments of the controls' effectiveness.
- Periodic independent testing of controls' effectiveness is managed and performed by internal functions.



1 Identification of risks & need for remediation

- Process owners make review of business processes and identify business risks and financial risks.
- Remediation work necessary as consequence of feedback from monitoring and testing.

2 Design and implementation of controls

- Process owners and control owners design controls aimed at mitigating identified risks.
- Controls are implemented to become part of regular business activities.

3 Performance of controls

- Control operators perform controls as an integrated part of day-to-day operations across the Group.
- Issues, non-performance and identified variances are continuously communicated to control owners, process owners and line managers.

TeliaSonera has implemented a structured monthly process for the monitoring of the performance of internal controls. This process includes all major business units, business areas and corporate functions

and consists of a self-assessment of the performance of all controls in the group. So called Monitoring of Internal Controls meetings are held at business area level on a regular basis. Such meetings are held at group level when needed, and are chaired by the CFO. At these meetings the performance of internal controls is reviewed and assessed and corrective actions are decided, if necessary.

A risk-based testing of key controls is carried out on behalf of management in order to assess the quality of the internal controls. The risk based testing covers approximately 40 percent of the key controls every year and aims at testing every control at least once over a three-year cycle. The testing is performed by internal resources and the external auditors, where comfort is taken from each other's work, in order to reach an optimal and efficient way of working. The result of the testing is communicated to all relevant business units, where corrective or improvement actions are initiated and performed.

Once a year the Audit Committee, the external auditors and Corporate Internal Control specifically meet to follow up on internal testing, review the efficiency, follow up on actions performed during the last year and review those planned for the coming year.

Group Internal Audit

The group has an internal audit function that reviews the group's operations and makes proposals with a view to improve both internal control environments and efficiency in processes and systems. Through operational reviews, a systematic, disciplined approach to evaluate and improve the effectiveness of governance is achieved. In order to obtain integrity in the metric measurements over business operations, the group internal audit function performs assurance of underlying data.

During the year, an increased part of the work has been towards the Eurasian operations. The work included on-site reviews with focus on revenue assurance, processes and governance. The Head of Group Internal Audit is also responsible, together with two external members, acting within the Equality of Access Board, to oversee developments in relation to equal treatment of internal and external wholesale customers in Sweden. The Head of Group Internal Audit reports to the CEO, who decides in consultation with the Audit Committee on the function's tasks and priorities.

For further information regarding:

- Swedish Companies Act; www.sweden.gov.se
- Nasdaq OMX Stockholm; www.nasdaqomxnordic.com
- Swedish Code of Corporate Governance and specific features of Swedish corporate governance; www.corporategovernanceboard.se

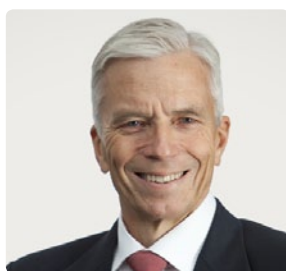
Board of Directors



Anders Narvinger

(Born 1948)

Chairman of the Board. Elected to the Board of Directors in 2010. He is Chairman of the Remuneration Committee of TeliaSonera and a member of the Audit Committee. Anders Narvinger has been CEO of Association of Swedish Engineering Companies and he has previously also served as President and CEO of ABB AB and is Chairman of the Boards in Trelleborg AB, Alfa Laval AB, Coor Service Management AB and Capio AB. He is also a member of the boards of JM AB, Pernod Ricard SA and ÅF AB. Mr. Narvinger holds a Master of Science in Engineering and a Bachelor of Science in Business and Economics. Shares in TeliaSonera: 20,000.



Timo Peltola

(Born 1946)

Vice-Chairman of the Board. Elected to the Board of Directors in 2004. He is a member of the Remuneration Committee of TeliaSonera. In addition, Mr. Peltola is the Chairman of the Board of Directors of Neste Oil Oyj, member of the boards of SAS AB and AW-Energy Oy. He is also a member of the Advisory Boards of CVC Capital Partners Svenska AB, Sveafastigheter AB, CapMan Public Market Fund and Citigroup Nordic. Mr. Peltola is also a board member of Securities Market Association and Chairman of the Council of the Finnish Orienteering Federation. Mr. Peltola served as President and CEO of Huhtamäki Oyj between 1989 and 2004. Mr. Peltola holds a Doctor degree in Economics hc. Shares in TeliaSonera: 7,140.



Maija-Liisa Friman

(Born 1952)

Elected to the Board of Directors in 2007. She is the Chairman of the Audit Committee of TeliaSonera. She is Chairman of the Board of Ekokem and Vice-Chairman in Metso Oyj. In addition she has board assignments in Neste Oil Oyj, The Finnish Medical Foundation, LKAB and Helsinki Deaconess Institute. She is also a board member and partner of Boardman Oy. Previously Ms. Friman was the CEO of Aspocomp Group Oyj. Ms. Friman holds a Master of Science in Chemical Engineering. Shares in TeliaSonera: 5,597.



Ingrid Jonasson Blank

(Born 1962)

Elected to the Board of Directors in 2010. Ingrid Jonasson Blank has been Executive Vice President of ICA Sverige AB and has held a number of managerial positions in the ICA Group. She is also a member of the boards of Bilia AB, Forma Publishing Group, Fiskars, ZetaDisplay AB, Forex Bank AB, Eatwell Solutions AB, TravelSupport AB and Ambea Group. Ms. Jonasson Blank holds a Master of Business Administration. Shares in TeliaSonera: 1,000.



Conny Karlsson

(Born 1955)

Elected to the Board of Directors in 2007. He is a member of the Audit Committee of TeliaSonera. In addition, he is the Chairman of the Board of Swedish Match AB and Rörvik Timber AB and a member of the board of Capman Oyj. He has previously been CEO of Duni AB and has held several managerial positions in Procter & Gamble. Mr. Karlsson holds a Master of Business Administration. Shares in TeliaSonera: 10,000.



Lars Renström

(Born 1951)

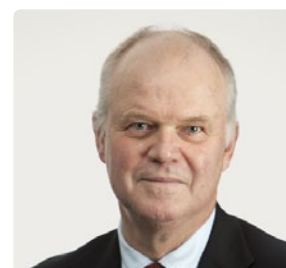
Elected to the Board of Directors in 2009. He is a member of the Remuneration Committee of TeliaSonera. Mr. Renström is since 2004 President and CEO of Alfa Laval AB. He has previously served as President and CEO of Seco Tools AB and has held several senior managerial positions within Atlas Copco AB, Ericsson AB and ABB AB. Lars Renström is a board member of ASSA ABLOY AB and Alfa Laval AB. Mr. Renström holds a Master of Science in Engineering and a Bachelor of Science in Business and Economics. Shares in TeliaSonera: 10,000.



Jon Risfelt

(Born 1961)

Elected to the Board of Directors in 2007. Mr. Risfelt is a member of the Audit Committee of TeliaSonera. In addition, he is Chairman of the Boards of Cybercom Group AB and Mawell Oy and holds board assignments in Ortivus AB, Bilia AB, Braganza AS, Ticket Affärsresor, Ticket Privatesor AB and Vanna AB. He has earlier served as CEO of Europolitian AB, Nyman & Schultz AB and Gambro Renal. He has held various managerial positions within the American Express Group, Scandinavian Airlines and Ericsson. Mr. Risfelt holds a Master of Science in Chemical Engineering. Shares in TeliaSonera: 8,250.



Per-Arne Sandström

(Born 1947)

Elected to the Board of Directors in 2010. He is a member of the Remuneration Committee of TeliaSonera. Per-Arne Sandström has been deputy CEO and Chief Operating Officer of Telefonaktiebolaget L.M. Ericsson and has held a number of managerial positions in the Ericsson Group. He is Chairman of the Board of Infocare A/S and a member of the board of SAAB AB. Per-Arne Sandström studied engineering. Shares in TeliaSonera: 400.

Board of Directors



Agneta Ahlström

(Born 1960)

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

Shares in TeliaSonera: 200.



Magnus Brattström

(Born 1953)

Employee representative, appointed by the trade union to the Board of Directors in 2009. In addition, Mr. Brattström is the Chairman of the Union of Service and Communication Employees within TeliaSonera, SEKO TELE, and a member of the European Work Council at TeliaSonera. He is also a board member of the Telia Pension Fund.

Shares in TeliaSonera: 20.



Stefan Carlsson

(Born 1956)

Employee representative, appointed by the trade union to the Board of Directors in November 2009. He is deputy Chairman of the Swedish Union for white-collar workers in the private labour market, Telecommunications section (Unionen-Tele) and member of the federal board of Unionen. Previously, he was second deputy Chairman of SIF and Unionen.

Shares in TeliaSonera: 650.

Including shareholdings by spouse and/or affiliated persons when appropriate.

Remuneration and other benefits during the year, attendance and number of shares

Name	Elected year	Independent	Position	Committee	Presence board meetings	Presence committee meetings	Total remuneration and benefits (SEK)	Shares in TeliaSonera
Anders Narvinger	2010	Yes	Chairman of the Board and Chairman of the Remuneration Committee	Remuneration Audit	16/16	4/4 6/6	1,224,674	20,000
Majja-Liisa Friman	2007	Yes	Director and Chairman of the Audit Committee	Audit	15/16	6/6	593,422	5,597
Ingrid Jonasson Blank	2010	Yes	Director		16/16		428,765	1,000
Conny Karlsson	2007	Yes	Director	Audit	15/16	6/6	543,430	10,000
Timo Peltola	2004	Yes	Vice-Chairman of the Board	Remuneration	15/16	4/4	474,467	7,140
Lars Renström	2009	Yes	Director	Remuneration	16/16	4/4	474,467	10,000
Jon Risfelt	2007	Yes	Director	Audit	16/16	6/6	543,430	8,250
Per-Arne Sandström	2010	Yes	Director	Remuneration	15/16	3/4	489,137	400
Agneta Ahlström	2007	–	Employee Representative		15/16			200
Magnus Brattström	2009	–	Employee Representative		13/16			20
Stefan Carlsson	2009	–	Employee Representative		15/16			650

See also Note C32 to the consolidated financial statements.

Including shareholdings by spouse and/or affiliated persons when appropriate.

External auditors

At the Annual General Meeting 2008 PricewaterhouseCoopers AB was re-elected as auditor until the end of the Annual General Meeting 2011. Bo Hjalmarsson (born 1960) is the auditor in charge. PricewaterhouseCoopers AB is engaged by the company's largest shareholder,

the Swedish State, for both audit and advisory services. Bo Hjalmarsson is also an auditor of Eniro, Lundin Petroleum and Vostok Nafta. He is also the Chairman of the Swedish institutes audit practices committee.

Group Management



Lars Nyberg

(Born 1951)

President and Chief Executive Officer since 2007. Mr. Nyberg is also Chairman of DataCard Corp. and 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 in Business Administration.

Shares in TeliaSonera: 400,000¹.



Per-Arne Blomquist

(Born 1962)

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

Shares in TeliaSonera: 50,300.



Jan Henrik Ahrnell

(Born 1959)

Senior Vice President, General Counsel and Head of Group Legal Affairs 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: 12,000.



Håkan Dahlström

(Born 1962)

President of business area Mobility Services as of February 2010. Mr. Dahlström was previously Head of Broadband Services, since November 2008, and has held a number of managerial positions within TeliaSonera, including President of Mobility Services Sweden and Head of Corporate Networks & Technology. Prior to joining Telia in 1998, Mr. Dahlström was a Navy Officer with extensive experience from the procurement and development of information and communication systems for the Swedish Armed Forces. He holds a Master of Engineering in Computer Technology and a Master of Science in Digital Technology.

Shares in TeliaSonera: 10,600.



Cecilia Edström

(Born 1966)

Senior Vice President and Head of Group Communications since May 2008. Previously, Ms. Edström was Senior Vice President and Head of Corporate Relations at Scania AB, where she held a number of senior positions since 1995. She started her career in corporate finance at SEB in 1989. She is also a member of the board of BE Group AB. Ms. Edström holds a Bachelor of Science in Finance and Business Administration.

Shares in TeliaSonera: 2,800².



Karin Eliasson

(Born 1961)

Senior Vice President and Head of Group Human Resources since 2008. Prior to joining TeliaSonera, Ms. Eliasson was Senior Vice President Human Resources at Svenska Cellulosa Aktiebolaget, SCA. 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 Turkcell. She holds a Bachelor of Science in Human Resource.

Shares in TeliaSonera: 2,100.

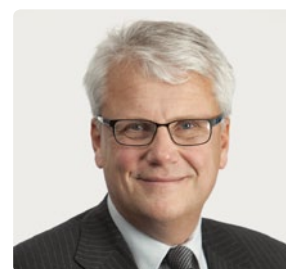


Malin Frenning

(Born 1967)

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

Shares in TeliaSonera: 400.



Sverker Hannervall

(Born 1960)

Senior Vice President and Head of sales division Business Services in Sweden and Finland since 2008. Mr. Hannervall is also senior advisor to InnovationsKapital AB. Between 2004 and 2008 he was General Manager of Cisco Systems in Sweden. Previously, Mr. Hannervall was President and CEO of Trio AB and prior to that Executive Vice President of Telelogic AB. Between 1984 and 1997 he held various managerial positions at IBM. Mr. Hannervall holds a Master of Science in Engineering.

Shares in TeliaSonera: 0.

Group Management



Tero Kivisaari

(Born 1972)

President of business area Eurasia since 2007. Mr. Kivisaari was previously Chief Financial Officer and Vice President of business area Eurasia. He is a board member of Turkcell, MegaFon, Fintur Holdings B.V. and Nurminen Logistics Plc. 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 Master Degrees in Science and Economics.

Shares in TeliaSonera: 0.



Åke Södermark

(Born 1954)

Senior Vice President and Chief Information Officer at TeliaSonera since December 2008. Prior to joining TeliaSonera, Mr. Södermark was Senior Vice President at NASDAQ OMX Group and since 2005 Head of Development at OMX Market Technology. Between 1997 and 2005 he held various managerial positions at Atos Origin and at SEB IT between 1984 and 1997. Mr. Södermark started his career at VPC (Swedish Central Security Depository) and his educational background is in computer technology.

Shares in TeliaSonera: 6,000.

¹ By way of pension insurance

² Partly by way of pension insurance

Including shareholdings by spouse and/or affiliated persons when appropriate.

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

SEK	Base salary	Other remuneration	Other benefits	Pension expense	Total remuneration and benefits	Capital value of pension commitment
Lars Nyberg, CEO	10,100,004	3,233,200	110,520	8,930,360	22,374,084	–
Per-Arne Blomquist, EVP	5,075,508	2,197,191	107,830	1,930,568	9,311,097	–
Other members of Group Management (8 individuals)	24,387,588	7,116,762	741,399	9,198,824	41,444,573	17,469,758

See also Note C32 to the consolidated financial statements and Report of the Directors (Remuneration to Executive Management).

Consolidated Statements of Comprehensive Income

SEK in millions, except per share data	Note	Jan–Dec 2011	Jan–Dec 2010
Net sales	C1, C5, C6	104,354	106,979
Cost of sales	C1, C7	-56,980	-57,691
Gross profit	C1	47,374	49,288
Selling and marketing expenses	C1, C7	-17,318	-16,981
Administrative expenses	C7	-6,461	-7,902
Research and development expenses	C7	-508	-801
Other operating income	C8	2,443	2,072
Other operating expenses	C8	-1,680	-1,494
Income from associated companies and joint ventures	C9	5,717	7,821
Operating income	C1, C5	29,567	32,003
Finance costs	C10	-3,615	-2,677
Other financial items	C1, C10	822	610
Income after financial items		26,774	29,936
Income taxes	C11	-5,702	-6,374
Net income		21,072	23,562
Foreign currency translation differences	C12	-5,339	-18,959
Income from associated companies	C12	88	-103
Cash flow hedges	C12	-118	63
Available-for-sale financial instruments	C12	-1	-90
Income taxes relating to other comprehensive income	C11, C12	5	-936
Other comprehensive income		-5,365	-20,025
Total comprehensive income		15,707	3,537
Net income attributable to:			
Owners of the parent		18,341	21,257
Non-controlling interests	C20	2,731	2,305
Total comprehensive income attributable to:			
Owners of the parent		13,096	1,692
Non-controlling interests		2,611	1,845
Earnings per share (SEK), basic and diluted	C20	4.20	4.73

Consolidated Statements of Financial Position

SEK in millions	Note	Dec 31, 2011	Dec 31, 2010
Assets			
Goodwill	C13	76,850	77,207
Other intangible assets	C13	15,065	13,324
Property, plant and equipment	C14	59,580	58,353
Investments in associated companies and joint ventures	C15	47,692	46,458
Deferred tax assets	C11	8,073	9,048
Pension obligation assets	C22	1,031	268
Other non-current assets	C16	8,947	6,684
Total non-current assets		217,238	211,342
Inventories	C17	1,475	1,395
Trade and other receivables	C18	20,924	19,905
Current tax receivables		111	88
Interest-bearing receivables	C19	1,533	2,477
Cash and cash equivalents	C19	12,600	15,344
Total current assets		36,643	39,209
Total assets		253,881	250,551
Equity and liabilities			
Equity attributable to owners of the parent		116,680	125,907
<i>of which capital</i>		<i>35,444</i>	<i>45,416</i>
<i>of which reserves and retained earnings</i>		<i>81,236</i>	<i>80,491</i>
Equity attributable to non-controlling interests		7,353	6,758
Total equity		124,033	132,665
Long-term borrowings	C21	68,108	60,563
Deferred tax liabilities	C11	13,437	12,526
Provisions for pensions and employment contracts	C22	1,030	757
Other long-term provisions	C23	9,696	9,947
Other long-term liabilities	C24	1,409	1,593
Total non-current liabilities		93,680	85,386
Short-term borrowings	C21	11,734	4,873
Short-term provisions	C23	725	850
Current tax payables		318	1,891
Trade payables and other current liabilities	C25	23,391	24,886
Total current liabilities		36,168	32,500
Total equity and liabilities		253,881	250,551
Contingent assets	C30	–	–
Guarantees	C30	305	1,644
Collateral pledged	C30	259	905

Consolidated Statements of Cash Flows

SEK in millions	Note	Jan–Dec 2011	Jan–Dec 2010
Net income		21,072	23,562
Adjustments for:			
Amortization, depreciation and impairment losses		12,971	13,481
Capital gains/losses on sales/disposals of non-current assets		-230	-1,148
Other items related to investing activities		-636	–
Income from associated companies and joint ventures, net of dividends received		-5,221	-6,100
Pensions and other provisions		-668	-1,281
Financial items		875	-85
Income taxes		703	379
Miscellaneous non-cash items		-11	23
Cash flow before change in working capital		28,855	28,831
Increase (–)/Decrease (+) in operating receivables		-833	-1,228
Increase (–)/Decrease (+) in inventories		-80	-25
Increase (+)/Decrease (–) in operating liabilities		-919	-144
Change in working capital		-1,832	-1,397
Cash flow from operating activities	C31	27,023	27,434
Intangible assets and property, plant and equipment acquired	C31	-17,394	-14,533
Intangible assets and property, plant and equipment divested		304	87
Business combinations	C31	-79	-2,031
Other equity instruments and operations acquired	C31	-207	-1,151
Subsidiaries divested	C31	188	1,406
Other equity instruments and operations divested	C31	670	278
Payment on behalf of Ipse 2000 S.p.A.	C23	–	-182
Loans granted and other similar investments		-2,527	-764
Repayment of loans granted and other similar investments		399	402
Compensation from pension fund		170	850
Net change in short-term investments		1,170	-838
Cash flow from investing activities		-17,306	-16,476
Cash flow before financing activities		9,717	10,958
Repurchased treasury shares including transaction costs		-9,983	–
Dividends paid to owners of the parent		-12,349	-10,104
Dividends paid to holders of non-controlling interests		-2,490	-2,859
Non-controlling interests acquired	C31	-9	-1,333
Capital contributions from holders of non-controlling interests		155	150
Proceeds from long-term borrowings		17,912	7,937
Repayment of long-term borrowings		-4,406	-8,091
Net change in short-term borrowings		264	-632
Settlement of foreign exchange derivative contracts used for economic hedges of cash-pool balances		-1,129	-2,804
Cash flow from financing activities		-12,035	-17,736
Net change in cash and cash equivalents		-2,318	-6,778
Cash and cash equivalents, opening balance		15,344	22,488
Net change in cash and cash equivalents for the year		-2,318	-6,778
Exchange rate differences in cash and cash equivalents		-426	-366
Cash and cash equivalents, closing balance	C19	12,600	15,344
Dividends received	C31	496	1,721
Interest received	C31	493	260
Interest paid	C31	-2,587	-2,301
Income taxes paid	C31	-4,999	-5,995

Consolidated Statements of Changes in Equity

SEK in millions	Note	Share capital	Other contributed capital	Hedging reserve	Fair value reserve	Foreign currency translation reserve	Revaluation reserve	Inflation reserve	Retained earnings	Total owners of the parent	Non-controlling interests	Total equity
Closing balance, December 31, 2009		14,369	31,043	-172	76	12,160	674	4,909	72,313	135,372	7,127	142,499
Dividends	C20	-	-	-	-	-	-	-	-10,104	-10,104	-2,037	-12,141
Non-controlling interests acquired	C20, C34	-	-	-	-	-	-	-	-1,057	-1,057	-356	-1,413
Non-controlling interests divested	C20	-	-	-	-	-	-	-	-	-	179	179
<i>Total transactions with owners</i>		-	-	-	-	-	-	-	-11,161	-11,161	-2,214	-13,375
Net income	C20	-	-	-	-	-	-	-	21,257	21,257	2,305	23,562
Other comprehensive income	C12, C20	-	-	40	-95	-19,510	-	-	-	-19,565	-460	-20,025
<i>Total comprehensive income</i>		-	-	40	-95	-19,510	-	-	21,257	1,692	1,845	3,537
Share-based payments		-	4	-	-	-	-	-	-	4	-	4
Transfer of amortization and depreciation for the year		-	-	-	-	-	-126	-	126	-	-	-
Closing balance, December 31, 2010		14,369	31,047	-132	-19	-7,350	548	4,909	82,535	125,907	6,758	132,665
Dividends	C20	-	-	-	-	-	-	-	-12,349	-12,349	-2,018	-14,367
Repurchased and canceled treasury shares	C20	-513	-9,470	-	-	-	-	-	-	-9,983	-	-9,983
Non-controlling interests acquired	C20, C34	-	-	-	-	-	-	-	-2	-2	2	0
<i>Total transactions with owners</i>		-513	-9,470	-	-	-	-	-	-12,351	-22,334	-2,016	-24,349
Net income	C20	-	-	-	-	-	-	-	18,341	18,341	2,731	21,072
Other comprehensive income	C12, C20	-	-	-87	2	-5,160	-	-	-	-5,245	-120	-5,365
<i>Total comprehensive income</i>		-	-	-87	2	-5,160	-	-	18,341	13,096	2,611	15,707
Share-based payments		-	11	-	-	-	-	-	-	11	-	11
Transfer of amortization and depreciation for the year		-	-	-	-	-	-125	-	125	-	-	-
Closing balance, December 31, 2011		13,856	21,588	-219	-17	-12,510	423	4,909	88,650	116,680	7,353	124,033

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C1. Basis of Preparation

General

The annual report and consolidated financial statements have been approved for issue by the Board of Directors on March 8, 2012. The income statement and the balance sheet of the parent company and the statement of comprehensive income and the statement of financial position of the Group are subject to adoption by the Annual General Meeting on April 3, 2012.

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

In addition, concerning purely Swedish circumstances, the Swedish Financial Reporting Board has issued standard RFR 1 "Supplementary Accounting Rules for Groups" and other statements. The standard is applicable to Swedish legal entities whose securities are listed on a Swedish stock exchange or authorized equity market place at the end of the reporting period and specifies supplementary rules and disclosures in addition to IFRS requirements, caused by provisions in the Swedish Annual Accounts Act.

Measurement bases and accounting policies

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

Correction of prior period classification errors

In the consolidated financial statements, prior periods have been restated to reflect the discovery of certain classification errors, referring to: (a) certain commission fees to retailers in business area Eurasia; (b) certain equipment sales and commission fees in business area Mobility Services; and (c) certain leasing agreements with customers in reportable segment Other operations. The corrections were as follows.

Consolidated Statements of Comprehensive Income			
	Jan–Dec 2010		
SEK in millions	Reported	Restated	Change
Net sales	106,582	106,979	397
Cost of sales	-57,604	-57,691	-87
Gross profit	48,978	49,288	310
Selling and marketing expenses	-16,591	-16,981	-390
Other items, net	-304	-304	-
Operating income	32,083	32,003	-80
Finance costs	-2,677	-2,677	-
Other financial items	530	610	80
Income after financial items	29,936	29,936	-
Consolidated Statements of Comprehensive Income			
	Jan–Dec 2009		
SEK in millions	Reported	Restated	Change
Net sales	109,161	109,550	389
Cost of sales	-60,965	-61,039	-74
Gross profit	48,196	48,511	315
Selling and marketing expenses	-15,647	-16,044	-397
Other items, net	-2,225	-2,225	-
Operating income	30,324	30,242	-82
Finance costs	-3,191	-3,191	-
Other financial items	481	563	82
Income after financial items	27,614	27,614	-

Amounts and dates

Unless otherwise specified, all amounts are in millions of Swedish kronor (SEK) or other currency specified and are based on the twelve-month period ended December 31 for items related to comprehensive income and cash flows, and as of December 31 for items related to financial position.

Recently issued accounting standards

New or revised/amended standards and interpretations, effective in 2011 or pre-adopted

- Revised IAS 24 "Related Party Disclosures" (effective for annual periods beginning on or after January 1, 2011; earlier application permitted). TeliaSonera adopted the revised IAS 24 in 2010.
- Amendment on classification of rights issues to IAS 32 "Financial Instruments: Presentation" (effective for annual periods beginning on or after February 1, 2010; earlier application permitted, to be applied retrospectively), addressing the accounting for issues of rights, options or warrants not being denominated in the issuer's functional currency. While previously accounted for as derivative liabilities, such rights issues should, provided certain conditions are met, now be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is currently not relevant to TeliaSonera.
- "Improvements to IFRSs (May 2010)" (mostly effective for annual periods beginning on or after January 1, 2011; earlier application permitted) introducing amendments to 7 IFRSs that had not been included in other major projects. The amendments relevant to TeliaSonera are in certain cases in line with already applied interpretations and otherwise will have no or very limited impact on results or financial position.
- Amendment on prepayments of a minimum funding requirement to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective January 1, 2011; earlier application permitted, to be applied retrospectively). IFRIC 14 is currently not relevant to TeliaSonera.
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after July 1, 2010; earlier application permitted, to be applied retrospectively), clarifying the accounting treatment when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the liability fully or partially. IFRIC 19 is currently not relevant to TeliaSonera.

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

Recently issued new or revised/amended standards and interpretations effective for TeliaSonera on or after January 1, 2012, are as follows:

- Amendments on transfers of financial assets to IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after July 1, 2011; earlier application permitted, comparative information not required at initial application), requiring enhanced disclosures of risk exposures relating to transferred financial assets when an entity has continuing involvement in those assets (contractual obligations to pay or receive cash flows). Examples are guarantees and options (other than at fair value) from agreements such as factoring of receivables, securitization, and sale or lend of financial assets. Disclosures are also required if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after January 1, 2015; earlier application permitted; additional transition disclosures required at initial application). When completed, IFRS 9 will replace IAS 39 “Financial Instruments: Recognition and Measurement.” For financial assets, classification under IFRS 9 is driven by the entity’s business model for managing these assets and the contractual characteristics of the assets. IFRS 9 replaces the current multiple-category classification with the two categories: “amortized cost” and “fair value.” The main principle is that a financial asset shall be measured at amortized cost if both of the following conditions are met: (a) the objective is to hold the financial asset in order to collect the contractual cash flows, and (b) the contractual terms give rise on specified dates to cash flows that solely represent payments of principal and interest. All other financial assets within scope are measured at fair value. Reclassifications between the categories are only allowed when the entity’s business model for managing financial assets is changed. IFRS 9 requires all equity instruments within scope to be measured at fair value and removes the cost exemption for unquoted equities. Still, IFRS 9 states that in limited cases cost may be an appropriate estimate of fair value and includes a table of indicators that cost might not be representative of fair value. There is also an irrevocable option to recognize in other comprehensive income unrealized and realized fair value gains and losses on equity instruments that are not held-for-trading. There is no subsequent recycling to profit or loss; but dividends from such investments will continue to be recognized in profit or loss.

For financial liabilities, the existing amortized cost measurement is maintained for most liabilities, limiting change to addressing the volatility in net income arising from choosing to measure own debt at fair value. For liabilities designated as category fair value through profit and loss, IFRS 9 requires that the portion of the change in its fair value due to changes in the entity’s own credit risk is recognized in other comprehensive income, rather than in net income. IFRS 9 also amends many other standards, including the disclosure requirements of IFRS 7. TeliaSonera is currently analyzing the effects, if any, of adopting the issued parts of IFRS 9. Tentatively, for financial assets, the change into two categories would in most cases have no major effect on the measurement of a specific financial asset since the measurement bases already today are amortized cost or fair value, even though IAS 39 specifies more than two categories and, for financial liabilities, the changes will not impact TeliaSonera.
- IFRS 10 “Consolidated Financial Statements,” which replaces the consolidation guidance in IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation – Special Purpose Entities” by introducing a single consolidation model for all entities based on control, irrespective of whether an entity is controlled through voting rights of investors or through other contractual arrangements. Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.
- IFRS 11 “Joint Arrangements,” which replaces IAS 31 “Interests in Joint Ventures” by introducing new accounting requirements for joint arrangements. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties have rights to the assets and obligations for the liabilities. The parties account for their respective interests of assets, liabilities, revenues and expenses. A joint venture on the other hand is a joint arrangement whereby the parties have rights to the net assets and the investment is accounted for using the equity method.
- IFRS 12 “Disclosure of Interests in Other Entities,” which requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective is that financial statement users should be able to evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders’ involvement in the activities of consolidated entities.

IFRS 10, IFRS 11, IFRS 12 and the related amendments to IAS 27 and IAS 28 (see below) are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted so long as each of the other four standards are also early applied and if IFRS 9 is not early applied any reference to IFRS 9 should be read as IAS 39. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without technically early applying the provisions of IFRS 12 (and thereby each of the other four standards). TeliaSonera is currently analyzing the effects of applying the new standards. Tentatively, the current classification of subsidiaries and associated companies will not change. Classification of existing joint arrangements as either joint operations or joint ventures requires a deep analysis of each arrangement and the additional disclosure requirements will most likely affect TeliaSonera’s reporting with respect to significant jointly controlled entities.
- IFRS 13 “Fair Value Measurement” (effective for annual periods beginning on or after January 1, 2013; earlier application permitted), replacing the guidance on fair value measurement in existing IFRSs. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements but does not change the requirements regarding which items should be measured or disclosed at fair value. TeliaSonera is presently analyzing the effects of applying IFRS 13. Tentatively, current measurement principles will not change. However, calculation methods will be reviewed and adjusted if needed.
- Amendments on the presentation of items of other comprehensive income (OCI) to IAS 1 “Presentation of Financial Statements” (effective for annual periods beginning on after July 1, 2012; early adoption permitted), requiring such items to be grouped based on whether they might subsequently be reclassified to profit or loss or not and if tax is disclosed separately in OCI, it must be split between items that might be reclassified to profit and loss and those that will not. The amendments to IAS 1 will only have limited editorial effects on TeliaSonera’s current presentation of items of OCI.
- Amendments on deferred tax: recovery of underlying assets to IAS 12 “Income Taxes” (effective for annual periods beginning on or after January 1, 2012; earlier application permitted; involves the concurrent withdrawal of SIC-21 “Income Taxes – Recovery of Revalued Non-Depreciable Assets”). IAS 12 requires that deferred tax relating to an asset should be measured depending on whether recovery of the asset’s carrying amount is expected through use or

sale. The amendments to IAS 12 refer to assets accounted for under IAS 40 "Investment Property" and revalued assets accounted for under IAS 16 "Property, Plant and Equipment," respectively. IAS 40 is not applicable to TeliaSonera and the revaluation model under IAS 16 is not used. Consequently, the amendments to IAS 12 are not applicable to TeliaSonera.

- Amendments to IAS 19 "Employee Benefits" (effective for annual periods beginning on or after January 1, 2013; earlier application permitted; modified retrospective application). The amendments 1) require immediate recognition of actuarial gains and losses (renamed "remeasurements") in other comprehensive income; 2) change the recognition of past service costs/curtailments and the measurement of benefit expense; 3) change the presentation in the statement of comprehensive income and introduce enhanced disclosure requirements; and 4) clarify miscellaneous issues, including the classification of employee benefits, estimates of mortality rates, tax and administration costs, etc. TeliaSonera is currently analyzing the effects of applying the amended IAS 19 in depth, as it, among a number of other changes, eliminates the "corridor approach" (i.e. deferring actuarial gains and losses) presently used by TeliaSonera.
- Amended and renamed IAS 27 "Separate Financial Statements (2011)." The requirements relating to separate financial statements are unchanged, while the other portions of IAS 27 are replaced by IFRS 10 (see above).
- Amended IAS 28 "Investments in Associates and Joint Ventures (2011)" for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12 (see above).
- Amendments on offsetting financial assets and financial liabilities to IAS 32 "Financial Instruments: Presentation" (effective for annual periods beginning on or after January 1, 2014; to be applied retrospectively), clarifying the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. TeliaSonera is currently analyzing the effects, if any, of applying the amendments.
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after January 1, 2013; earlier application permitted). IFRIC 20 is not applicable to TeliaSonera.

EU endorsement status

As of the beginning of March 2012, all standards, revisions/ amendments to standards, and interpretations mentioned above had been adopted by the EU, except for IFRS 9, IFRS 10, IFRS 11, IFRS 12, IFRS 13, the amendments to IAS 1, IAS 12, IAS 19, IAS 27, IAS 28 and IAS 32, and IFRIC 20.

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

C2. Key Sources of Estimation Uncertainty

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

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

Revenue recognition

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

Income taxes

Significant management judgment is required in determining current tax liabilities and assets as well as provisions for deferred tax liabilities and assets, in particular as regards valuation of deferred tax assets. As part of this process, income taxes have to be estimated in each of the jurisdictions in which TeliaSonera operates. The process involves estimating the actual current tax exposure together with assessing temporary differences resulting from the different valuation of certain assets and liabilities in the financial statements and in the tax returns. Management must also assess the probability that the deferred tax assets will be recovered from future taxable income.

Actual results may differ from these estimates due to, among other factors, future changes in business environment, currently unknown changes in income tax legislation, or results from the final review of tax returns by tax authorities or by courts of law. For additional information on deferred tax assets and liabilities and their carrying values as of the end of the reporting period, see Note C11 "Income Taxes."

Valuation of intangible and other non-current assets

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

Useful lives

Determination of the useful lives of asset classes involves taking into account historical trends and making assumptions related to future socio-economic and technological development and expected changes in market behavior. These assumptions are prepared by management and subject to review by the Audit Committee of the Board of Directors.

Currently, the following amortization and depreciation rates are applied.

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

In 2011 and 2010, amortization, depreciation and impairment losses totaled SEK 13,023 million and SEK 13,479 million, respectively. For additional information on intangible and tangible assets subject to amortization and depreciation and their carrying values as of the end of the reporting period see Note C13 “Goodwill and Other Intangible Assets” and Note C14 “Property, Plant and Equipment.”

Impairment testing

A number of significant assumptions and estimates are involved when measuring value in use based on the expected future discounted cash flows attributable to an asset, for example with respect to factors such as market growth rates, revenue volumes, market prices for telecommunications services, costs to maintain and develop communications networks and working capital requirements. Forecasts of future cash flows are based on the best estimates of future revenues and operating expenses using historical trends, general market conditions, industry trends and forecasts and other available information. These assumptions are prepared by management and subject to review by the Audit Committee of the Board of Directors. The cash flow forecasts are adjusted by an appropriate discount rate derived from TeliaSonera’s cost of capital plus a reasonable risk premium at the date of evaluation. For additional information on goodwill and its carrying value as of the end of the reporting period, see Note C13 “Goodwill and Other Intangible Assets.”

Collectability of trade receivables

TeliaSonera’s allowance for doubtful receivables reflects estimated losses that result from the inability of customers to make required payments. Management determines the size of the allowance based on the likelihood of recoverability of accounts receivable taking into account actual losses in prior years and current collection trends. Should economic or specific industry trends worsen compared to management estimates, the allowance may have to be increased, negatively impacting earnings. See section “Credit risk management” in Note C27 “Financial Risk Management” for a description of how risks related to trade receivables are mitigated. For additional information on the allowance for doubtful receivables and its carrying value as of the end of the reporting period, see Note C18 “Trade and Other Receivables.”

Provisions for pensions and employment contracts

The most significant assumptions that management has to make in connection with the actuarial calculation of pension obligations and pension expenses affect the discount rate, the expected annual rate of compensation increase, the expected employee turnover rate, the expected average remaining working life, the expected annual income base amount increase (only for Swedish entities), the expected annual adjustments to pensions, and the expected annual return on plan assets. These assumptions are prepared by management and subject to review by the Audit Committee of the Board of Directors. A change in any of these key assumptions may have a significant impact on the projected benefit obligations, funding requirements and periodic pension cost. For additional information on assumptions made and on pension obligations and their present values as of the end of the reporting period, see Note C22 “Provisions for Pensions and Employment Contracts.”

The discount rate reflects the rates at which the pension obligations could be effectively settled, which means a period somewhere from 15 to 30 years. The rate used to discount pension obligations shall be determined by reference to market yields at the end of the reporting period on high-quality corporate bonds. In countries where there is no deep market in such bonds, the market yields at the end of the reporting period on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the pension obligations. For Sweden, which represents approximately 86 percent of TeliaSonera’s pension obligations, historical practice has been to reference long-term nominal government bonds in setting the discount rate, due to the perceived lack of a deep market in high-quality corporate bonds. In 2010, however, a review of the Swedish covered mortgage bond market was carried out, with the objective of determining whether this market satisfied the requirements of IAS 19 in serving as a reference for setting the discount rate. The covered mortgage bond market, which has grown steadily over the last few years, consists of bonds issued mainly by affiliates of Swedish banks and covered by pools of mortgages, and contains a large number of bonds rated AA or higher by the major credit rating agencies. Following this review, management, along with many other employers in

Sweden, concluded that the covered bond market is in fact a deep corporate bond market, as defined in IAS 19, paragraph 78, and as such, is an appropriate reference in determining the discount rate. Management adjusts the reference rate derived from covered bond market yields to reflect any difference between the inflation rate used to estimate expected annual adjustments to pensions (see below) and the implied inflation rate indicated by the financial markets at the end of the reporting period. See section "Pension obligation risk" in Note C27 "Financial Risk Management" for a sensitivity analysis related to a change in the weighted average discount rate used in calculating pension provisions.

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

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

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

The expected annual return on plan assets 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 currently 4.5 percent per annum over a 10-year period, where inflation is assumed to be 2.0 percent per annum. The strategic allocation of plan assets is composed to give the expected average return. More specifically the expected gross nominal return is based on the following assumptions; domestic and global fixed income 3.0 percent, domestic and global equities 7.0 percent and other investments 7.0 percent. The assumptions used in the non-Swedish pension funds are similar.

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

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

TeliaSonera has engaged, and may in the future need to engage, in restructuring activities, which require management to make significant estimates related to expenses for severance and other employee termination costs, lease cancellation,

site dismantling and other exit costs and to realizable values of assets made redundant or obsolete (see section "Valuation of intangible and other non-current assets" above). Should the actual amounts differ from these estimates, future results could be materially impacted.

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

For additional information on put options related to non-controlling interests and restructuring provisions, including their carrying values as of the end of the reporting period, and on contingencies and litigation, see Notes C23 "Other Provisions" and C30 "Contingencies, Other Contractual Obligations and Litigation," respectively.

C3. Significant Accounting Policies

Consolidated financial statements

General

The consolidated financial statements comprise the parent company TeliaSonera AB and all entities over which TeliaSonera has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Acquisitions are accounted for using the acquisition method which measures goodwill at the acquisition date as: the fair value of the consideration transferred; plus the amount of any non-controlling interest in the acquiree recognized in the transaction; plus if the business combination is achieved in stages, the fair value of the previously held equity interest in the acquiree; less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the difference is negative, a bargain purchase gain would be recognized in net income. Costs related to the acquisition are expensed as incurred.

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

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

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

Non-controlling interests

Prior to 2010, transactions involving non-controlling interests were treated as transactions with non-related parties. Disposals of non-controlling interests resulted in capital gains or losses which were recognized in net income. Purchases

of non-controlling interests resulted in goodwill, being the difference between any consideration paid and the relevant share acquired of the Group's carrying value of net assets of the subsidiary. Prospectively as of 2010, transactions with non-controlling interests are treated as equity transactions, including any transaction-related costs. Gains or losses on disposals as well as any excess or deficit of consideration paid over the carrying amount of non-controlling interests when acquiring additional shares in a subsidiary are recognized in retained earnings. Consideration paid for a call option or other similar contract giving TeliaSonera the right to acquire a fixed non-controlling interest in exchange for a fixed amount of cash or another financial asset is deducted from retained earnings.

Commitments to purchase non-controlling interests made prior to 2010 and put options granted to holders of non-controlling interests (taking into account any subsequent capital contributions from or dividends to such shareholders) prior to 2010 are recognized as contingent consideration (provisions). Where the amount of the liability exceeds the amount of the non-controlling interest, the difference is recorded as goodwill. Subsequent changes in the value of put option liabilities are recognized as an adjustment to goodwill.

Associated companies and joint ventures

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

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

The line item Income from associated companies 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.

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

Cash flow reporting

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

except for IRU-related prepayments made or received which are included in cash flows from investing activities.

Payments for equity instruments and operations acquired or divested are classified as cash flows from investing activities, net of cash and cash equivalents acquired or disposed of, respectively. Further, cash flows from investing activities include compensation from or contributions to the Swedish pension fund, payments related to leasing receivables as well as changes in short-term investments with maturities over 3 months.

Cash flows from financing activities include dividends paid to owners of the parent and to holders of non-controlling interests and cash flows from settlement of foreign exchange derivative contracts used for economic hedges of cash-pool balances. Proceeds from and repayment of long-term borrowings include cash flows from derivatives hedging such borrowings.

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

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

Segment reporting

The Group's basic operating segments are called business areas (BA), which are founded on management's decision to organize the Group around differences in products and services in combination with geographical markets. Each BA constitutes a reportable segment. Operating segments that are not individually reportable and certain corporate functions are combined into an "other operations" reportable segment. For additional information, see Note C5 "Segment Information." Segments are consolidated based on the same accounting principles as for the Group as a whole, except for intersegment finance leases which are treated as operating leases. When significant operations are transferred between segments, comparative period figures are restated.

Foreign currency translation and inflation adjustments

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

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

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

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

When the functional currency for a foreign operation is the currency of a hyperinflationary economy, prior to translating the financial statements, the reported non-monetary assets and liabilities, and equity are restated in terms of the measuring unit current at the end of the reporting period. Currently, no subsidiary, associated company or joint venture operates in a hyperinflationary economy.

Revenue recognition

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

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

Subscription fees are recognized as revenue over the subscription period. Sales relating to pre-paid phone cards, primarily mobile, are deferred and recognized as revenue based on the actual usage of the cards. For open access fiber installed at customer's premises, non-refundable customer fees and related installation costs, including planning, trenching, cabling, splicing, mounting, connection, cross connect equipment and media converter, are recognized when the installation is finalized. Connection fees are separately recognized at completion of connection, if the fees do not include any amount for subsequent servicing but only cover the connection costs. Amounts for subsequent servicing are deferred.

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

Under customer loyalty programs, customers are entitled to certain discounts (award credits) relating to services and goods provided by TeliaSonera. Based on relative fair values, proceeds are allocated between services and goods provided and the award credits for future services and goods. For the proportion of award credits expected to be redeemed, revenue is deferred and subsequently recognized when the award credits are redeemed and the obligations to supply the awards are fulfilled. For recognition of customer acquisition costs, see section "Operating expenses" below.

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

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

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

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

Operating expenses

TeliaSonera presents its analysis of expenses using a classification based on function. Cost of sales comprises all costs for services and products sold as well as for installation, maintenance, service, and support. Selling and marketing expenses comprise all costs for selling and marketing services and products and includes expenses for advertising, PR, pricelists, commission fees, credit information, debt collection, etc. Bad debt losses as well as doubtful debt allowances are also included. Recovery of receivables written-off in prior years is included in Other operating income. Research and development expenses (R&D) include expenses for developing new or substantially improving already existing services, products, processes or systems. Maintenance and minor adjustments

to already existing services, products, processes or systems are not included in R&D. Expenses that are related to specific customer orders (customization) are included in Cost of sales. Amortization, depreciation and impairment losses are included in each function to the extent referring to intangible assets or property, plant and equipment used for that function.

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

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

Other operating income and expenses

Other operating income and other operating expenses include gains and losses, respectively, on disposal of shares or operations in subsidiaries (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, results from court-settled disputes with other operators regarding historical interconnect and roaming fees, restructuring costs and other similar items. Government grants are initially measured at fair value and recognized as income over the periods necessary to match them with the related costs. Exchange rate differences on operating transactions include effects from economic hedges and value changes in derivatives hedging operational transaction exposure (see section "Derivatives and hedge accounting" below).

Finance costs and other financial items

Interest income and expenses are recognized as incurred, using the effective interest rate method, with the exception of borrowing costs directly attributable to the acquisition, construction or production of an asset, which are capitalized as part of the cost of that asset (see also section "Intangible assets, and property, plant and equipment" below). Increases in provisions due to passage of time are recognized as interest expenses.

Interest income and expenses also include changes in fair value of the interest component of cross currency interest rate swaps as well as changes in fair value of interest rate swaps. The initial difference between nominal value and net present value of borrowings with an interest rate different to market rate ("day 1 gain") is amortized until due date and recognized as Other interest income. The interest component of changes in the fair value of borrowings measured at fair value and of derivatives hedging loans and borrowings (see section "Derivatives and hedge accounting" below) are included in Other interest income (gains) or in Interest expenses (losses). Exchange rate differences on financial transactions comprise changes in fair value of the currency component of cross currency interest rate swaps and of forward contracts hedging currency risks in external borrowings.

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

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

Income taxes

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

On initial recognition of assets and liabilities, deferred taxes are not recognized on temporary differences in transactions that are not business combinations. Deferred tax liabilities for undistributed earnings or temporary differences related to investments in subsidiaries, 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 is recognized, calculated by applying the respective withholding tax rate on undistributed earnings. In certain countries, income tax is not levied on profits, but on dividends paid or declared. In those cases, since current and deferred taxes should be recognized at the rate of undistributed earnings, no deferred tax is recognized and current tax is recognized in the period when dividends are declared.

Current and deferred income tax is determined using tax rates and tax legislation that have been enacted or substantively enacted at the end of the reporting period and in the case of deferred tax that are expected to apply when the related deferred income tax asset or liability is settled. Effects of changes in tax rates are recognized in the period when the change is substantively enacted. Deferred tax assets are recognized to the extent that the ability of utilizing the tax asset is probable. Deferred tax assets and liabilities are offset when a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Intangible assets, and property, plant and equipment

Measurement bases

Goodwill is measured, after initial recognition, at cost, less any accumulated impairment losses. Goodwill is not amortized but tested for impairment at least annually. Impairment losses are not reversed. Based on management analysis, goodwill acquired in a business combination is for impairment testing purposes allocated to the groups of cash-generating units that are expected to benefit from the synergies of the combination. Each group represents the lowest level at which goodwill is

monitored for internal management purposes and it is never larger than an operating segment.

Other intangible assets are measured at cost, including directly attributable borrowing costs, less accumulated amortization and any impairment losses. Direct external and internal development expenses for new or substantially improved products and processes are capitalized, provided that future economic benefits are probable, costs can be measured reliably and the product and process is technically and commercially feasible. Activities in projects at the feasibility study stage as well as maintenance and training activities are expensed as incurred.

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are measured on the same basis as intangible assets acquired separately. Fair values of intangible assets acquired in a business combination are determined as follows. Patents and trademarks are valued based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. Customer relationships are valued using the multi-period excess earnings method. For other intangible assets, income, market and cost approaches are considered in a comprehensive valuation analysis, by which the nature of the intangible asset, any legal and contractual circumstances and the availability of data will determine which approach(es) ultimately to be utilized to derive each asset's fair value.

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

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

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

Government grants received as compensation for the cost of an asset are initially measured at fair value, normally being the consideration received. A government grant reduces the

carrying value of the related asset and the depreciation charge recognized over the assets' useful life.

Amortization and depreciation

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

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

Impairment testing

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

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

Financial instruments

Categories

Financial instruments are for measurement purposes grouped into categories. The categorization depends on the purpose and is determined at initial recognition. Category "Financial assets at fair value through profit and loss" comprises derivatives not designated as hedging instruments (held-for-trading) with a positive fair value and investments held-for-trading. Category "Held-to-maturity" comprises non-derivative financial assets with fixed or determinable payments and fixed maturity that TeliaSonera has the positive intention and ability to hold to maturity. This category includes commercial papers, certain government bonds and treasury bills. Category "Loans and receivables" comprises non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes trade receivables, accrued revenues for services and goods, loan receivables, bank deposits and cash at hand. Category "Available-for-sale financial assets" comprises non-derivative financial assets that are designated to this category or not to any of the other categories. This category currently includes equity instruments and convertible bonds. Assets included in the categories are reported under the statement of financial position items Other non-current assets (Note C16), Trade and Other

receivables (Note C18), Interest-bearing Receivables, Cash and Cash Equivalents (Note C19).

Category "Financial liabilities at fair value through profit and loss" comprises derivatives not designated as hedging instruments (held-for-trading) with a negative fair value. Category "Financial liabilities measured at amortized cost" comprises all other financial liabilities, such as borrowings, trade payables, accrued expenses for services and goods, and certain provisions settled in cash. Liabilities included in the categories are reported under the statement of financial position items Long-term and Short-term Borrowings (Note C21), Other Provisions (Note C23), Other Long-term Liabilities (Note C24) and Trade Payables and Other Current Liabilities (Note C25).

Fair value hierarchy levels

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

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

Transaction costs, impairment and derecognition

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

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

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

Fair value estimation

The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. For financial assets, the current bid price is used. The fair values of financial instruments that are not traded in active markets are determined by using valuation techniques. Management uses a variety of methods and makes assumptions that are based on market conditions existing at the end of the reporting period.

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

The carrying value less impairment provision of trade receivables and payables are assumed for disclosure purposes to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments.

Current/non-current distinction, offsetting

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

Financial assets and liabilities are offset only if there is an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Financial assets – measurement

Quoted equity instruments are measured at fair value, being the quoted market prices. Unrealized gains and losses arising from changes in fair value other than impairment losses up to the date of sale are recognized in other comprehensive income and accumulated in the fair value reserve. If the fair value of a quoted equity instrument declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognized in profit or loss. Evidence of impairment is a significant or prolonged decline in the fair value below the cost of the instrument. Unquoted equity instruments whose fair value cannot be reliably determined are valued at cost less any impairment. An impairment loss on an unquoted equity instrument is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on equity investments carried at cost are not subsequently reversed and impairment losses on equity instruments classified as available-for-sale are never reversed through net income.

Government bonds and treasury bills held-to-maturity are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest rate method, less impairment. Receivables arising from own lending, except for short-term receivables where the interest effect is immaterial, are measured at amortized cost, using the effective interest

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

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

Financial liabilities – measurement

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

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

Trade receivables and trade payables – measurement

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

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

Derivatives and hedge accounting – measurement and classification

TeliaSonera uses derivative instruments, such as interest and cross currency interest rate swaps, forward contracts and options, primarily to control exposure to fluctuations in exchange rates and interest rates. For hedging of net investments in foreign operations, TeliaSonera also uses financial liabilities.

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

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

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

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

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

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

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

Inventories

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

Obsolescence is assessed with reference to the age and rate of turnover of the items. The entire difference between the opening and closing balance of the obsolescence allowance is charged to cost of sales. The fair value of inventories acquired in a business combination is determined based on the estimated selling price less the estimated cost of sale and a reasonable profit margin.

Assets held-for-sale

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

Equity attributable to owners of the parent

Equity attributable to owners of the parent is divided into share capital, other contributed capital, hedging reserve, fair value reserve, foreign currency translation reserve, revaluation reserve, inflation adjustment reserve and retained earnings. Share capital is the legally issued share capital. Other contributed capital comprises contributions made by shareholders in the form of share premiums in connection with new share issues, specific share holder contributions, etc. This item is reduced by reimbursements to shareholders made in accordance with separately decided and communicated capital repayment programs (e.g. through purchasing own shares or extraordinary dividends). The hedging reserve as well as the fair value reserve and the foreign currency translation reserve are reclassified to net income. Cash flow hedges may also adjust the initial cost of a non-financial asset or liability. The revaluation reserve is used in connection with step acquisitions made before 2010 and the inflation adjustment reserve when accounting for operations in hyperinflationary economies. 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 2011 will be recorded as a liability immediately following the final decision by the shareholders.

Provisions for pensions and employment contracts

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

The pension obligations are secured mostly by pension funds, but also by provisions in the statement of financial position combined with pension credit insurance. In Sweden, the part of the ITP multiemployer pension plan that is secured by paying pension premiums is accounted for as a defined

contribution plan as the plan administrator does not provide any information necessary to account for the plan as a defined benefit plan. In Finland, a part of the pension is funded in advance and the remaining part financed as a pay-as-you-go pension (i.e. contributions are set at a level that is expected to be sufficient to pay the required benefits falling due in the same period).

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

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

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

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

Other provisions and contingencies

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

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

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

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

are not expenses for post-decision ordinary activities. Termination benefits are recognized when TeliaSonera is committed to terminate the employment of an employee or group of employees before the normal retirement date or as a result of an offer made in order to encourage voluntary redundancy. Such benefits are recognized only after an appropriate public announcement has been made specifying the terms of redundancy and the number of employees affected, or after individual employees have been advised of the specific terms.

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

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

Leasing agreements

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

TeliaSonera as lessee

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

TeliaSonera as finance lessor

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

TeliaSonera as operating lessor

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

Fiber and duct are sold as part of the operations of TeliaSonera's international carrier business. TeliaSonera has decided to view these as integral equipment to land. Under the

agreements, title is not transferred to the lessee. The transactions are therefore recorded as operating lease agreements. The contracted sales price is mainly paid in advance and sales that are not recognized in income are recorded as long-term liabilities or short-term deferred revenues.

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

Minor business combinations and other acquisitions

In 2011 and in order to strengthen its market position, TeliaSonera acquired all shares in the Finnish cable TV company Oy Turun Kaapelitelevisio – Åbo Kabeltelevision Ab and indirectly 51 percent of the shares in the Cypriot holding company Airbell Services Ltd., which owns 50 percent of the shares in the Nepalese mobile operator Nepal Satellite Telecom Pvt. Ltd.

Divestitures

On September 1, 2011, TeliaSonera sold its wholly-owned Norwegian subsidiary North Sea Communications AS, which operates a fiber optical cable system between Norway and the UK.

For additional information on acquisitions and divestitures, see section "Business combinations, other acquisitions and divestitures" in Note C31 "Cash Flow Information" and Note C34 "Business Combinations."

Events after the reporting period

See the Report of the Directors, section "Significant Events after Year-End 2011."

C5. Segment Information

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

- Business area Mobility Services provides mobility services to the consumer and enterprise mass markets. Services include mobile voice and data, mobile content, WLAN Hotspots, mobile broadband and Wireless Office. The business area comprises mobile operations in Sweden, Finland, Norway, Denmark, Lithuania, Latvia, Estonia and Spain.
- Business area Broadband Services provides mass-market services for connecting homes and offices. Services include broadband over copper, fiber and cable, TV, voice over internet, home communications services, IP-VPN/Business internet, leased lines and traditional telephony. The business area operates the group common core network, including the data network of the international carrier business, and comprises operations in Sweden, Finland, Norway, Denmark, Lithuania, Latvia (49 percent), Estonia and international carrier operations.
- Business area Eurasia comprises mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal. The business area is also responsible for developing TeliaSonera's shareholding in Russian MegaFon (44 percent) and Turkish Turkcell (38 percent).
- Reportable segment Other operations comprise Other Business Services, TeliaSonera Holding and Corporate functions. Other Business Services is responsible for sales of managed-services solutions to business customers in the Nordic countries. TeliaSonera Holding is responsible for the Group's non-core/non-strategic operations. Corporate functions comprise the Corporate Head Office and certain shared service functions on Group level, BA level and country level.

Segment consolidation is based on the same accounting principles as for the Group as a whole, except for inter-segment finance leases which are treated as operating leases. Inter-segment transactions are based on commercial terms. Besides Net sales and Operating income, principal segment control and reporting concepts are EBITDA excluding non-recurring items and Operating segment capital, respectively (see the Definitions section). Segment figures for 2010 have been restated to reflect the discovery of certain classification

errors, referring to: (a) certain commission fees to retailers in business area Eurasia; (b) certain equipment sales and commission fees in business area Mobility Services; and (c) certain leasing agreements with customers in reportable segment Other operations. For information on impairment losses in 2010 related to the Cambodian operations within reportable segment Other operations, see Notes C13 "Goodwill and Other Intangible Assets" and C14 "Property, Plant and Equipment."

	January–December 2011 or December 31, 2011					
SEK in millions	Mobility Services	Broadband Services	Eurasia	Other operations	Eliminations	Group
Net sales	51,032	36,811	17,330	3,992	-4,811	104,354
External net sales	49,568	34,305	17,247	3,234	–	104,354
EBITDA excluding non-recurring items	15,746	12,101	8,850	257	-40	36,914
Non-recurring items	-199	-520	750	-72	–	-41
Amortization, depreciation and impairment losses	-4,495	-5,084	-2,836	-611	3	-13,023
Income from associated companies and joint ventures	12	85	5,735	-115	–	5,717
Operating income	11,064	6,582	12,499	-541	-37	29,567
Financial items, net						-2,793
Income taxes						-5,702
Net income						21,072
Investments in associated companies and joint ventures	269	678	46,416	329	–	47,692
Other operating segment assets	87,679	50,738	32,293	5,844	-1,033	175,521
Unallocated operating assets						8,497
Other unallocated assets						22,171
Total assets						253,881
Operating segment liabilities	12,475	10,502	9,175	3,561	-1,086	34,627
Unallocated operating liabilities						26,690
Other unallocated liabilities						80,872
Adjusted equity						111,692
Total equity and liabilities						253,881
Investments	6,667	5,764	4,808	676	–	17,915
of which CAPEX	6,600	5,448	4,538	657	–	17,243
Number of employees	7,771	13,305	4,994	2,342	–	28,412
Average number of full-time employees	7,246	12,703	4,762	2,288	–	26,999

	January–December 2010 or December 31, 2010 (restated)					
SEK in millions	Mobility Services	Broadband Services	Eurasia	Other operations	Eliminations	Group
Net sales	50,659	39,875	16,458	5,102	-5,115	106,979
External net sales	49,019	37,150	16,451	4,359	–	106,979
EBITDA excluding non-recurring items	14,928	13,035	8,348	560	26	36,897
Non-recurring items	-26	-142	-47	979	–	764
Amortization, depreciation and impairment losses	-4,316	-5,157	-2,637	-1,373	4	-13,479
Income from associated companies and joint ventures	164	77	7,603	-23	–	7,821
Operating income	10,750	7,813	13,267	143	30	32,003
Financial items, net						-2,067
Income taxes						-6,374
Net income						23,562
Investments in associated companies and joint ventures	631	673	44,689	465	–	46,458
Other operating segment assets	84,859	50,832	31,185	6,298	-1,080	172,094
Unallocated operating assets						9,379
Other unallocated assets						22,620
Total assets						250,551
Operating segment liabilities	12,456	11,420	10,118	3,476	-1,263	36,207
Unallocated operating liabilities						27,835
Other unallocated liabilities						66,193
Adjusted equity						120,316
Total equity and liabilities						250,551
Investments	4,312	5,208	6,261	888	–	16,669
of which CAPEX	3,879	4,928	5,473	654	–	14,934
Number of employees	7,488	13,901	4,853	2,703	–	28,945
Average number of full-time employees	7,076	12,926	4,550	3,145	–	27,697

External net sales were distributed by product area as follows.

SEK in millions	Jan–Dec 2011	Jan–Dec 2010
Mobile communications	59,200	59,441
Fixed communications	33,688	37,684
Other services	11,466	9,854
Total	104,354	106,979

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

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

	Jan–Dec 2011		Jan–Dec 2010		Dec 31, 2011		Dec 31, 2010	
	Net sales				Non-current assets			
	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent
Sweden	36,059	34.6	36,692	34.3	26,324	17.3	25,868	17.3
Finland	15,079	14.4	16,170	15.1	38,953	25.6	38,992	26.1
Norway	9,378	9.0	9,864	9.2	28,706	18.9	28,760	19.2
All other countries	43,838	42.0	44,253	41.4	58,221	38.2	55,905	37.4
Total	104,354	100.0	106,979	100.0	152,204	100.0	149,525	100.0

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

	Jan–Dec 2011		Jan–Dec 2010	
	SEK in millions	Percent	SEK in millions	Percent
European Economic Area (EEA)	85,376	81.8	88,361	82.6
<i>of which European Union (EU) member states</i>	<i>75,981</i>	<i>72.8</i>	<i>78,462</i>	<i>73.3</i>
Rest of Europe	2,220	2.1	2,680	2.5
North-American Free Trade Agreement (NAFTA)	487	0.5	597	0.6
Rest of world	16,271	15.6	15,341	14.3
Total	104,354	100.0	106,979	100.0

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

C6. Net Sales

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

Percent	Jan–Dec 2011	Jan–Dec 2010
Change in net sales, total	-2.5	-2.3
– volume growth	8.6	6.7
– price reductions	-6.0	-3.1
– structural changes	-0.9	-0.4
– exchange rate effects	-4.2	-5.5

TeliaSonera experiences volume growth mainly within mobile communications. Besides a robust development in Sweden, volume growth was especially strong in Spain and in the Eurasian operations due to ongoing high customer intake. In 2011 and 2010, however, total volume growth was more than offset

by exchange rate effects and continued overall price pressure on telecom services.

Structural changes in 2011 mainly related to the acquisition of Oy Turun Kaapelitelevisio – Åbo Kabeltelevision Ab in Finland and the divestment of North Sea Communications AS in Norway as well as the 2010 divestitures of Telia Stofa A/S in Denmark and Applifone Company Ltd. in Cambodia, while 2010 was also impacted by the 2009 acquisition of Tele2's broadband and VoIP operations in Norway.

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

C7. Expenses by Nature

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

SEK in millions	Jan–Dec 2011	Jan–Dec 2010
Goods and sub-contracting services purchased	-14,778	-15,399
Interconnect and roaming expenses	-13,387	-15,630
Other network expenses	-5,663	-5,378
Change in inventories	-3,676	-2,087
Personnel expenses (see also Note C32)	-12,628	-13,685
Marketing expenses	-7,548	-7,704
Other expenses	-10,575	-10,701
Amortization, depreciation and impairment losses	-13,012	-12,791
Total	-81,267	-83,375

The main components of Other expenses are rent and leasing fees, consultants' services, IT expenses, energy expenses and travel expenses. In conjunction with measuring the outcome of efficiency measures, TeliaSonera uses the concept Addressable cost base, which comprises Personnel expenses, Marketing expenses and Other expenses and totaled SEK 30,751 million in 2011 and SEK 32,090 million in 2010.

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

SEK in millions	Jan-Dec 2011	Jan-Dec 2010
Cost of sales	-10,847	-10,914
Selling and marketing expenses	-1,287	-1,041
Administrative expenses	-847	-792
Research and development expenses	-31	-44
Total	-13,012	-12,791

Amortization, depreciation and impairment losses are broken down by reportable segment in Note C5 "Segment Information." For a discussion on impairment testing, see Note C13 "Goodwill and Other Intangible Assets."

C8. Other Operating Income and Expenses

Other operating income and expenses were distributed as follows.

SEK in millions	Jan-Dec 2011	Jan-Dec 2010
Other operating income		
Capital gains	439	1,207
Exchange rate gains	407	391
Commissions, license and patent fees, etc.	295	129
Grants	23	26
Recovered accounts receivable	303	73
Court-settled fees with other operators	300	165
Damages received	676	81
Total other operating income	2,443	2,072
Other operating expenses		
Capital losses	-212	-139
Transaction costs in business combinations	-10	-
Provisions for onerous contracts	-2	-
Exchange rate losses	-429	-405
Restructuring costs	-930	-192
Amortization, depreciation and impairment losses	-11	-688
Court-settled fees with other operators	-50	-
Damages paid	-36	-70
Total other operating expenses	-1,680	-1,494
Net effect on income	763	578
<i>of which net exchange rate gains on derivative instruments held-for-trading</i>	<i>5</i>	<i>51</i>

In 2011, damages received included SEK 617 million as compensation for meeting certain milestones in fulfilling the agreement with Altimo signed in November 2009. In 2010, capital gains included SEK 830 million referring to the divestiture of Telia Stofa A/S and impairment losses included SEK 678 million related to the Cambodian operations. Restructuring costs mainly comprised staff redundancy costs.

C9. 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	Jan-Dec 2011	Jan-Dec 2010
Share in net income for the year	5,799	7,937
Amortization of fair value adjustments	-93	-112
Net capital gains/losses	11	-4
Net effect on income	5,717	7,821

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

SEK in millions	Jan-Dec 2011	Jan-Dec 2010
Svenska UMTS-nät AB, Sweden (joint venture)	9	163
SIA Latt telecom, Latvia	82	76
OAQ MegaFon, Russia	4,410	5,053
Turkcell İletişim Hizmetleri A.S., Turkey	1,331	2,550
Overseas Telecom AB, Sweden	-120	-24
Other holdings	5	3
Net effect on income	5,717	7,821

Turkcell's financials are included in TeliaSonera's reporting with a one-quarter lag.

C10. Finance Costs and Other Financial Items

Finance costs and other financial items were distributed as follows.

SEK in millions	Jan-Dec 2011	Jan-Dec 2010
Finance costs		
Interest expenses	-2,998	-2,167
Interest expenses on finance leases	-4	-6
Unwinding of provision discounts	-181	-181
Capitalized interest	73	57
Net exchange rate gains and losses	-505	-380
Total finance costs	-3,615	-2,677
Other financial items		
Interest income	650	420
Interest income on finance leases	96	93
Credit losses on finance leases	-12	-2
Dividends on equity instruments available-for-sale	-	0
Capital gains on equity instruments available-for-sale	-	99
Dividends on venture capital investments	17	7
Changes in fair value of venture capital investments	-10	-5
Reversals of provisions for collateral pledged	79	-
Capital losses on equity instruments at cost	-	-2
Remitted long-term vendor financing	2	-
Total other financial items	822	610
Net effect on income	-2,793	-2,067

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

	Jan–Dec 2011	Jan–Dec 2010	Jan–Dec 2011	Jan–Dec 2010	Jan–Dec 2011	Jan–Dec 2010
SEK in millions	Interest expenses		Net exchange rate gains and losses		Interest income	
Fair value hedge derivatives	239	369	66	-2,786	–	–
Cash flow hedge derivatives	-72	-147	5	-106	–	–
Derivatives held-for-trading	-217	19	74	-3,336	–	–
Held-to-maturity investments	–	–	–	–	–	0
Loans and receivables	–	–	43	2,848	641	418
Borrowings in fair value hedge relationships	-1,206	-978	-66	2,786	–	–
Borrowings and other financial liabilities at amortized cost	-1,716	-1,418	-627	214	–	–
Other	-26	-12	–	–	9	2
Total	-2,998	-2,167	-505	-380	650	420

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

C11. Income Taxes

Tax items recognized in comprehensive income and directly in equity

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

SEK in millions	Jan–Dec 2011	Jan–Dec 2010
Tax items recognized in net income		
Current tax expense relating to current year	-3,404	-5,867
Underprovided or overprovided current tax expense in prior years	-10	-61
Deferred tax expense originated or reversed in current year	-2,505	-569
Recognition of previously unrecognized deferred taxes	527	124
Effect on deferred tax income (+)/expense (–) from changes in tax rates	-310	-1
Total tax expense recognized in net income	-5,702	-6,374
Tax items recognized in other comprehensive income		
Current tax relating to current year	-26	-913
Deferred tax originated or reversed in current year	31	-23
Total tax recognized in other comprehensive income	5	-936
Tax items recognized directly in equity		
Current tax related to treasury share repurchase transaction costs	14	–
Total tax recognized directly in equity	14	–

Pre-tax income was SEK 26,774 million in 2011 and SEK 29,936 million in 2010. The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	Jan–Dec 2011	Jan–Dec 2010
Swedish income tax rate	26.3	26.3
Effect of higher or lower tax rates in subsidiaries	-1.0	-1.2
Withholding tax on earnings in subsidiaries, associated companies and joint ventures	2.5	2.6
Underprovided or overprovided current tax expense in prior years	0.0	0.2
Recognition of previously unrecognized deferred taxes	-1.9	-0.4
Effect on deferred tax expense from changes in tax rates	1.2	0.0
Income from associated companies and joint ventures	-5.6	-6.9
Current year losses for which no deferred tax asset was recognized	0.8	1.4
Non-deductible expenses	0.3	0.2
Tax-exempt income	-1.3	-0.9
Effective tax rate in net income	21.3	21.3
<i>Effective tax rate excluding effects from associated companies and joint ventures</i>	<i>24.8</i>	<i>26.0</i>

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

Country	Enacted	Change in corporate income tax legislation	Effective
Moldova	December 2011	Tax rate increase from 0 percent to 12 percent	January 1, 2012
Finland	December 2011	Tax rate cut from 26 percent to 24.5 percent	January 1, 2012
France	September 2011	To the extent taxable income exceeds EUR 1 million, a maximum of 60 percent of taxable income for the year could be offset against accumulated tax losses in previous years	January 1, 2011
Spain	August 2011	If turnover exceeds EUR 60 million, a maximum of 50 percent of taxable income for the year could be offset against accumulated tax losses in previous years. In addition, for tax assessment periods beginning on January 1, 2012 or later, the utilization period for tax losses is extended from 15 years to 18 years. The extension is valid on tax losses accumulated in previous years	January 1, 2011/2012
United Kingdom	March/July 2011	Tax rate cut from 28 percent to 26 percent with a further reduction to 25 percent in 2012	April 1, 2011
Netherlands	December 2010	Tax rate cut from 25.5 percent to 25 percent	January 1, 2011
Kazakhstan	November 2009	Previously decided tax rate cuts postponed from 2010 and 2011 to 2013 (from 20 percent to 17.5 percent) and 2014 (to 15.0 percent), respectively	January 1, 2010

Deferred tax assets and liabilities

Deferred tax assets and liabilities changed as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Deferred tax assets		
Opening balance	9,048	11,177
Comprehensive income period change	-1,024	-723
Operations divested	1	-68
Reversals of offset tax liabilities/assets, other reclassifications	76	-30
Exchange rate differences	-28	-1,308
Deferred tax assets, closing balance	8,073	9,048
Deferred tax liabilities		
Opening balance	12,526	13,210
Comprehensive income period change	1,233	-254
Operations acquired	17	-
Operations divested	-21	-95
Reversals of offset tax assets/liabilities, other reclassifications	-74	58
Exchange rate differences	-244	-393
Deferred tax liabilities, closing balance	13,437	12,526

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

SEK in millions	Dec 31, 2011	Dec 31, 2010
Gross deferred tax assets		
Unrealized gain, associated companies	-	48
Delayed depreciation, impairment losses and fair value adjustments, other non-current assets	6,111	6,094
Delayed expenses for provisions	1,118	504
Doubtful current receivables	121	166
Tax loss carry-forwards	5,305	6,465
Subtotal	12,655	13,277
Valuation allowances		
Tax loss carry-forwards	-3,927	-3,785
Subtotal	-3,927	-3,785
Offset deferred tax liabilities/assets	-655	-444
Total deferred tax assets	8,073	9,048
Deferred tax liabilities		
Withholding taxes and impairment losses, subsidiaries and associated companies	3,453	3,075
Accelerated depreciation and fair value adjustments, other non-current assets	5,948	5,995
Fair value adjustments, provisions	1,132	722
Delayed revenue recognition, current receivables	38	77
Profit equalization reserves	3,521	3,101
Subtotal	14,092	12,970
Offset deferred tax assets/liabilities	-655	-444
Total deferred tax liabilities	13,437	12,526
Net deferred tax assets (+)/liabilities (-)	-5,364	-3,478
Net increase (+)/decrease (-) in valuation allowance	142	-352

Unrecognized deferred tax assets, as reflected by the valuation allowance at December 31, 2011, were expected to expire as follows.

Expected expiry, SEK in millions	2012	2013	2014	2015	2016	2017-2029	Unlimited	Total
Unrecognized deferred tax assets	206	25	14	24	47	2,975	636	3,927

As of December 31, 2011 and 2010, unrecognized deferred tax liabilities for undistributed earnings in subsidiaries, including estimated such income tax that is levied on dividends paid, totaled SEK 679 million and SEK 669 million, respectively.

Tax loss carry-forwards

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

Tax losses in Spain refer to the Spanish 3G mobile network operator Xfera M3viles S.A. (Yoigo), acquired in 2006. Xfera is a start-up operation that has reported tax losses since its incorporation in 2000, due to annual spectrum fees paid to the Spanish government, depreciation and write-downs of earlier investments, other pre-operating costs and additional operating losses incurred thereafter. As of December 31, 2011, Xfera had tax losses and taxable temporary differences totaling SEK 11.6 billion.

Under current 3G market conditions and due to the decreases in equipment prices in the past few years, management is, however, confident that Xfera will be able to generate taxable profits, and has prepared a robust business plan based on a sound business model with detailed and benchmarked data, and has also convinced other parties to invest

alongside TeliaSonera. As a result, management believes that the current tax losses will be utilized before they expire after 18 years from the first profitable year. However, management acknowledges that the threshold for recognizing deferred tax assets in a situation of recurring historical losses is higher than for other assets, and has therefore reduced its projections to a level which it is convinced that Xfera will reach. As of December 31, 2011, based on these projections, management has recognized a deferred tax asset of SEK 600 million after valuation allowance.

Tax losses in Finland refer mainly to capital losses on shares divested in 2003 by a subsidiary within the Finnish tax group. Finnish tax losses expire after 10 years. Tax losses in the international carrier operations refer mainly to impairment losses on plant and machinery recognized in 2002. Most of these tax losses have no expiry dates.

TeliaSonera's accumulated tax loss carry-forwards were SEK 19,111 million in 2011 and SEK 22,735 million in 2010. Tax loss carry-forwards as of December 31, 2011 were expected to expire as follows.

Expected expiry, SEK in millions	2012	2013	2014	2015	2016	2017–2029	Unlimited	Total
Tax loss carry-forwards	1,210	1,843	148	271	526	12,077	3,036	19,111

C12. Other Comprehensive Income

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan–Dec 2011	Jan–Dec 2010
Foreign currency translation differences			
Translation of foreign operations	Foreign currency translation reserve	-5,325	-21,626
Translation of foreign non-controlling interests	Non-controlling interests	-120	-460
Divestitures transferred to net income	Foreign currency translation reserve	9	-345
<i>of which line items other operating income/expenses</i>		9	-345
Hedging of foreign operations	Foreign currency translation reserve	97	3,472
Income tax effect	Foreign currency translation reserve	-26	-913
Total foreign currency translation differences		-5,365	-19,872
<i>of which attributable to owners of the parent</i>		<i>-5,245</i>	<i>-19,412</i>
Income from associated companies			
Net changes in fair value of available-for-sale financial instruments	Fair value reserve	3	-5
Translation of foreign operations	Foreign currency translation reserve	85	-98
Total income from associated companies		88	-103
Cash flow hedges			
Net changes in fair value	Hedging reserve	-120	109
Transferred to finance costs in net income	Hedging reserve	2	-46
Income tax effect	Hedging reserve	31	-23
Total cash flow hedges		-87	40
Available-for-sale financial instruments			
Net changes in fair value	Fair value reserve	-1	15
Divestitures transferred to other financial items in net income	Fair value reserve	-	-105
Total available-for-sale financial instruments		-1	-90
Total other comprehensive income		-5,365	-20,025
<i>of which total income tax effects (see also Note C11)</i>		<i>5</i>	<i>-936</i>

The hedging reserve comprises gains and losses on derivatives hedging interest rate and foreign currency exposure, with a negative net effect in equity of SEK 87 million as of December 31, 2011. Future gains or losses will affect net income in 2013–2014, 2016–2017 and 2019 when the hedged items mature. No hedging reserve transfer necessitated adjustment of the cost of acquisition. See also section "Financial Instruments" in Note C3 "Significant Accounting Policies."

C13. Goodwill and Other Intangible Assets

The total carrying value was distributed and changed as follows.

	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
SEK in millions	Goodwill		Other intangible assets	
Accumulated cost	77,143	77,500	35,950	32,044
Accumulated amortization	–	–	-19,872	-17,947
Accumulated impairment losses	-293	-293	-1,025	-1,021
Advances	–	–	12	248
Carrying value	76,850	77,207	15,065	13,324
<i>of which work in progress</i>	–	–	1,247	950
Carrying value, opening balance	77,207	85,737	13,324	14,502
Investments	17	2	4,586	2,573
<i>of which capitalized interest</i>	–	–	32	22
Sales and disposals	–	–	-8	-18
Operations acquired	33	68	63	7
Operations divested	–	-40	-4	-30
Reclassifications	-10	–	373	423
Adjustments related to put options	-107	482	–	–
Amortization for the year	–	–	-2,714	-2,581
Impairment losses for the year	–	-174	-9	-468
Advances	–	–	-236	206
Exchange rate differences	-290	-8,868	-310	-1,290
Carrying value, closing balance	76,850	77,207	15,065	13,324

In 2011 and 2010, investments in telecom and frequency licenses amounted to SEK 2,682 million and SEK 922 million, respectively. In 2010, the value of the Cambodian operations within reportable segment Other operations was reassessed, resulting in write-downs of all goodwill (SEK 174 million) and most of the value of other intangible assets (SEK 411 million). See also Note C14 "Property, Plant and Equipment" and Note C5 "Segment Information."

Apart from goodwill, there are currently no intangible assets with indefinite useful lives. No general changes of useful lives were made in 2011. For amortization rates applied, see section "Useful lives" in Note C2 "Key Sources of Estimation Uncertainty." In the statement of comprehensive income, amortization and impairment losses are included in all expense line items by function as well as in line item Other operating expenses.

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

SEK in millions	Dec 31, 2011	Dec 31, 2010
Business area Mobility Services	53,640	53,829
<i>of which Finland</i>	20,109	20,230
<i>of which Norway</i>	23,568	23,599
<i>of which Denmark</i>	4,462	4,475
Business area Broadband Services	12,038	12,094
<i>of which Finland</i>	8,077	8,104
Business area Eurasia	10,495	10,606
<i>of which Azerbaijan</i>	4,894	4,802
<i>of which Uzbekistan</i>	1,951	1,913
<i>of which Nepal</i>	2,636	2,875
Other operations	677	678
Total goodwill	76,850	77,207

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

SEK in millions	Dec 31, 2011	Dec 31, 2010
Trade names	98	153
Telecom and frequency licenses	7,660	5,635
Customer and vendor relationships, interconnect and roaming agreements	2,253	3,137
Capitalized development expenses	2,044	2,031
Patents, etc.	941	502
Leaseholds, etc.	810	668
Work in progress, advances	1,259	1,198
Total other intangible assets	15,065	13,324

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

Impairment testing

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

In the value in use calculations, management used assumptions that it believes are reasonable based on the best information available as of the date of the financial statements. The key assumptions were sales growth, EBITDA margin development, the weighted average cost of capital (WACC), and the terminal growth rate of free cash flow. The calculations were based on forecasts approved by management, which management believes reflect past experience, forecasts in industry reports, and other externally available information. The forecast period was 5 years. However, a forecast period of 10 years was used for cash-generating units where the investment is of a start-up nature and/or put options have been granted to holders of non-controlling interests.

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

Years/Percent	Sweden	Finland	Norway	Denmark	Lithuania	Latvia	Estonia	Spain
Business area Mobility Services								
Forecast period (years)	5	5	5	5	5	5	5	10
WACC rate (%)	5.2	5.6	5.5	5.3	9.9	9.6	7.6	8.4
Terminal growth rate (%)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Business area Broadband Services								
Forecast period (years)	5	5	5	5	5	5	5	–
WACC rate (%)	5.0	5.4	6.2	6.0	9.0	8.7	6.7	–
Terminal growth rate (%)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	–
Other operations								
Forecast period (years)	5	5	–	–	–	–	–	–
WACC rate (%)	5.0	5.4	–	–	–	–	–	–
Terminal growth rate (%)	1.0	1.0	–	–	–	–	–	–
Years/Percent	Wholesale	Kazakhstan	Azerbaijan	Uzbekistan	Tajikistan	Georgia	Moldova	Nepal
Business area Broadband Services								
Forecast period (years)	5	–	–	–	–	–	–	–
WACC rate (%)	5.8	–	–	–	–	–	–	–
Terminal growth rate (%)	1.0	–	–	–	–	–	–	–
Business area Eurasia								
Forecast period (years)	–	5	10	10	5	5	5	10
WACC rate (%)	–	13.8	15.0	18.8	21.9	17.1	16.5	16.3
Terminal growth rate (%)	–	3.5	6.0	7.2	7.0	4.0	3.5	5.0

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

In the 2011 impairment tests, the recoverable values based on value in use of the cash-generating units were found not to fall short of their carrying values in any test and therefore the related goodwill was not impaired. For cash-generating units Mobility Services – Lithuania, with a carrying value for impair-

ment testing purposes of SEK 3,433 million (of which goodwill SEK 2,059 million) and Broadband Services – Norway, with a carrying value for impairment testing purposes of SEK 1,975 million (of which goodwill SEK 1,680 million), the estimated recoverable values corresponded to the carrying values. The impairment tests assumed, in addition to the post-tax WACC rates and the terminal growth rates stated above, the following sales growth and EBITDA margin ranges during the next 5 years.

Percent	Mobility Services Lithuania		Broadband Services Norway	
	From	To	From	To
Sales growth	-7.8	+5.5	-5.2	+3.2
EBITDA margin	28.0	32.8	17.4	21.9

The following table sets out to what extent each key assumption approximately must change, all else being equal, in order for the recoverable value of Mobility Services – Lithuania to change by -3.7 percent, or by SEK -0.1 billion and the recoverable value of Broadband Services – Norway to change by -6.3 percent, or by SEK -0.1 billion.

Percentage points	Mobility Services Lithuania	Broadband Services Norway
Sales growth in the 5-year period	-0.7	-1.1
EBITDA margin in the 5-year period and beyond	-0.8	-0.8
Terminal growth rate of free cash flow	-0.4	-0.4
Post-tax WACC rate	+0.3	+0.3

C14. Property, Plant and Equipment

The carrying value was distributed and changed as follows.

	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
SEK in millions	Plant and machinery									
	Property		Mobile networks		Fixed networks		Equipment, tools and installations		Total	
Accumulated cost	8,289	8,132	66,682	60,887	123,994	123,229	11,889	10,656	210,854	202,904
Accumulated depreciation	-3,985	-3,957	-42,472	-38,369	-84,906	-83,293	-8,931	-8,131	-140,294	-133,750
Accumulated impairment losses	-410	-413	-404	-372	-10,444	-10,805	-325	-353	-11,583	-11,943
Advances	-	-	594	1,068	9	74	-	-	603	1,142
Carrying value	3,894	3,762	24,400	23,214	28,653	29,205	2,633	2,172	59,580	58,353
<i>of which assets under construction</i>	-	-	5,370	4,381	1,689	1,541	-	-	7,059	5,922
Carrying value, opening balance	3,762	4,317	23,214	23,562	29,205	31,105	2,172	2,238	58,353	61,222
Investments	116	162	6,841	6,992	4,152	3,698	960	935	12,069	11,787
<i>of which capitalized interest</i>	3	2	14	8	20	19	4	6	41	35
Sales and disposals	-182	-39	-62	-37	-73	-34	-16	-57	-333	-167
Dismantling and restoration	-	-	69	309	-505	188	-	-	-436	497
Operations acquired	-	-	-	-	-	3	7	-	7	3
Operations divested	-	-9	-	-76	-137	-434	-	0	-137	-519
Grants received	-	-	-1	-1	-19	-1	-	-	-20	-2
Reclassifications	511	73	267	-327	-160	-350	547	270	1,165	-334
Depreciation for the year	-322	-340	-5,218	-4,968	-3,681	-3,772	-972	-1,016	-10,193	-10,096
Impairment losses for the year	-	-	-39	-139	-13	-13	-54	-8	-106	-160
Advances	-	-	-474	150	-64	74	-	-	-538	224
Exchange rate differences	9	-402	-197	-2,251	-52	-1,259	-11	-190	-251	-4,102
Carrying value, closing balance	3,894	3,762	24,400	23,214	28,653	29,205	2,633	2,172	59,580	58,353

In 2010, impairment losses of SEK 87 million for Plant and machinery – Mobile networks and SEK 6 million for Equipment, tools and installations were related to the Cambodian operations within reportable segment Other operations (see also Note C13 “Goodwill and Other Intangible Assets” and Note C5 “Segment Information”).

No general changes of useful lives were made in 2011. For depreciation rates applied, see section “Useful lives” in Note C2 “Key Sources of Estimation Uncertainty.” In the statement of comprehensive income, depreciation and impairment losses are included in all expense line items by function as well as in line item Other operating expenses. For information on contractual obligations regarding future acquisitions of property, plant and equipment, see Note C30 “Contingencies, Other Contractual Obligations and Litigation.”

Property

TeliaSonera’s real estate holdings include some 3,600 properties, mainly in Sweden and Finland. The substantial majority is used solely for technical facilities, like network installations, computer installations, research centers and service outlets.

The total carrying value of property was distributed by depreciable/non-depreciable assets as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Depreciable property (buildings, etc.)	3,539	3,353
Non-depreciable property (land)	355	409
Total property	3,894	3,762

C15. Investments in Associated Companies and Joint Ventures

The carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Goodwill and similar assets on consolidation	6,188	7,029
Share of equity	41,504	39,429
Carrying value	47,692	46,458
Carrying value, opening balance	46,458	42,518
Shareholder contributions	-	125
Share of net income for the year	5,799	7,937
Share of other comprehensive income for the year	88	-103
Amortization and write-downs of fair value adjustments	-93	-112
Dividends received	-496	-1,721
Acquisitions and operations acquired	221	998
Divestments and operations divested	-4	-
Reclassifications	172	272
Exchange rate differences	-4,453	-3,456
Carrying value, closing balance	47,692	46,458

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

Company, Corp. Reg. No., registered office	Participation (%)	Number of shares	Equity participation in consolidated accounts		Carrying value in each parent company	
			2011	2010	2011	2010
SEK in millions						
Parent company holdings						
Swedish companies						
Overseas Telecom AB, 556528-9138, Stockholm	65	1,180,575	170	294	198	198
4T Sverige AB, 556857-8495, Stockholm	25	25,000	2	–	2	–
SNPAC Swedish Number Portability Administrative Centre AB, 556595-2925, Stockholm	20	400	3	3	1	1
Other operating, dormant and divested companies			0	0	0	0
Non-Swedish companies						
OAo Telecominvest, St. Petersburg	26	4,262,165	4,847	4,261	700	700
Other operating, dormant and divested companies			0	12	0	0
Total parent company					901	899
Subsidiaries' holdings						
Swedish companies						
Svenska UMTS-nät AB, 556606-7996, Stockholm (joint venture)	50	501,000	255	621	875	875
Other operating, dormant and divested companies			0	0	0	0
Non-Swedish companies						
AS Sertifitseerimiskeskus, 10747013, Tallinn	50	32	7	7	5	5
Nepal Satellite Telecom Pvt. Ltd, 35048/061/62, Kathmandu	50	50,000	174	–	5	–
SIA Lattelecom, 00030527, Riga	49	71,581,000	670	663	1,344	1,349
Turkcell Holding A.S., 430991-378573, Istanbul	47	214,871,670	12,653	13,931	1,747	1,758
Turkcell İletişim Hizmetleri A.S., 304844-252426, Istanbul	14	308,531,984	6,786	7,447	1,833	1,845
OAo MegaFon, 7812014560, Moscow	36	2,207,234	21,956	19,050	405	407
AUCS Communications Services v.o.f., 34097149, Hoofddorp	33	–	10	9	0	0
OCH A/S, 18936909, Copenhagen	33	1,333	7	5	4	4
Voicecom OÜ, 10348566, Tallinn	26	–	1	1	1	1
Glasswool Holdings Ltd., C205765, Nicosia	25	1,350	149	147	216	208
Suomen Numerot NUMPAC Oy, 1829232-0, Helsinki	25	3,000	1	1	0	0
SCF Huolto Oy, 1892276-7, Loimaa	20	20	1	1	0	0
Other operating, dormant and divested companies			0	5	0	6
Total Group			47,692	46,458		

The share of voting power in Overseas Telecom AB is 42 percent. OAo Telecominvest owns an additional 31 percent of the shares in OAo MegaFon. Turkcell Holding A.S. owns 51 percent of the shares in Turkcell İletişim Hizmetleri A.S. The shares in Nepal Satellite Telecom Pvt. Ltd. are held through intermediate not wholly-owned holding companies, making the effective ownership 19 percent.

The parent company's and the subsidiaries' holdings of Other Swedish and non-Swedish operating, dormant and divested companies for the comparative year (Group carrying value SEK 17 million, carrying value in the respective parent company SEK 6 million) relate to Telefos AB, which was liquidated, and Kiinteistö Oy Pietarsaaren Isokatu 8 and Johtotieto Oy, which were divested in 2011.

The market value of the Group's direct and indirect holdings in the publicly quoted Turkcell İletişim Hizmetleri A.S. was SEK 26,824 million and SEK 38,618 million as of December 31, 2011 and 2010, respectively.

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

SEK in millions	January–December or December 31,	
	2011	2010
Net sales	95,323	98,646
Gross profit	62,361	65,435
Net income	19,058	23,640
Non-current assets	147,300	152,960
Current assets	66,113	58,447
Provisions and long-term liabilities	25,838	24,131
Current liabilities	26,758	25,808

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

C16. Other Non-current Assets

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

SEK in millions	Dec 31, 2011		Dec 31, 2010	
	Carrying value	Fair value	Carrying value	Fair value
Equity instruments available-for-sale	202	202	199	199
Equity instruments held-for-trading	52	52	50	50
Convertible bonds available-for-sale	4	4	4	4
Interest rate and cross currency interest rate swaps at fair value	1,910	1,910	1,597	1,597
<i>of which designated as fair value hedges</i>	1,742	1,742	1,275	1,275
<i>of which held-for-trading</i>	168	168	322	322
Currency swaps and forward exchange contracts held-for-trading	2	2	3	3
Subtotal (see Fair value hierarchy levels – Note C26)	2,170	2,170	1,853	1,853
Government bonds and treasury bills held-to-maturity	62	62	41	41
Loans and receivables at amortized cost	5,283	5,424	3,315	3,315
Subtotal (see Categories – Note C26)	7,515	7,656	5,209	5,209
Finance lease receivables	671	671	782	782
Subtotal (see Credit risk – Note C27)/Total fair value	8,186	8,237	5,991	5,991
Equity instruments at cost	52		52	
Deferred expenses	709		641	
Total other non-current assets	8,947		6,684	
<i>of which interest-bearing</i>	7,007		4,531	
<i>of which non-interest-bearing</i>	1,940		2,153	

For Loans and receivables, including claims on associated companies, fair value is estimated at the present value of future cash flows discounted by applying market interest rates as of the end of the reporting period. As there had been no significant change in credit quality, Loans and receivables as of the end of the reporting period were not provided for. As of December 31, 2011, contractual cash flows for Government bonds and treasury bills and Loans and receivables represented the following expected maturities.

Expected maturity, SEK in millions	2013	2014	2015	2016	Later years	Total
Government bonds and treasury bills	–	31	10	11	10	62
Loans and receivables	2,382	2,409	34	25	433	5,283

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

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

Company, Corp. Reg. No., registered office	Participation (%)	Number of shares	Carrying/fair value in consolidated accounts		Carrying value in each parent company	
			2011	2010	2011	2010
SEK in millions						
Parent company holdings						
Swedish companies						
Slottsbacken Fund Two KB, 969660-9875, Stockholm	18	–	2	1	2	1
Lindholmen Science Park AB, 556568-6366, Gothenburg	9	90	3	3	3	3
Ullna Golf AB, 556042-8095, Österåker	1	3,500	1	1	1	1
Other operating, dormant and divested companies			0	0	0	0
Non-Swedish companies						
ONSET VI, L.P., 4604207, Dover, DE	2	–	12	10	12	10
Birdstep Technology ASA, 977037093, Oslo	2	1,722,594	2	2	2	2
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					21	18
Subsidiaries' holdings						
Swedish companies						
Other operating, dormant and divested companies		0		0		0
Non-Swedish companies						
Eesti Lairiba Arenduse Sihtasutus, 90010094, Tallinn	13	–	1	1	1	1
Telecom Development Company Afghanistan B.V., 34183985, Amsterdam	12	1,225	200	197	200	197
Magma Venture Capital I Annex Fund, L.P., Cayman Islands	7	–	1	1	1	1
Oy Merinova Ab, 0778620-2, Vaasa	6	800	1	1	1	1
Vierumäki Golf Village Oy, 1927979-3, Helsinki	5	0	13	13	13	13
Diamondhead Ventures, L.P., 3145188, Menlo Park, CA	4	–	7	10	7	10
Helsinki Halli Oy, 1016235-3, Helsinki	1	42	4	4	4	4
Intellect Capital Ventures, L.L.C., 3173982, Los Angeles, CA	0	–	28	26	28	26
Digital Media & Communications II L.P., 3037042, Boston, MA	0	–	1	1	1	1
Asunto Oy Helsingin Oskar, 0881553-8, Helsinki	0	280	1	1	1	1
Holdings in other real estate and housing companies, Finland	–	–	23	24	23	24
Holdings in local phone companies, etc., Finland	–	–	5	4	5	4
Other operating, dormant and divested companies			0	0	0	0
Total Group			306	301		

C17. Inventories

After deductions for obsolescence amounting to SEK 4 million in 2011 and SEK 5 million in 2010, the total carrying value was distributed as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Goods for resale	1,300	1,187
Other inventories and expense incurred on construction contracts	175	208
Total	1,475	1,395

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 243 million in 2011 and SEK 208 million in 2010.

C18. Trade and Other Receivables

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

SEK in millions	Dec 31, 2011	Dec 31, 2010
Currency swaps, forward exchange contracts and currency options held-for-trading	247	228
Subtotal (see Fair value hierarchy levels – Note C26)	247	228
Accounts receivable at amortized cost	13,011	11,877
Loans and receivables at amortized cost	4,215	4,437
Subtotal (see Categories – Note C26 and Credit risk – Note C27)	17,473	16,542
Other current receivables	1,980	1,802
Deferred expenses	1,471	1,561
Total trade and other receivables	20,924	19,905

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

For Accounts receivable and Loans and receivables, as of the end of the reporting period, concentration of credit risk by geographical area and by customer segment was as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Geographical area		
Nordic countries	12,805	12,620
Baltic countries	1,373	1,136
Eurasia	1,163	949
Other countries	1,885	1,609
Total carrying value	17,226	16,314
Customer segment		
Consumers	5,514	5,806
Business customers	7,213	6,708
Other operators	3,950	3,406
Distributors	549	394
Total carrying value	17,226	16,314

The geographic concentration to the Nordic operations reflects a relatively higher share of post-paid customer contracts. In most cases, customers are billed in local currency. Receivables from and payables to other operators for international fixed-line traffic and roaming are normally settled net through clearing-houses. Refer to Note C26 "Financial Assets and Liabilities by Category and Level" and section "Credit risk management" in Note C27 "Financial Risk Management" for more information on financial instruments classified by category/fair value hierarchy level and exposed to credit risk, respectively.

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

SEK in millions	Dec 31, 2011	Dec 31, 2010
Accounts receivable invoiced	14,240	13,084
Allowance for doubtful accounts receivable	-1,229	-1,207
Total accounts receivable	13,011	11,877
Accounts receivable not due	9,117	8,413
Accounts receivable past due but not impaired	3,894	3,464
<i>of which less than 30 days</i>	1,717	1,641
<i>of which 30–180 days</i>	1,407	919
<i>of which more than 180 days</i>	770	904
Total accounts receivable	13,011	11,877

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

SEK in millions	Dec 31, 2011	Dec 31, 2010
Loans and receivables not due	2,797	2,949
Loans and receivables past due but not impaired	1,418	1,488
<i>of which less than 30 days</i>	1,358	1,252
<i>of which 30–180 days</i>	56	59
<i>of which more than 180 days</i>	4	177
Total loans and receivables	4,215	4,437

Receivables past due as of the end of the reporting period were not provided for as there had been no significant change in credit quality and the amounts were still considered recoverable. Balances past due more than 180 days mainly referred to other operators. See also section "Credit risk management" in Note C27 "Financial Risk Management" for information on mitigation of risks related to accounts receivable.

Total bad debt expenses were SEK 508 million in 2011 and SEK 560 million in 2010. Recovered accounts receivable in these years were SEK 303 million and SEK 73 million, respectively.

The allowance for doubtful accounts receivable changed as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Opening balance	1,207	1,952
Charges for doubtful receivables in the period	135	127
Operations divested	-9	-55
Receivables written-off as uncollectible	-59	-578
Unused allowances reversed	-44	-84
Exchange rate differences	-1	-155
Closing balance	1,229	1,207

C19. Interest-bearing Receivables, Cash and Cash Equivalents

Interest-bearing receivables

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

SEK in millions	Dec 31, 2011	Dec 31, 2010
Interest rate swaps and cross currency interest rate swaps at fair value	174	134
<i>of which designated as fair value hedges</i>	–	13
<i>of which held-for-trading</i>	174	121
Subtotal	174	134
(see Fair value hierarchy levels – Note C26)		
Short-term investments with maturities over 3 months	78	1,052
<i>of which bonds and commercial papers held-to-maturity</i>	78	152
<i>of which bank deposits at amortized cost</i>	–	900
Loans and receivables at amortized cost	964	922
Subtotal (see Categories – Note C26)	1,216	2,108
Finance lease receivables	317	369
Total (see Credit risk – Note C27)	1,533	2,477

Carrying values for items measured at amortized cost and finance lease receivables are assumed to approximate fair values as the risk of changes in value is insignificant. Refer to Note C26 "Financial Assets and Liabilities by Category and Level" and section "Credit risk management" in Note C27 "Financial Risk Management" for more information on financial instruments classified by category/fair value hierarchy level and exposed to credit risk, respectively. For information on leases, see Note C28 "Leasing Agreements."

Cash and cash equivalents

Cash and cash equivalents were distributed as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Short-term investments with maturities up to and including 3 months	7,596	7,383
<i>of which commercial papers held-to-maturity</i>	28	–
<i>of which bank deposits at amortized cost</i>	7,568	7,383
Cash and bank	5,004	7,961
Total (see Categories – Note C26 and Credit risk – Note C27)	12,600	15,344

The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. Refer to Note C26 "Financial Assets and Liabilities by Category and Level" and section "Credit risk management" in Note C27 "Financial Risk Management" for more information on financial instruments

classified by category and exposed to credit risk, respectively, and to Note C30 "Contingencies, Other Contractual Obligations and Litigation" for information on blocked funds in bank accounts.

C20. Equity and Earnings per Share

Share capital

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

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

	Issued share capital (SEK)	Number of issued shares	Quotient value (SEK/share)
Issued share capital, December 31, 2005	14,960,742,621	4,675,232,069	3.20
Cancellation of shares repurchased in 2005, September 6, 2006	-591,279,539	-184,774,856	3.20
Issued share capital, December 31, 2006	14,369,463,082	4,490,457,213	3.20
Issued share capital, December 31, 2007, 2008 and 2009	14,369,463,082	4,490,457,213	3.20
Issued share capital, December 31, 2010	14,369,463,082	4,490,457,213	3.20
Cancellation of shares repurchased in 2011, July 19, 2011	-513,191,783	-160,372,432	3.20
Issued share capital, December 31, 2011	13,856,271,299	4,330,084,781	3.20

Treasury shares

On February 18, 2011, the Board of Directors resolved, based on the authorization granted by the Annual General Meeting 2010, to repurchase a maximum of 160,373,471 shares, equivalent to a maximum of 3.6 percent of the outstanding shares, through a repurchase offer directed to TeliaSonera's shareholders. The acceptance period of the repurchase offer expired on March 25, 2011 and a total of 160,372,432 shares were repurchased in the offer. The price paid for each repurchased share was SEK 62.00 in cash and pre-tax transaction costs amounted to SEK 54 million. On April 6, the Annual General Meeting 2011 decided to reduce the share capital by cancellation of the repurchased shares. The repurchased shares were canceled on July 19, 2011.

As of December 31, 2011, no TeliaSonera shares were held by the company itself or by its subsidiaries.

Inflation adjustment reserve

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

Non-controlling interests

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

SEK in millions	Dec 31, 2011	Dec 31, 2010
Opening balance	-605	-145
Translation of foreign operations	-120	-460
Closing balance	-725	-605

Non-controlling interests were distributed as follows (including intermediate holding companies, where applicable).

	Non-controlling interest (%)	January–December or December 31,			
		Net income		Equity	
		SEK in millions		2011	2010
		2011	2010	2011	2010
DLG Tele I/S, Denmark	50.00	48	39	31	28
TEO LT, AB, Lithuania	31.71	128	142	855	855
Latvijas Mobilais Telefons SIA, Latvia	39.73	134	160	594	607
Fintur Holdings B.V., the Netherlands	25.68	2,208	2,027	5,224	4,587
Central Asian Telecommunications Development B.V., the Netherlands	40.00	63	78	261	225
TeliaSonera Asia Holding B.V., the Netherlands	24.55	148	-147	370	435
Other subsidiaries	–	2	6	18	21
Total non-controlling interests		2,731	2,305	7,353	6,758

In 2011, the non-controlling interest in TEO was reduced from 31.92 percent. Fintur Holdings has direct and indirect non-controlling interests in its subsidiaries TOO GSM Kazakhstan (Kcell) in Kazakhstan (49 percent) and Azercell Telekom B.M. in Azerbaijan (48.7 percent), while Geocell LLC in Georgia and Moldcell S.A. in Moldova are wholly-owned subsidiaries.

For information on contracted future changes of ownership in GSM Kazakhstan, see section "Other unrecognized contractual obligations" in Note 30 "Contingencies, Other Contractual Obligations and Litigation." In Tajikistan, Central Asian Telecommunications Development has a 1 percent non-controlling interest in its subsidiary ZAO Indigo Somoncom (Tcell), while

ZAO Indigo Tadzshikistan (Tcell) is a wholly-owned subsidiary. In Nepal, Teliasonera Asia Holding has an indirect 20 percent non-controlling interest in its subsidiary Ncell Pvt. Ltd.

Based on a put option granted, the non-controlling interest in Azericell is accounting-wise reduced to 6.7 percent. Similarly, based on a put option granted on 6 percent of the share capital, OOO Coscom (Ucell) in Uzbekistan is accounting-wise treated as a wholly-owned subsidiary of Teliasonera Uzbek Telecom Holding B.V. in the Netherlands (for further information, see section "Put options and contingent consideration" in Note C23 "Other Provisions").

Earnings per share and dividends

	Jan–Dec 2011	Jan–Dec 2010
Net income attributable to owners of the parent (SEK million)	18,341	21,257
Average number of outstanding shares, basic and diluted (thousands)	4,366,992	4,490,457
Earnings per outstanding share, basic and diluted (SEK)	4.20	4.73
Ordinary cash dividend (for 2011 as proposed by the Board of Directors)		
– Per share (SEK)	2.85	2.75
– Total (SEK million)	12,341	12,349

C21. Long-term and Short-term Borrowings

Open-market financing programs

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

Program	Characteristics	Limit currency	Dec 31, 2011					Dec 31, 2010		
			Limit	Utilized	Interest rate type		Average maturity (years)	Limit	Utilized	
					Floating	Fixed				
Teliasonera AB	Euro Medium Term Note (EMTN)	Uncommitted International, Long-term	EUR	10,000	8,121	1,700	6,421	5.7	9,000	6,511
Teliasonera AB	Euro Commercial Paper (ECP)	Uncommitted International, Short-term	EUR	1,000	–	–	–	–	1,000	–
Teliasonera AB	Flexible Term Note (FTN)	Uncommitted Swedish domestic, Short-term and long-term	SEK	12,000	–	–	–	–	12,000	–

Borrowings

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

SEK in millions	Dec 31, 2011		Dec 31, 2010	
	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	17,896	17,896	9,342	9,342
Interest rate swaps at fair value	421	421	276	276
<i>of which designated as hedging instruments</i>	377	377	252	252
<i>of which held-for-trading</i>	44	44	24	24
Cross currency interest rate swaps at fair value	1,005	1,005	1,448	1,448
<i>of which hedging net investments</i>	41	41	–	–
<i>of which designated as hedging instruments</i>	–	–	4	4
<i>of which held-for-trading</i>	964	964	1,444	1,444
Subtotal (see Fair value hierarchy levels – Note C26)	19,322	19,322	11,066	11,066
Open-market financing program borrowings	46,958	53,396	46,935	49,948
<i>of which hedging net investments</i>	33,377	38,868	26,731	28,760
<i>of which at amortized cost</i>	13,581	14,528	20,204	21,188
Other borrowings at amortized cost	1,755	1,756	2,478	2,478
Subtotal (see Categories – Note C26)	68,035	74,474	60,479	63,492
Finance lease agreements	73	73	84	84
Total long-term borrowings	68,108	74,547	60,563	63,576
Short-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	–	–	464	464
Interest rate swaps designated as hedging instruments	8	8	7	7
Cross currency interest rate swaps held-for trading	655	655	–	–
Subtotal (see Fair value hierarchy levels – Note C26)	663	663	471	471
Utilized bank overdraft and short-term credit facilities at amortized cost	246	246	71	71
Open-market financing program borrowings	9,713	9,754	3,983	3,995
<i>of which hedging net investments</i>	5,050	5,073	–	–
<i>of which at amortized cost</i>	4,663	4,681	3,983	3,995
Other borrowings at amortized cost	1,106	1,107	330	330
Subtotal (see Categories – Note C26)	11,728	11,770	4,855	4,867
Finance lease agreements	6	6	18	18
Total short-term borrowings	11,734	11,776	4,873	4,885

Normally, borrowings by TeliaSonera AB denominated in foreign currencies are swapped into SEK. The exceptions typically include funds borrowed to finance the Group's international ventures or selective hedging of net investments abroad. As of December 31, 2011, long-term borrowings hedging net investments included borrowings also included in fair value hedge relationships. These loans have final maturities in 2014 (SEK 2,751 million) and after 2016 (SEK 4,828 million).

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

SEK in millions	Dec 31, 2011	Dec 31, 2010
Nominal portfolio value	72,000	59,000
<i>of which intended for overall management of the funding portfolio structure and hence not included in hedge relationships</i>	300	300

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

C22. Provisions for Pensions and Employment Contracts

Pension obligations and pension expenses

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

SEK in millions	Dec 31, 2011	Dec 31, 2010
Present value of funded pension obligations	21,889	20,069
Fair value of plan assets	-19,774	-19,840
Deficit of funded plans	2,115	229
Present value of unfunded pension obligations	1,053	946
Total pension obligations less plan assets (funded status)	3,168	1,175
Unrecognized past service cost	-37	-41
Unrecognized actuarial gains (+)/losses (-)	-3,132	-645
Net assets (-)/provisions (+) for pension obligations	-1	489
<i>of which recognized as provisions</i>	<i>1,030</i>	<i>757</i>
<i>of which recognized as assets</i>	<i>-1,031</i>	<i>-268</i>

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

Total pension expenses were distributed as follows.

SEK in millions	Jan-Dec 2011	Jan-Dec 2010
Current service cost	424	451
Interest cost	962	928
Expected return on plan assets	-971	-935
Curtailment of pension obligations	-38	-
Amortization of past service cost	-2	-13
Amortization of actuarial gains (-)/losses (+)	7	120
Pension expenses, defined benefit pension plans	382	551
Settlement of pension obligations	-	-3
Termination benefits (excl. premiums and pension-related social charges)	170	42
Pension premiums, defined benefit/defined contribution pension plans and pay-as-you-go systems	583	640
Pension-related social charges and taxes, other pension expenses	164	197
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring charges	-220	-73
Total pension expenses	1,079	1,354
<i>of which pension premiums paid to the ITP pension plan</i>	<i>74</i>	<i>120</i>

Principal actuarial assumptions

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

Percentages, except remaining working life	Dec 31, 2011	Dec 31, 2010
Discount rate	4.0	4.7
Expected rate of compensation increase	3.2	3.2
Employee turnover rate	2.9	2.9
Average expected remaining working life, years	13.3	14.7
Increase in income base amount (only for Swedish entities)	2.8	2.8
Annual adjustments to pensions	2.0	2.0
Expected return on plan assets	4.6	4.9

Specifications to pension obligations and pension expenses

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

SEK in millions	Dec 31, 2011	Dec 31, 2010
Present value of pension obligations		
Opening balance	21,015	23,503
Current service cost	424	451
Interest cost	962	928
Benefits paid	-1,167	-1,175
Benefits paid, early retirement	-14	-15
Termination benefits	170	42
Reclassifications	-	59
Curtailement of pension obligations	-57	-
Settlement of pension obligations	-	-38
Actuarial gains (-)/losses (+)	1,629	-2,311
Exchange rate differences	-20	-429
Closing balance, present value of pension obligations	22,942	21,015
Fair value of plan assets		
Opening balance	19,840	19,401
Expected return on plan assets	971	935
Contribution to pension funds	87	83
Payment from pension funds	-221	-900
Operations acquired/divested	-9	-20
Actuarial gains (+)/losses (-)	-877	761
Exchange rate differences	-17	-420
Closing balance, plan assets	19,774	19,840
Return on plan assets		
Expected return on plan assets	971	935
Actuarial gains (+)/losses (-)	-877	761
Actual return on plan assets	94	1,696
Net assets/provisions for pension obligations		
Opening balance	489	179
Pension expenses, defined benefit pension plans	382	551
Benefits paid	-1,167	-1,175
Benefits paid, early retirement	-14	-15
Contribution to pension funds	-87	-83
Payment from pension funds	221	900
Termination benefits	170	42
Operations acquired/divested, net	-	3
Reclassifications	-	59
Exchange rate differences	5	28
Closing balance, net assets (-)/provisions (+) for pension obligations	-1	489

Trend information

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

SEK in millions, except percentages	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007
Plan liabilities	22,942	21,015	23,503	22,814	20,807
Plan assets	-19,774	-19,840	-19,401	-18,068	-19,265
Deficit (funded status)	3,168	1,175	4,102	4,746	1,542
Plan liabilities					
Experience adjustments arising on plan liabilities (%)	0.9	2.6	-1.0	-0.2	0.6
Effects of changes in actuarial assumptions (%)	-8.0	8.4	-1.1	-4.6	6.5
Plan assets					
Experience adjustments arising on plan assets (%)	-4.4	4.0	7.8	-13.6	-1.4
Actual return on plan assets (%)	0.5	8.9	12.5	-8.5	3.1

SEK in millions	Dec 31, 2011	Dec 31, 2010
Unrecognized actuarial gains/losses		
Opening balance, actuarial gains (+)/losses (-)	-645	-3,890
Actuarial gains (-)/losses (+) to be recognized	7	120
Actuarial gains (-)/losses (+), settlement of pension obligations	7	-
Actuarial gains (-)/losses (+), acquired/divested operations	1	15
Actuarial gains (+)/losses (-), pension obligations	-1,629	2,311
Actuarial gains (+)/losses (-), plan assets	-877	761
Exchange rate differences	4	38
Closing balance, unrecognized actuarial gains (+)/losses (-)	-3,132	-645
Operations divested		
Decrease in pension obligations	-	-38
Decrease in plan assets	9	20
Change in unrecognized actuarial gains (-)/losses (+)	1	15
Net position, operations divested	10	-3

Plan-asset allocation

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

Asset category	Dec 31, 2011		Dec 31, 2010	
	SEK in millions	Percent	SEK in millions	Percent
Fixed income instruments, liquidity	10,021	50.7	9,933	50.1
Shares and other investments	9,753	49.3	9,907	49.9
Total	19,774	100.0	19,840	100.0
<i>of which shares in TeliaSonera AB</i>	<i>84</i>	<i>0.4</i>	<i>99</i>	<i>0.5</i>

Future contributions

For companies in Sweden, pension liabilities are secured also by pension credit insurance. This means that, should the net provision for pension obligations increase, each company can choose if and when to contribute to the pension fund or otherwise to recognize a provision. To pension funds outside Sweden, TeliaSonera expects to contribute SEK 94 million in 2012.

C23. Other Provisions

Changes in other provisions were as follows.

	December 31, 2011						
SEK in millions	Put options and contingent consideration	Restructuring provisions	Asset retirement obligations	Warranty provisions	Other provisions		Total
Opening balance	6,920	522	2,668	263	424		10,797
<i>of which financial liabilities at amortized cost</i>	–	–	–	4	–		4
Provisions for the period	54	958	323	0	37		1,372
Utilized provisions	-8	-694	-85	-10	-115		-912
Reversals of provisions	–	-28	-772	-0	-97		-897
Reclassifications	-107	-220	–	-37	139		-225
Timing and interest-rate effects	44	1	57	–	–		102
Exchange rate differences	186	-1	-3	2	–		184
Closing balance	7,089	538	2,188	218	388		10,421
<i>of which non-current portion</i>	7,077	112	2,182	214	111		9,696
<i>of which current portion</i>	12	426	6	4	277		725
<i>of which financial liabilities at amortized cost (see Categories – Note C26)</i>	–	–	–	4	–		4

For financial liabilities, the carrying value equals fair value as provisions are discounted to present value. Refer to Note C26 “Financial Assets and Liabilities by Category and Level” for more information on financial instruments classified by category. As of December 31, 2011, contractual undiscounted cash flows for the financial liabilities represented the following expected maturities. Expected maturity refers to the earliest point in time, based on the agreement terms, at which the counterpart might call for settlement.

Expected maturity SEK in millions	Jan–Mar 2012	Apr–Jun 2012	Jul– Dec 2012	Later years	Total	Carrying value
Financial liabilities	–	4	–	–	4	4

Put options and contingent consideration

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

For Xfera, which was acquired in 2006, the closing balance comprises in total SEK 1,408 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 holders of non-controlling interests the right to sell their shares to TeliaSonera after 5 years, of which at least 2 consecutive years of net profit. The provisions represent the present value of management’s best estimate of the amounts required to settle the liabilities. The estimate for the earn-out model has been made based on the Xfera 10-year business plan, using a post-tax discount rate (WACC) of 8.4 percent and a terminal growth rate of free cash flow of 2.0 percent. The amounts and timing may vary as a result of changes in Xfera’s operations and profitability compared to the business plan. The estimate for the put option liability has been made based on assumptions about the timing of the option exercise and about the fair value of Xfera at that date and the provision may

vary as a result of changes in Xfera’s estimated fair value and the timing of the option exercise.

For Azertel, the parent company of the mobile operator Azercell Telekom B.M. (Azercell) in Azerbaijan, the closing balance comprises SEK 5,174 million for a put option granted in 2008 in conjunction with the privatization of Azercell, now wholly-owned by Azertel. Should a deadlock regarding material decisions at the general assembly arise, the resolution supported by TeliaSonera will apply. In such circumstances, the put option gives the largest holder of non-controlling interests the right to sell its 42 percent holding in Azertel to TeliaSonera. The exercise price is equal to the fair value at the time of exercise and is to be determined by independent appraisal. The provision represents the present value of management’s best estimate of the amount required to settle the liability. The estimate of Azertel’s fair value has been made based on the Azercell 10-year business plan with a post-tax discount rate (WACC) of 15.0 percent and a terminal growth rate of free cash flow of 6.0 percent. The provision may vary as a result of changes in Azertel’s estimated fair value and the timing of the option exercise.

For Uzbek Holding, the parent company of the mobile operator OOO Coscom in Uzbekistan, the closing balance comprises SEK 495 million for a put option originally granted in 2007 in conjunction with the acquisition of a 3G license, frequencies and number blocks in Uzbekistan in exchange for cash and a 26 percent interest in Uzbek Holding. The put option gave the existing holder of the non-controlling interest the right to sell its 26 percent interest in Uzbek Holding to TeliaSonera. On February 2, 2010, TeliaSonera acquired 20 percent of the shares in Uzbek Holding resulting in a total holding of 94 percent. Following this transaction, the terms of the put option were amended. The put option refers to 6 percent of the shares and is exercisable after February 15, 2013. The exercise price is equal to the higher of either a fixed amount or the fair value at the time of exercise as determined by independent appraisal. The provision represents the present value of management's best estimate of the amount required to settle the liability. The estimate has been made based on

assumptions about the timing of the option exercise and about the fair value of Uzbek Holding at that date, using the Coscom 10-year business plan with a post-tax discount rate (WACC) of 18.8 percent and a terminal growth rate of free cash flow of 7.2 percent. The provision may vary as a result of changes in Uzbek Holding's estimated fair value and the timing of the option exercise.

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

Restructuring provisions

Changes in restructuring provisions were as follows.

	December 31, 2011 or January–December 2011			
SEK in millions	OPEX savings programs	Danish operations	International carrier operations	Total
Carrying value, opening balance	451	16	55	522
Provisions for the period	958	–	–	958
Utilized provisions (cash outflow)	-672	-4	-18	-694
Reversals of provisions	–	–	-28	-28
Reclassification to pension liability	-220	–	–	-220
Timing and interest-rate effects	–	–	1	1
Exchange rate differences	-1	–	–	-1
Carrying value, closing balance	516	12	10	538
<i>of which current portion</i>	<i>422</i>	<i>4</i>	<i>–</i>	<i>426</i>
Cash outflow during the year	-672	-4	-18	-694
Cash outflow in prior years	-3,301	-801	-2,677	-6,779
Total cash outflow	-3,973	-805	-2,695	-7,473

The restructuring provisions represent the present value of management's best estimate of the amounts required to settle the liabilities. The estimates may vary as a result of changes in the actual number of months an employee is staying in redeployment before leaving and in the actual outcome of negotiations with lessors, sub-contractors and other external counterparts as well as the timing of such changes.

OPEX savings programs within business areas Mobility Services and Broadband Services

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

Danish operations within business areas Mobility Services and Broadband Services

Several restructuring measures have been taken in relation to TeliaSonera's Danish operations: in 2002 in connection with focusing the Danish fixed network operations; in 2004 in connection with the acquisition of Orange Denmark to realize synergy gains from the acquisition; in 2005 in connection

with integrating the mobile operations and the fixed network operations; and in 2006 in connection with further efficiency measures. The remaining provision as of December 31, 2011 mainly relates to the phase-out of long-term lease contracts and is expected to be fully utilized by 2016.

International carrier operations within business area Broadband Services

In 2002, TeliaSonera decided to change the strategic focus of Telia International Carrier and significantly restructure its operations. As part of the restructuring program, management decided to close down the 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. The sales, administration and customer care resources were also centralized and the workforce was reduced by more than 50 percent, mainly in 2002 and 2003. Further, 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, 2011 mainly relates to the phase-out of long-term lease contracts and is expected to be fully utilized by 2020.

Asset retirement obligations, Warranty provisions, Other provisions

Asset retirement obligations mainly refer to handling hazardous waste such as worn-out telephone poles impregnated with creosote or arsenic and to dismantling and restoration of mobile and fixed network sites. Remaining provisions as of December 31, 2011 are expected to be fully utilized in the period 2019-2060, depending on factors such as any contractual renewal options for site leases and dismantling plans decided by management.

Warranty provisions mainly comprise estimated future expenses for warranties related to products and services sold. Full utilization of these provisions is expected in the period 2012-2013.

Other provisions include provisions for damages and court cases, for payroll taxes on future pension payments and for onerous and other loss-making contracts, and insurance provisions as well as estimated expenses related to fulfilling representations made and warranties given and to potential litigation, etc. in connection with disposals and winding-up of group entities, associated companies and other equity holdings. Full utilization of these provisions is expected in the period 2012-2024. This item included a guarantee commitment on behalf of the minority held Ipse 2000 S.p.A., referring to Ipse's remaining obligations in Italy and for which TeliaSonera also gave cash collateral (see Note C30 "Contingencies, Other Contractual Obligations and Litigation"). The provision was reversed in 2011.

The provisions represent the present value of management's best estimate of the amounts required to settle the liabilities. The estimates may vary mostly as a result of changes in tax and other legislation, in the actual outcome of negotiations with counterparts and in actual customer behavior as well as the timing of such changes.

C24. Other Long-term Liabilities

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

SEK in millions	Dec 31, 2011	Dec 31, 2010
Danish license fee liabilities at amortized cost	206	239
Other liabilities at amortized cost	4	39
Liabilities at amortized cost (see Categories – Note C26)	210	278
Prepaid operating lease agreements	422	464
Other liabilities	777	851
Total other long-term liabilities	1,409	1,593

For Liabilities at amortized cost, the carrying value approximates fair value as the impact of discounting using market interest rates at the end of the reporting period was insignificant. Refer to Note C26 "Financial Assets and Liabilities by Category and Level" for more information on financial instruments classified by category and to Note C27 "Financial Risk Management" on management of liquidity risk.

As of December 31, 2011, contractual undiscounted cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity	Later years					Total	Carrying value
SEK in millions	2013	2014	2015	2016	years		
Liabilities at amortized cost	41	41	41	41	83	247	210

For information on leases, see Note C28 "Leasing Agreements." Other liabilities mainly comprise customer advances for broadband build-out. Further included was deferred "day 1 gains" which changed as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Opening balance	465	418
Additional gains	124	127
Recognized in net income	-18	-19
Exchange rate differences	-4	-61
Closing balance	567	465
<i>of which current portion</i>	<i>363</i>	<i>259</i>

C25. Trade Payables and Other Current Liabilities

Trade payables and other current liabilities were distributed as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Currency swaps, forward exchange contracts and currency options held-for-trading	577	1,048
Subtotal (see Fair value hierarchy levels – Note C26)	577	1,048
Accounts payable at amortized cost	8,904	8,573
Current liabilities at amortized cost	2,202	3,398
Subtotal (see Categories – Note C26)	11,683	13,019
Other current liabilities	6,943	6,874
Deferred income	4,765	4,993
Total trade payables and other current liabilities	23,391	24,886

For Accounts payable and Current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. Refer to Note C26 "Financial Assets and Liabilities by Category and Level" for more information on financial instruments classified by category/fair value hierarchy level and to Note C27 "Financial Risk Management" on management of liquidity risk. As of December 31, 2011, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity	Jan–Mar 2012	Apr–Jun 2012	Jul–Sep 2012	Oct–Dec 2012	Total
Liabilities at amortized cost	9,989	887	178	52	11,106

Corresponding information for currency derivatives held-for-trading are presented in section "Liquidity risk management" to Note C27 "Financial Risk Management."

The main components of Current liabilities are accrued payables to suppliers and accrued interconnect and roaming charges, while Other current liabilities mainly entail value-added tax, advances from customers and accruals of payroll expenses and social security contributions. Deferred income chiefly relate to subscription and other telecom charges. Included is also the current portion of deferred "day 1 gains" (refer to Note C24 "Other Long-term Liabilities").

C26. Financial Assets and Liabilities by Category and Level

Categories

Carrying values of classes of financial assets and liabilities were distributed by category as follows. Excluded are financial instruments which are discussed in Note C15 "Investments in Associated Companies and Joint Ventures," Note C22 "Provisions for Pensions and Employment Contracts" and Note C28 "Leasing Agreements," respectively.

SEK in millions	Note	Dec 31, 2011	Dec 31, 2010
Financial assets			
Derivatives designated as hedging instruments	C16, C19	1,742	1,288
Financial assets at fair value through profit and loss		643	724
<i>of which derivatives not designated as hedging instruments</i>	C16, C18, C19	591	674
<i>of which held-for-trading investments</i>	C16	52	50
Held-to-maturity investments	C16, C19	168	193
Loans and receivables	C16, C18, C19	36,045	36,795
Available-for-sale financial assets	C16	206	203
Total financial assets by category		38,804	39,203
Financial liabilities			
Derivatives designated as hedging instruments	C21	426	263
Derivatives not designated as hedging instruments	C21, C25	2,240	2,516
Borrowings in fair value hedge relationships	C21	17,896	9,806
Borrowings hedging net investments	C21	38,427	26,731
Financial liabilities measured at amortized cost	C21, C23, C24, C25	32,671	39,319
Total financial liabilities by category		91,660	78,635

Fair value hierarchy levels

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

SEK in millions	Note	December 31, 2011			December 31, 2010				
		Carrying value	of which		Carrying value	of which			
			Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Financial assets at fair value									
Equity instruments available-for-sale	C16	202	2	–	200	199	2	–	197
Equity instruments held-for-trading	C16	52	–	–	52	50	–	–	50
Convertible bonds available-for-sale	C16	4	–	–	4	4	–	–	4
Derivatives designated as hedging instruments	C16, C19	1,742	–	1,742	–	1,288	–	1,288	–
Derivatives held-for-trading	C16, C18, C19	591	–	591	–	674	–	674	–
Total financial assets at fair value by level		2,591	2	2,333	256	2,215	2	1,962	251
Financial liabilities at fair value									
Borrowings in fair value hedge relationships	C21	17,896	–	17,896	–	9,806	–	9,806	–
Derivatives designated as hedging instruments	C21	426	–	426	–	263	–	263	–
Derivatives held-for-trading	C21, C25	2,240	–	2,240	–	2,516	–	2,516	–
Total financial liabilities at fair value by level		20,562	–	20,562	–	12,585	–	12,585	–

There were no transfers between Level 1 and 2 in 2011 and 2010.

Level 3 financial assets changed as follows.

SEK in millions	December 31, 2011				December 31, 2010			
	Equity instruments available-for-sale	Equity instruments held-for-trading	Convertible bonds available-for-sale	Total	Equity instruments available-for-sale	Equity instruments held-for-trading	Convertible bonds available-for-sale	Total
Level 3, opening balance	197	50	4	251	209	57	4	270
Changes in fair value	–	-10	–	-10	–	-5	–	-5
<i>of which recognized in net income</i>	–	-10	–	-10	–	-5	–	-5
<i>of which related to assets held at reporting period-end</i>	–	-10	–	-10	–	-5	–	-5
Purchases/capital contributions	–	13	–	13	–	5	–	5
Exchange rate differences	3	-1	–	2	-12	-7	–	-19
Level 3, closing balance	200	52	4	256	197	50	4	251

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

C27. Financial Risk Management

Principles of financing and financial risk management

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

Group Treasury is responsible for Group-wide financial risk management including netting and pooling of capital requirements and payment flows. Group Treasury also seeks to optimize the cost of financial risk management, which in certain cases may mean that e.g. an intercompany transaction is not replicated with an identical transaction outside the Group or that derivative transactions are initiated in order to adjust e.g. the overall interest rate duration of the debt portfolio, e.g. through overlay-swaps, if deemed appropriate. This means that situations may arise in which certain derivative transactions with parties outside the Group do not fully satisfy the requirements for hedge accounting, and thus any shift in market value will affect the financial net.

Regarding foreign currency transaction exposure, Group Treasury has a clearly defined deviation mandate which is capped at the equivalent of a nominal SEK +/-500 million, expressed as the long/short SEK counter-value amount that may be exposed to currency fluctuations.

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

Capital management

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

The ordinary dividend shall be at least 50 percent of net income attributable to owners of the parent company. In addition, excess capital shall be returned to shareholders, after the Board of Directors has taken into consideration the company's cash at hand, cash flow projections and investment plans in a medium term perspective, as well as capital market conditions.

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

Credit risk management

TeliaSonera's exposure to credit risk arises from default of counterparties (including price risks as regards investments in equity instruments), with a maximum exposure equal to the carrying amount of these instruments (detailed in the respective note), as follows.

SEK in millions	Note	Dec 31, 2011	Dec 31, 2010
Other non-current assets	C16	8,186	5,991
Trade and other receivables	C18	17,473	16,542
Interest-bearing receivables	C19	1,533	2,477
Cash and cash equivalents	C19	12,600	15,344
Total		39,792	40,354

When entering into financial transactions such as interest rate swaps, cross currency swaps and other transactions in derivatives, TeliaSonera AB accepts only creditworthy coun-

terparts with a solid investment grade rating. TeliaSonera AB requires each counterparty to have an approved rating and an International Swaps and Derivatives Association, Inc. (ISDA) agreement. The permitted exposure to each counterparty when entering into a financial transaction depends on the rating of that counterparty. As of the end of the reporting period, the aggregate exposure to counterparties in derivatives was distributed by counterparty long-term rating with Standard & Poor's as follows. In line with recommendations issued by the Basel Committee on Banking Supervision, exposures are calculated as the net claim on each counterparty with an add-on amount intended to give a margin for a potential future exposure.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Counterparty rating AA-	238	355
Counterparty rating A+	584	433
Counterparty rating A	1,195	402
Counterparty rating BBB+	36	-
Total exposure to counterparties in derivatives	2,053	1,190

The credit risk with respect to TeliaSonera's trade receivables is diversified geographically and among a large number of customers, private individuals as well as companies in various industries. Solvency information is required for credit sales to minimize the risk of bad debt losses and is based on group-internal information on payment behavior, if necessary supplemented by credit and business information from external sources. Bad debt expense in relation to consolidated net sales was approximately 0.5 percent in 2011 and 0.5 percent in 2010.

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

Liquidity risk management

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

As of December 31, 2011 and 2010, the surplus liquidity (short-term investments and cash and bank) amounted to SEK 12,678 million and SEK 16,396 million, respectively. TeliaSonera AB's surplus liquidity is typically deposited in banks or invested in short-term interest-bearing instruments with good credit ratings. As of December 31, 2011, TeliaSonera AB's had no short-term investments in interest-bearing securities with maturities exceeding 3 months, while such investments had a counter value of SEK 900 million as of December 31, 2010. The average yield on bank deposits and short-term investments at the end of the reporting period was 1.2 percent in 2011 and 1.5 percent in 2010.

In addition to available cash, TeliaSonera has committed bank credit facilities and overdraft facilities, intended for short-term financing and back-up purposes, as follows.

In millions of the respective currency						Dec 31, 2011	Dec 31, 2010
Group entity	Type	Characteristics	Final maturity	Currency	Limit	Limit	
TeliaSonera AB	Revolving credit facility	Committed, syndicated	December 2017	EUR	1,000	1,000	
TeliaSonera AB	Revolving credit facility	Committed, syndicated	September 2013	EUR	665	–	
TeliaSonera AB	Revolving credit facility	Committed, bilateral	April 2013	SEK	1,400	1,400	
TeliaSonera AB and subsidiaries	Bank overdraft and short-term credit facilities	Committed, bilateral	–	SEK (various)	1,658	1,520	

As of December 31, 2011 and 2010, SEK 246 million and SEK 71 million, respectively, of the total facilities was utilized. In total, the available unutilized amount under committed bank credit facilities as well as overdraft and short-term credit facilities was SEK 17,705 million and SEK 11,851 million as of December 31, 2011 and 2010, respectively.

As of December 31, 2011, contractual undiscounted cash flows for the Group's interest-bearing borrowings and non-interest-bearing currency derivatives represented the following expected maturities, including installments and estimated

interest payments. Amounts in foreign currency have been converted into SEK using the exchange rate prevailing as of the end of the reporting period. Future interest payments, related to instruments with floating interest rates, have been estimated using forward rates. Where gross settlements are performed (cross currency interest rate swaps, currency swaps and forward exchange contracts), all amounts are reported on a gross basis. The balances due within 12 months equal their carrying values as the impact of discounting is insignificant.

Expected maturity SEK in millions	Jan–Mar 2012	Apr–Jun 2012	Jul–Sep 2012	Oct–Dec 2012	2013	2014	2015	2016	Later years	Total
Utilized bank overdraft facilities	124	122	–	–	–	–	–	–	–	246
Open-market financing program borrowings	829	5,180	4,150	1,659	8,261	10,781	10,408	4,587	45,068	90,923
Other borrowings	188	627	217	162	922	671	294	292	390	3,763
Finance lease agreements	2	2	2	2	13	10	10	9	45	95
Cross currency interest rate swaps and interest rate swaps										
Payables	550	5,804	494	1,026	7,127	3,782	11,656	5,032	3,341	38,812
Receivables	-631	-5,326	-296	-882	-6,881	-3,824	-11,330	-5,023	-3,587	-37,780
Currency swaps and forward exchange contracts										
Payables	54,669	8,751	2,950	168	29	6	–	–	–	66,573
Receivables	-54,680	-8,672	-2,912	-170	-30	-5	–	–	–	-66,469
Total, net	1,051	6,488	4,605	1,965	9,441	11,421	11,038	4,897	45,257	96,163

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

Currency risk management

Currency risk is the risk that fluctuations in foreign exchange rates will adversely affect the Group's results, financial position and/or cash flows. Currency risk can be divided into transaction exposure and conversion exposure.

Transaction exposure relates to net inflows or outflows of foreign currencies required by operations (exports and imports) and/or financing (interest and amortization). TeliaSonera's general policy is to hedge the majority of known operational transaction exposure up to 12 months into the future. This hedging is primarily initiated via forward exchange contracts and refers to invoiced cash flows. However, financial flows, such as loans and investments, are usually hedged until maturity, even if that is longer than 12 months. Financial flows longer than one year are hedged by normally using cross currency interest rate swaps, while shorter terms are hedged using currency swaps or forward exchange contracts. Currency options may also be used from time to time.

As of December 31, 2011, TeliaSonera's portfolio of cross currency interest rate swap contracts represented the following currencies and expected maturities. Amounts indicated represent carrying values.

Expected maturity SEK in millions	Jan-Mar 2012	Apr-Jun 2012	Jul-Sep 2012	Oct-Dec 2012	2013	2014	2015	2016	Later years	Total
Buy EUR	-	4,596	-	450	4,750	2,050	9,286	2,514	474	24,120
Buy JPY	-	-	-	-	-	-	-	-	1,328	1,328
Buy NOK	-	-	-	-	-	-	-	-	437	437
Buy foreign currencies total	-	4,596	-	450	4,750	2,050	9,286	2,514	2,239	25,885
Buy SEK	-	-	-	-	388	1,236	1,251	2,575	909	6,359
Buy total	-	4,596	-	450	5,138	3,286	10,537	5,089	3,148	32,244
Sell NOK	-	-1,018	-	-	-1,172	-2,417	-3,721	-5,073	-	-13,401
Sell EUR	-	-	-	-	-389	-	-	-	-867	-1,256
Sell foreign currencies total	-	-1,018	-	-	-1,561	-2,417	-3,721	-5,073	-867	-14,657
Sell SEK	-	-4,217	-	-466	-3,729	-939	-7,519	-	-2,172	-19,042
Sell total	-	-5,235	-	-466	-5,290	-3,356	-11,240	-5,073	-3,039	-33,699
Net position, cross currency interest rate swaps	-	-639	-	-16	-152	-70	-703	16	109	-1,455

As of December 31, 2011, the TeliaSonera Group's portfolio of currency swap contracts and forward exchange contracts hedging loans, investments, and operational transaction exposures represented the following currencies and expected maturities. Amounts indicated represent settlement values.

Expected maturity SEK in millions	Jan-Mar 2012	Apr-Jun 2012	Jul-Sep 2012	Oct-Dec 2012	2013	2014	Later years	Total
Buy EUR	21,367	7,731	2,905	-	-	-	-	32,003
Buy DKK	2,874	-	-	-	-	-	-	2,874
Buy USD	2,162	-	-	-	-	-	-	2,162
Buy NOK	1,421	-	-	-	-	-	-	1,421
Buy GBP	500	-	-	-	-	-	-	500
Buy other currencies	8	-	-	-	-	-	-	8
Buy foreign currencies total	28,332	7,731	2,905	-	-	-	-	38,968
Buy SEK	26,348	941	7	170	29	6	-	27,501
Buy total	54,680	8,672	2,912	170	29	6	-	66,469
Sell EUR	-11,759	-584	-1	-1	-4	-1	-	-12,350
Sell NOK	-11,236	-1	-2	-2	-7	-	-	-11,248
Sell USD	-8,480	-179	-	-2	-	-	-	-8,661
Sell LTL	-476	-163	-	-159	-	-	-	-798
Sell CZK	-146	-	-	-	-	-	-	-146
Sell LVL	-93	-	-	-	-	-	-	-93
Sell DKK	-52	-5	-4	-4	-18	-5	-	-88
Sell other currencies	-94	-	-	-	-	-	-	-94
Sell foreign currencies total	-32,336	-932	-7	-168	-29	-6	-	-33,478
Sell SEK	-22,333	-7,819	-2,943	-	-	-	-	-33,095
Sell total	-54,669	-8,751	-2,950	-168	-29	-6	-	-66,573
Net position, currency swaps and forward exchange contracts	11	-79	-38	2	0	0	-	-104

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

Currency	Dec 31, 2011		Dec 31, 2010	
	Amount in SEK million	Percent	Amount in SEK million	Percent
EUR	83,937	49.6	74,520	40.2
of which hedged through borrowings	29,992	17.7	20,905	11.3
of which hedged through derivatives	599	0.4	-	-
RUB	24,579	14.5	21,397	11.6
TRY	18,922	11.2	20,789	11.2
DKK	12,085	7.2	12,060	6.5
NOK	7,912	4.7	29,268	15.8
LTL	5,483	3.2	5,642	3.0
EEK	-	-	5,317	2.9
UZS	4,283	2.5	1,652	0.9
NPR	3,839	2.3	3,927	2.1
USD	-3,269	-1.9	-182	-0.1
AZN	3,114	1.8	2,531	1.4
KZT	2,597	1.5	2,396	1.3
LVL	2,288	1.4	2,319	1.2
GEL	1,409	0.8	1,293	0.7
TJS	735	0.4	679	0.4
GBP	689	0.4	659	0.4
Other currencies	647	0.4	844	0.5
Total	169,250	100.0	185,111	100.0

Transaction exposure sensitivity

In most cases, TeliaSonera customers are billed in their respective local currency. Receivables from and payables to other operators for international fixed-line traffic and roaming are normally settled net through clearing-houses. Hence, the operational need to net purchase foreign currency is primarily due to a deficit from such settlements and the limited import of equipment and supplies.

The negative impact on net income would be approximately SEK 340 million on a full-year basis, should the Swedish krona weaken by 10 percentage points against all other transaction currencies, assuming an operational transaction exposure equivalent to that in 2011, and provided that no hedging measures were taken and not including any potential impact

due to currency translation of other net income related items. Applying the same assumptions, the positive impact on net income would be approximately SEK 330 million on a full-year basis, should the Euro, the Danish krone, the Lithuanian litas and the Latvian lats weaken by 10 percentage points against the Swedish krona and all other transaction currencies.

Conversion exposure sensitivity

The positive impact on Group equity would be approximately SEK 13.9 billion if the Swedish krona weakened by 10 percentage points against all conversion exposure currencies, based on the exposure as of December 31, 2011 and including hedges but excluding any potential equity impact due to TeliaSonera's operational need to net purchase foreign currency or to currency translation of other net income related items. TeliaSonera's conversion exposure is expected to grow due to ongoing expansion of the international business operations.

Interest rate risk management

TeliaSonera's sources of funds are primarily equity attributable to owners of the parent, cash flows from operating activities, and borrowings. The interest-bearing borrowing exposes the Group to interest rate risk. Interest rate risk is the risk that a change in interest rates will negatively affect the Group's net interest expense and/or cash flows.

Average interest rates, including relevant hedges, on TeliaSonera AB's outstanding long-term and short-term borrowings as of the end of the reporting period was as follows.

Percent	Dec 31, 2011	Dec 31, 2010
Long-term borrowings	4.07	3.54
Short-term borrowings	3.14	4.21

As of December 31, 2011, approximately 46 percent of total borrowings, including relevant hedges, was subject to interest rate adjustment within one year.

TeliaSonera's financial policy provides guidelines for interest rates and the average maturity of borrowings. The Group aims at balancing the estimated running cost of borrowing and the risk of significant negative impact on earnings, should there be a sudden, major change in interest rates. The Group's policy is that the duration of interest of the debt portfolio should be from 6 months to 5 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, 2011, the TeliaSonera Group's portfolio of interest rate swap contracts and cross currency interest rate swap contracts represented the following interest types and expected maturities. Amounts indicated represent carrying values.

Expected maturity SEK in millions	Jan-Mar 2012	Apr-Jun 2012	Jul-Sep 2012	Oct-Dec 2012	2013	2014	2015	2016	Later years	Total
Interest received										
Fixed interest rate	-	5,611	-	-	1,550	6,048	12,821	5,089	5,725	36,844
Floating interest rate	-	3,595	1,005	449	4,830	705	6,864	1,294	4,268	23,010
Total received	-	9,206	1,005	449	6,380	6,753	19,685	6,383	9,993	59,854
Interest paid										
Fixed interest rate	-	-	-1,013	-	-925	-2,931	-	-1,408	-1,699	-7,976
Floating interest rate	-	-9,670	-	-466	-5,680	-3,771	-19,357	-5,073	-7,847	-51,864
Total paid	-	-9,670	-1,013	-466	-6,605	-6,702	-19,357	-6,481	-9,546	-59,840
Net position	-	-464	-8	-17	-225	51	328	-98	447	14

TeliaSonera AB has designated certain interest rate swaps as cash flow hedges to hedge against changes in the amount of future cash flows related to interest payments on existing liabilities (also including certain long-term borrowings hedging net investments, see Note C21 "Long-term and Short-term Borrowings"). Hedge ineffectiveness related to outstanding cash flow hedges was immaterial and recognized in net income. Net changes in fair value recognized in other comprehensive income are offset in a hedging reserve as a component of equity (see Note C12 "Other Comprehensive Income"). In 2011, no cash flow hedges were discontinued due to the original forecasted transactions not having occurred in the originally specified time period.

Interest rate risk sensitivity

As of December 31, 2011, TeliaSonera AB had interest-bearing debt of SEK 76.4 billion with duration of interest of approximately 4.0 years, including derivatives. The volume of loans exposed to changes in interest rates over the next 12-month period was at the same date approximately SEK 35 billion, assuming that existing loans maturing during the year are refinanced and after accounting for derivatives. The exact effect of a change in interest rates on the financial net stemming from this debt portfolio depends on the timing of maturity of the debt as well as reset dates for floating rate debt, and that the volume of loans may vary over time, thereby affecting the estimate. However, assuming that those loans were reset by January 1, 2012 at a one percentage point higher interest rate than the prevailing rate as per December 31, 2011, and remained at that new level during 12 months, the post-tax interest expense would increase by some SEK 260 million. Fair value of the loan portfolio would change by approximately SEK 3,300 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 2011.

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. As of December 31, 2011, TeliaSonera AB borrowings had an average time to maturity of approximately 5.6 years.

TeliaSonera AB enjoys a strong credit rating with the rating agencies Moody's and Standard & Poor's. In late December 2011, Moody's changed the outlook from stable to negative for its credit rating on TeliaSonera AB of A3 for long-term borrowings and P-2 for short-term borrowings. In January 2012, Standard & Poor's confirmed its assigned credit rating on TeliaSonera AB at A- for long-term borrowings and A-2 for short-term borrowings, with a stable outlook. 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 4 percent of the Group's total borrowing as of December 31, 2011. The open-market financing programs typically provide a cost-effective and flexible alternative to bank financing.

Pension obligation risk

As of December 31, 2011, the TeliaSonera Group had pension obligations which net present value amounted to SEK 22,942 million (see Note C22 "Provisions for Pensions and Employment Contracts"). To secure these obligations, the Group has pension funds, with plan assets of SEK 19,774 million based on market values as of December 31, 2011. The pension funds' assets are used as prime funding source for the pension obligations, and consisted of approximately 51 percent fixed income instruments and approximately 49 percent shares and other investments at year-end 2011. The expected average net return on the pension funds' plan assets is 4.6 percent annually. The portion of the pension obligations not covered by plan assets is recognized in the statement of financial position, adjusted for unrecognized actuarial gains and losses, and unrecognized past service cost.

In 2011, accumulated actuarial losses increased from SEK 645 million to SEK 3,132 million, primarily driven by a lower discount rate increasing the present value of pension obligations. In addition, the actual net return on plan assets was 0.5 percent, 4.4 percentage points lower than the expected return.

As of December 31, 2011, the strategic asset allocation decided by the board of the Swedish pension fund, which represents approximately 85 percent of total plan assets, was 45 percent fixed income, 40 percent equities and 15 percent other investments. Other investments include primarily hedge funds and private equity. Out of the fixed income holdings, domestic government bonds represent 10 percentage points, domestic covered mortgage bonds 15 percentage points, and global credit bonds and emerging market bonds 20 percentage points. Out of the equity holdings, domestic equities represent 5 percentage points and global equities 35 percentage points. The actual allocation may fluctuate from the strategic allocation in a range of +35/-15 percentage points for fixed income and in a range of +10/-20 percentage points for equities. All assets in the Swedish pension fund are managed by appointed external managers with specialist mandates.

Pension obligation risk sensitivity

The approximate impact on the pension obligations is SEK 3.8 billion, should the weighted average discount rate decrease by one percentage point from the 4.0 percent which is currently used. Such an increase in the obligations, were interest rates to fall, should be partly offset by a positive impact from the fixed income assets in the pension funds. Based on the existing asset structure and the duration of the pension funds' fixed income portfolios as of December 31, 2011, and assuming that the value of the other assets in the pension funds were unchanged, a similar reduction in interest rates is estimated to increase the value of the pension funds' assets by some SEK 0.8 billion.

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

Management of insurable risks

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

C28. Leasing Agreements

TeliaSonera as lessee

Finance leases

The Group's finance leases concerns computers and other IT equipment, production vehicles, company cars to employees, and other vehicles. There is no subleasing.

The carrying value of the leased assets as of the end of the reporting period was as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Cost	169	194
Less accumulated depreciation and impairment losses	-110	-121
Net carrying value of finance lease agreements	59	73

In 2011 and 2010, depreciation and impairment losses totaled SEK 32 million and SEK 27 million, respectively. Leasing fees paid in these years totaled SEK 22 million and SEK 29 million, respectively.

As of the end of the reporting period, the present value of future minimum leasing fees under non-cancelable finance lease agreements was as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Total future minimum leasing fees	95	121
Less interest charges	-16	-19
Present value of future minimum leasing fees	79	102

As of December 31, 2011, future minimum leasing fees and their present values as per finance lease agreements that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan-Mar 2012	Apr-Jun 2012	Jul-Sep 2012	Oct-Dec 2012	2013	2014	2015	2016	Later years	Total
Future minimum leasing fees	2	2	2	2	13	10	10	9	45	95
Present value of future minimum lease payments	2	2	2	2	12	9	9	7	34	79

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, 2011 that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan-Mar 2012	Apr-Jun 2012	Jul-Sep 2012	Oct-Dec 2012	2013	2014	2015	2016	Later years	Total
Future minimum leasing fees	514	499	501	550	1,531	1,359	1,174	1,082	1,629	8,839
Minimum sublease payments	2	2	2	3	4	1	-	-	-	14

In 2011 and 2010, total rent and leasing fees paid were SEK 2,061 million and SEK 2,243 million, respectively. In these years, revenue for subleased items totaled SEK 10 million and SEK 12 million, respectively.

At the end of 2011, office space and technical site leases covered approximately 735,000 square meters, including approximately 5,700 square meters of office space for TeliaSonera's principal executive offices, located at Stureplan 8 in Stockholm, Sweden. Apart from certain short-term leases, leasing terms range between 1 year and 50 years with an average term of approximately 7 years. All leases have been entered into on conventional commercial terms. Certain contracts include renewal options for various periods of time.

TeliaSonera as lessor

Finance leases

The leasing portfolio of TeliaSonera's customer financing operations in Sweden, Finland, Norway, Denmark and Estonia comprises financing related to TeliaSonera's product offerings. The term of the contract stock is approximately 12 quarters. The term of new contracts signed in 2011 was 12

quarters. Of all contracts, 59 percent carry a fixed interest rate and 41 percent a floating interest rate. Most contracts include renewal options. In Finland, TeliaSonera also under a finance lease agreement provides electricity meters with SIM cards for automated reading to a power company as part of TeliaSonera's service package. The term of the agreement is 15 years and it carries a fixed interest rate.

As of the end of the reporting period, the present value of future minimum lease payment receivables under non-cancelable finance lease agreements was as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Minimum lease payments receivable	1,133	1,322
Unguaranteed residual values accruing to the benefit of the lessor	-6	-4
Gross investment in finance lease contracts	1,127	1,318
Unearned finance income	-140	-167
Present value of future minimum lease payments receivable (net investment in finance lease contracts)	987	1,151

As of December 31, 2011, the gross investment and present value of receivables relating to future minimum lease payments under non-cancelable finance lease agreements were distributed as follows.

Expected maturity SEK in millions	Jan-Mar 2012	Apr-Jun 2012	Jul-Sep 2012	Oct-Dec 2012	2013	2014	2015	2016	Later years	Total
Gross investment	92	91	91	90	246	155	68	51	243	1,127
Present value of future minimum lease payments receivable	80	79	79	79	220	142	60	44	204	987

As of December 31, 2011 and 2010, the accumulated allowance for uncollectible minimum lease payments receivable totaled SEK 17 million and SEK 6 million, respectively. Credit losses on leasing receivables are reduced by gains from the sale of equipment returned.

Operating leases

The leasing portfolio refers mainly to the international carrier business and includes 19 agreements with other international operators and 77 other contracts. Contract periods range between 10 and 25 years, with an average term of 20 years. In addition, 328 operating lease agreements are related to TeliaSonera's product offerings to end-customers in Sweden and Finland. Contract periods range between 3 and 5 years, with an average term of approximately 3 years.

Future minimum lease payment receivables under operating lease agreements in effect as of December 31, 2011 that could not be canceled in advance and were in excess of one year were as follows:

Expected maturity SEK in millions	Jan-Mar 2012	Apr-Jun 2012	Jul-Sep 2012	Oct-Dec 2012	2013	2014	2015	2016	Later years	Total
Future minimum lease payment receivables	68	68	68	68	192	104	30	5	2	605

C29. Related Party Transactions

The Swedish State and the Finnish State

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

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

The Swedish telecommunications market is governed mainly by the Electronic Communications Act and ordinances, regulations and decisions in accordance with the Act. Notified operators are required to pay a fee to finance measures to prevent serious threats and disruptions to electronic communications during peacetime. The required fee from TeliaSonera was SEK 45 million in 2011 and SEK 46 million in 2010. 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 44 million in 2011 and SEK 44 million in 2010.

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 2011 and 2010, TeliaSonera paid EUR 2.5 million and EUR 2.4 million, respectively, for the use of radio frequencies and EUR 0.8 million and EUR 0.8 million, respectively, for the use of numbers. In 2011 and 2010, TeliaSonera paid EUR 0.2 million and EUR 0.2 million, respectively, for data privacy supervision and EUR 1.0 million and EUR 1.0 million, respectively, as communications market fee, i.e. a general fee paid for the regulatory activities of the Finnish Communications Regulatory Authority (FICORA).

The carrying value of the leased assets as of the end of the reporting period was as follows:

SEK in millions	Dec 31, 2011	Dec 31, 2010
Cost	4,034	4,093
Less accumulated depreciation and impairment losses	-2,421	-2,483
Gross carrying value	1,613	1,610
Plus prepaid sales costs	0	0
Less prepaid lease payments	-435	-520
Net value of operating lease agreements	1,178	1,090

Depreciation and impairment losses totaled SEK 267 million in 2011 and SEK 295 million in 2010.

Associated companies and joint ventures

TeliaSonera sells and buys services and products to and from associated companies and joint ventures. These transactions are based on commercial terms. Sales to as well as purchases from these companies mainly related to Svenska UMTS-nät AB in Sweden and comprised 3G capacity and network construction services bought and sold.

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

SEK in millions	January-December or December 31,	
	2011	2010
Sales of goods and services		
Svenska UMTS-nät AB (joint venture)	254	257
OAO MegaFon	62	244
Other	26	54
Total sales of goods and services	342	555
Purchases of goods and services		
Svenska UMTS-nät AB (joint venture)	578	727
Other	49	147
Total purchases of goods and services	627	874
Total trade and other receivables	71	42
Loans receivable		
Svenska UMTS-nät AB (joint venture)	1,680	200
Other	35	-
Total loans receivable	1,715	200
Total trade and other payables	136	154

Pension and personnel funds

As of December 31, 2011, TeliaSonera's pension funds held 1,800,594 shares in TeliaSonera AB, or 0.04 percent of the voting rights. For information on transactions and balances, see Note C22 "Provisions for Pensions and Employment Contracts."

As of the same date, TeliaSonera Finland Oyj's Personnel Fund held 515,020 shares in TeliaSonera AB, or 0.01 percent of the voting rights. The fund manages a profit-sharing arrangement for TeliaSonera's Finnish subsidiaries and, under its charter, 30 percent of each year's profit-sharing payment received should be invested in TeliaSonera shares. For information on costs related to the profit-sharing arrangement, see Note C32 "Human Resources."

Commitments

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

C30. Contingencies, Other Contractual Obligations and Litigation

Contingent assets and financial guarantees

As of the end of the reporting period, TeliaSonera had no contingent assets, while financial guarantees reported as contingent liabilities were distributed as follows.

Key management

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

SEK in millions	Dec 31, 2011	Dec 31, 2010
Credit guarantee on behalf of Svenska UMTS-nät AB	–	1,375
Other credit and performance guarantees, etc.	32	16
Subtotal (see Liquidity risk – Note C27)	32	1,391
Guarantees for pension obligations	273	253
Total financial guarantees	305	1,644

As of December 31, 2011, credit and performance guarantees represented the following expected maturities.

Expected maturity SEK in millions	Jan–Sep 2012	Oct–Dec 2012	2013	2014	2015– 2016	Later years	Total
Credit and performance guarantees	–	21	0	2	–	9	32

Some loan covenants agreed limit the scope for divesting or pledging certain assets. Some of TeliaSonera AB's more recent bond issuances include change-of-control provisions which under certain conditions allow the lenders to call back the bond before scheduled maturity. Conditions stipulated include a new owner taking control of TeliaSonera AB, inter alia also resulting in a lowering of TeliaSonera AB's official credit rating to a "non-investment grade" level.

For all financial guarantees issued, stated amounts equal the maximum potential future payments that TeliaSonera could be required to make under the respective guarantee.

As security for certain amounts borrowed by TeliaSonera's 50 percent owned joint venture Svenska UMTS-nät AB under a third-party credit facility, TeliaSonera and Tele2, the other shareholder of Svenska UMTS-nät, had each issued credit guarantees to the lenders and granted pledges of their shares in Svenska UMTS-nät. As of July 28, 2011, the credit facility was canceled and most of the funding of Svenska UMTS-nät is managed by lending from the shareholders, each providing 50 percent of the funding (see Note C29 "Related Party Transactions").

Collateral pledged

As of the end of the reporting period, collateral pledged was distributed as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
<i>For long-term borrowings:</i> Shares in Svenska UMTS-nät AB	–	621
<i>For pension obligations:</i> Real estate mortgages	9	19
<i>For pension obligations:</i> Current receivables	35	37
<i>For other provisions:</i> Blocked funds in bank accounts	10	82
<i>For other provisions:</i> Bonds and short-term investments	106	100
<i>For operating leases:</i> Real estate mortgages	2	2
<i>For operating leases:</i> Blocked funds in bank accounts	75	1
<i>For deposits from customers:</i> Blocked funds in bank accounts	20	43
<i>For commitments under a shareholders' agreement:</i> Shares in 4T Sverige AB	2	–
Total collateral pledged	259	905

Under an agreement, all shareholders of 4T Sverige AB have mutually pledged their shares in favor of the other shareholders. In 2010, blocked funds for other provisions included TeliaSonera's part of a cash collateral given for Ipse 2000 S.p.A.'s remaining obligations in Italy. The cash collateral was released in 2011 (see also Note C23 "Other Provisions").

Other unrecognized contractual obligations

As of December 31, 2011, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected investment period SEK in millions	Jan–Mar 2012	Apr–Jun 2012	Jul–Sep 2012	Oct–Dec 2012	2013	2014	2015	2016	Later years	Total
Intangible assets	15	4	3	6	3	3	4	4	–	42
Property, plant and equipment	351	221	7	64	–	–	–	–	–	643
Total (see Liquidity risk – Note C27)	366	225	10	70	3	3	4	4	–	685

Most of the obligations with respect to property, plant and equipment refer to contracted build-out of TeliaSonera's fixed networks in Sweden.

TeliaSonera's Spanish subsidiary Xfera Móviles S.A. (Yoigo) also pays an annual spectrum fee during the term of its 3G license expiring in 2020. The fee is determined on an annual basis by the Spanish government authorities and for 2012 is set to SEK 308 million (EUR 34 million).

As of December 31, 2011, TOO GSM Kazakhstan (Kcell) in Kazakhstan was owned by Fintur Holdings B.V. (51 percent) and Kazakhtelecom (49 percent). Fintur is owned by TeliaSonera (58.55 percent) and Turkcell (41.45 percent), resulting in an effective ownership in Kcell by TeliaSonera of 37.9 percent. On December 22, 2011, TeliaSonera signed an agreement with Kazakhtelecom to acquire its 49 percent of the shares in Kcell, with an expected closing during the first quarter of 2012. TeliaSonera also agreed, subject to certain conditions, to sell 25 percent of the shares minus one share in Kcell in an Initial Public Offering (IPO), expected to be completed during 2012. Depending on the share price development after the IPO, TeliaSonera may have to make an additional payment to Kazakhtelecom. Once both steps of the transaction have been completed, TeliaSonera's effective ownership in Kcell will be 61.9 percent. The acquisition is expected to positively affect earnings per share. The first step of the transaction, which was subject to several conditions, including approval by the regulator, closed on February 1, 2012 and the purchase price of USD 1,519 million was paid on the same day, resulting in a decrease of retained earnings in shareholders' equity and non-controlling interests in equity and an increase in net debt. The Kcell dividend decided for 2011 will be distributed during 2012 according to the shareholder structure before the transaction.

Legal and administrative proceedings

In its normal course of business, TeliaSonera is involved in a number of legal proceedings. These proceedings primarily involve claims arising out of commercial law issues and matters relating to telecommunications regulations and competition law. In particular, TeliaSonera is involved in numerous proceedings related to interconnect fees, which affects future revenues. Except for the proceedings described below, TeliaSonera or its subsidiaries are not involved in any legal, arbitration or regulatory proceedings which management believes could have a material adverse effect on TeliaSonera's business, financial condition or results of operations.

During the second half of 2001, a number of operators filed complaints against TeliaSonera with the Swedish Competition Authority and the Authority initiated an investigation regarding TeliaSonera's pricing of ADSL services. The complaints suggest that the difference between TeliaSonera's wholesale prices and retail prices is too low to effectively enable competition in the retail market. In December 2004, the Competition Authority sued TeliaSonera at the Stockholm District Court claiming that TeliaSonera had abused its dominant position. The Authority demands a fee of SEK 144 million. In December 2011, the Stockholm District Court decided in accordance with the Competition Authority's demands. TeliaSonera's position is that it has not engaged in any prohibited pricing activities and has appealed the District Court's decision. Following the Competition Authority's lawsuit, Tele2 has in April 2005 and Spray Network in June 2006, respectively, claimed substantial damages from TeliaSonera due to the alleged abuse of

dominant market position. TeliaSonera will vigorously contest Tele2's and Spray Network's claims. The actions for damages have been stayed pending the case between TeliaSonera and the Competition Authority.

TeliaSonera is currently involved in court cases with Primav Construcões e Comercio, former shareholder of the Brazilian mobile operator Tess, relating to such shareholder's disposal of its investment in Tess as well as certain call options and subscription rights in Tess. Whilst TeliaSonera has sold its holding in Tess, it has entered into certain guarantees to compensate the buyer for certain losses in connection with the above-mentioned court cases. TeliaSonera will vigorously contest any claims in connection with the disputes. Even if TeliaSonera believes that losing the disputes is not probable, but given the anticipated duration of the court proceedings, TeliaSonera has recognized a provision for estimated future legal fees.

C31. Cash Flow Information

Cash flow from operating activities under the direct method presentation

SEK in millions	Jan-Dec 2011	Jan-Dec 2010
Cash receipts from customers	103,220	105,819
Cash paid to employees and suppliers	-69,600	-72,070
Cash flow generated from operations	33,620	33,749
Dividends received	496	1,721
Interest received	493	260
Interest paid	-2,587	-2,301
Income taxes paid	-4,999	-5,995
Cash flow from operating activities	27,023	27,434

Non-cash transactions

Asset retirement obligations (AROs)

In 2011 and 2010, obligations regarding future dismantling and restoration of technical sites entailed non-cash investments of SEK 323 million and SEK 527 million, respectively.

Building-infrastructure exchange transactions

TeliaSonera provides and installs infrastructure in buildings and as compensation is granted an exclusive right to deliver services for 5-10 years through this infrastructure. These activities entailed non-cash exchanges of SEK 296 million in 2011 and SEK 295 million in 2010.

2G/3G swap in the Danish mobile network

The contract between a new supplier and TeliaSonera includes an extension of the 3G roll-out and a swap with transfer of title to the new supplier of the previous supplier's existing 2G equipment, resulting in a non-cash barter transaction of SEK 40 million.

Business combinations, other acquisitions and divestitures

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

Acquisitions SEK in millions	Jan-Dec 2011	Jan-Dec 2010
Investing activities		
Goodwill and other intangible assets	-100	-75
Property, plant and equipment	-10	-
Financial assets, accounts receivable, inventories etc.	-3	-4
Cash and cash equivalents	-32	-0
Non-controlling interests	-0	-
Provisions	27	-
Non-current liabilities	-	4
Current liabilities	25	-
Total purchase consideration	-93	-75
Less cash and cash equivalents acquired	32	0
Contingent consideration paid for prior period acquisitions	-18	-1,956
Net cash outflow from business combinations	-79	-2,031
Purchase consideration for other acquisitions	-207	-1,151
Total cash outflow, investing activities	-286	-3,182
Financing activities		
Acquisitions of non-controlling interests	-9	-1,333
Total cash outflow, financing activities	-9	-1,333
Total cash outflow, acquisitions	-295	-4,515

In 2011, cash outflow from other acquisitions included SEK 191 million referring to the indirect acquisition of the stake in the associated company Nepal Satellite Telecom Pvt. Ltd. In 2010, cash outflow included contingent consideration related to OOO Coscom in Uzbekistan and Azercell Telekom B.M. in Azerbaijan, purchase consideration of SEK 815 million paid for additional shares in the associated company Turkcell Iletisim Hizmetleri A.S. in Turkey and the indirect acquisition of non-controlling interests in Ncell Pvt. Ltd in Nepal.

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

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

Divestitures SEK in millions	Jan-Dec 2011	Jan-Dec 2010
Investing activities		
Goodwill and other intangible assets	102	841
Property, plant and equipment	140	545
Financial assets, accounts receivable, inventories etc.	23	393
Cash and cash equivalents	0	120
Provisions	-21	-18
Non-current liabilities	-38	-
Current liabilities	-18	-355
Total sales consideration	188	1,526
Less cash and cash equivalents divested	-0	-120
Net cash inflow from subsidiaries divested	188	1,406
Sales consideration for other divestitures	670	278
Total cash inflow, investing activities	858	1,684
Total cash inflow, financing activities	-	-
Total cash inflow, divestitures	858	1,684

In 2011, cash inflow from subsidiaries divested was related to North Sea Communications AS in Norway and, in 2010, mainly to Telia Stofa A/S in Denmark. In 2011, sales consideration for other divestitures included SEK 577 million related to a compensation for meeting certain milestones in fulfilling the agreement with Altime signed in November 2009. In 2011 and 2010, sales consideration for other divestitures included SEK 87 million and SEK 152 million, respectively, for certain pre-emptive rights sold in connection with the privatization of Azercell Telekom B.M.

C32. Human Resources

Employees, salaries, and social security expenses

During 2011, the number of employees decreased by 533 to 28,412 at year-end from 28,945 at year-end 2010. Increases in some of the Eurasian operations due to ongoing high customer intake were offset by efficiency measures executed in the Nordic operations. The net addition from minor business combinations and divestitures in 2011 was 306 employees.

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

Country	Jan-Dec 2011		Jan-Dec 2010	
	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	8,372	54.5	8,937	54.4
Finland	4,497	61.1	4,686	60.9
Norway	1,183	70.7	1,219	65.5
Denmark	1,241	64.4	1,328	66.6
Lithuania	3,657	51.0	3,598	50.0
Latvia	913	48.4	893	47.1
Estonia	2,043	56.7	1,994	56.2
Spain	102	68.6	90	68.9
Kazakhstan	1,526	41.0	1,417	40.2
Azerbaijan	812	60.1	781	58.0
Uzbekistan	831	60.9	777	60.1
Tajikistan	327	67.0	349	59.6
Georgia	333	43.2	331	42.3
Moldova	353	46.5	345	46.1
Nepal	528	76.3	489	81.8
Cambodia	-	-	165	64.8
Russian Federation	50	58.0	57	66.7
United Kingdom	40	70.0	50	78.3
Other countries	191	71.7	191	71.2
Total	26,999	56.4	27,697	55.9

In total, operations were conducted in 30 countries in 2011 and 32 countries in 2010.

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	Dec 31, 2011		Dec 31, 2010	
	Boards of directors	Other Senior executives	Boards of directors	Other Senior executives
Women	31.1	32.7	30.7	39.2
Men	68.9	67.3	69.3	60.8
Total	100.0	100.0	100.0	100.0

Total salaries and other remuneration, along with social security expenses and other personnel expenses, were as follows.

SEK in millions	Jan-Dec 2011	Jan-Dec 2010
Salaries and other remuneration	9,974	10,405
Social security expenses		
Employer's social security contributions	1,819	1,900
Pension expenses	1,079	1,354
Total social security expenses	2,898	3,254
Capitalized work by employees	-800	-601
Other personnel expenses	556	627
Total personnel expenses recognized by nature	12,628	13,685

Salaries and other remuneration were divided between Senior executives and other employees as follows. Variable pay was expensed in the respective year, but disbursed in the following year.

SEK in millions	Jan–Dec 2011		Jan–Dec 2010	
	Senior executives (of which variable pay)	Other employees	Senior executives (of which variable pay)	Other employees
Salaries and other remuneration	175 (13)	9,799	172 (15)	10,233

Pension expenses for all Senior executives totaled SEK 33 million in 2011 and SEK 32 million in 2010.

In 2011 and 2010, employee profit-sharing costs in TeliaSonera's Finnish subsidiaries totaled SEK 44 million and SEK 102 million, respectively.

Performance share programs

The 2010 and 2011 Annual General Meetings of shareholders in TeliaSonera AB resolved to implement performance share programs (PSP), which shall comprise certain senior executives within the Group (however, the members of Group Management are excluded). Provided that certain performance conditions, consisting of financial targets linked to earnings per share (EPS) and total shareholder return (TSR), are met during a defined performance period, participants in the programs shall be given the opportunity to receive final allotments of TeliaSonera shares without consideration (performance shares). The financial targets include a minimum level which must be achieved in order for any allotments to occur at all, as well as a maximum level in excess of which no additional allotments will occur. Each program shall in total comprise no more than 1,560,000 TeliaSonera shares, corresponding to approximately 0.04 percent of the total number of outstanding shares. The final allotments of performance shares will be based 50 percent on EPS development for each of the three years of the performance period in relation to EPS for the preceding year, and 50 percent on TSR during the full performance period in relation to TSR in group of comparable telecom companies defined by the Board of Directors. Participation in the program requires that the participant has invested in or allocated already held TeliaSonera shares to the program corresponding to a value of 2 percent of the participant's annual base salary. The maximum financial outcome for a participant, and the maximum number of performance shares that may finally be allotted in a program, shall be capped at such number of performance shares which aggregate market value corresponds to 37.5 percent of each participant's base salary. Recalculation of final allotments of performance shares shall take place in the event of an intervening bonus issue, split, rights issue and/or other similar events.

The summarized performance share program activity for the years ended December 31, 2011 and 2010 was as follows.

Performance share program	2011/2014	2010/2013
Number of participants		
As of December 31, 2010	–	86
New participants	95	–
Terminated employments	–	–6
Participants as of December 31, 2011	95	80
Number of allotted shares		
As of December 31, 2010	–	–
Preliminary allotments	–	114, 131
Allotted shares as of December 31, 2011	–	114, 131

The estimated fair values at the date of allotment and the assumptions used when estimating the achievements of the performance conditions were as follows.

Performance share program	2011/2014	2010/2013
Fair value at the date of allotment (SEK in millions)	18	18
Assumptions used (percentages)		
Achievement of EPS-based performance condition	50	50
Achievement of TSR-based performance condition was based on		
Estimated volatility, TeliaSonera	29	31
Estimated volatility, peer group companies	24–41	25–40
Average reciprocal correlation between TeliaSonera and the peer group companies	45	45
Risk-free interest rate	2.7	1.8

The achievement of the TSR-based performance condition was estimated using a Monte Carlo simulation model.

The estimated fair value of each performance share program and related social security expenses are amortized to expense over the performance period. Total personnel expenses were as follows.

SEK in millions	Jan–Dec 2011	Jan–Dec 2010
Salaries and other remuneration	11	4
Social security expenses	2	1
Total personnel expenses, performance share programs	13	5

Remuneration to corporate officers

Board of Directors

As resolved by the 2011 Annual General Meeting of shareholders (AGM) in TeliaSonera AB, annual remuneration is paid to the members of the Board of Directors in the amount of SEK 1,100,000 to the chairman and SEK 450,000 to each of the other directors, elected by the AGM. In addition, annual remuneration is paid to the members of the Board's Audit Committee in the amount of SEK 150,000 to the chairman and SEK 100,000 to each of the other members. Additional annual remuneration is also paid to the members of the Board's Remuneration Committee in the amount of SEK 55,000 to the chairman and SEK 35,000 to each of the other members. No separate remuneration is paid to directors for other committee work. Directors appointed as employee representatives are not remunerated. There are no pension benefit arrangements for external directors.

Group Management

The 2011 Annual General Meeting decided to approve the following guidelines for remuneration to the executive management.

TeliaSonera's objective is to offer remuneration levels and other employment conditions required to attract, retain and motivate high caliber executives needed to maintain the success of the business. Remuneration should be built upon a total reward approach allowing for a market relevant – but not market leading – and cost effective executive remuneration based on the following compensation components: (1) base salary; (2) pension; and (3) other benefits. The base salary

should reflect the competence required in the position and the responsibility, complexity and the business contribution of the executive. The base salary should also reflect the performance of the executive and consequently be individual and differentiated. Pension and other retirement benefits should be based on the defined contribution method. The termination period may be up to 6 months when given by the executive and up to 12 months when given by the employer (in relation to the CEO 6 months). In case of termination given by the employer, the executive may be entitled to a severance payment of up to 12 months (in relation to the CEO 24 months). The severance payment shall not constitute a basis for calculation of vacation pay or pension benefits and shall be reduced should the executive be entitled to pay from a new employment or from conducting his own business during the period under which the severance is payable to the executive. The executive may be entitled to a company car benefit, health care provisions,

travel insurance etc. in accordance with local labor market practice. The Board of Directors is allowed to make minor deviations on an individual basis from the principles stated above.

Remuneration to the Chief Executive Officer (CEO), the Executive Vice President (EVP) and other members of Group Management consists of base salary, certain taxable benefits and pension benefits. As per December 31, 2011, TeliaSonera did not operate any share-related incentive program in relation to the CEO, the EVP and other members of Group Management. "Other members of the Group Management" refers to the 8 individuals who are directly reporting to the CEO and which, along with the CEO and the EVP, constituted the TeliaSonera Group Management on December 31, 2011.

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

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

SEK	Board remuneration/ Base salary ¹	Other remuneration ²	Other benefits ³	Pension expense ⁴	Total remuneration and benefits ⁵	Capital value of pension commitment
Board of Directors						
Anders Narvinger, Chairman	1,224,674	–	–	–	1,224,674	–
Timo Peltola, Vice-Chairman	474,467	–	–	–	474,467	–
Majja-Liisa Friman	593,422	–	–	–	593,422	–
Ingrid Jonasson Blank	428,765	–	–	–	428,765	–
Conny Karlsson	543,430	–	–	–	543,430	–
Lars Renström	474,467	–	–	–	474,467	–
Jon Risfelt	543,430	–	–	–	543,430	–
Per-Arne Sandström	489,137	–	–	–	489,137	–
Group Management						
Lars Nyberg, CEO	10,100,004	3,233,200	110,520	8,930,360	22,374,084	–
Per-Arne Blomquist, EVP	5,075,508	2,197,191	107,830	1,930,568	9,311,097	–
Other members of Group Management (8 individuals)	24,387,588	7,116,762	741,399	9,198,824	41,444,573	17,469,758
Former CEOs and EVPs (7 individuals)	–	–	–	–	–	175,340,112
Total	44,334,892	12,547,153	959,749	20,059,752	77,901,546	192,809,870

Comments on the table:

- Board remuneration includes remuneration for Audit Committee and Remuneration Committee work. Remuneration is paid monthly.
- In the absence of a short-term variable pay scheme all members of Group Management are compensated with an annual fixed amount of 30 percent of the base salary, which is included in Other remuneration. The compensation will be discontinued if and when a short-term variable pay scheme is introduced. In the absence of a long-term variable pay scheme, the EVP and one other member of Group Management are compensated with an annual fixed amount, which is also included in Other remuneration. The compensation will be discontinued if and when a long-term variable pay scheme is introduced.
- Other benefits refer to company car and a number of other taxable benefits.
- Pension expense refers to the expense that affected earnings for the year. See further disclosures concerning the terms and conditions of pension benefits below.
- Two members of Group Management have received board remuneration from associated companies. Such board remuneration is taken into account when comparing an individual's total remuneration against the market and when deciding on remuneration and other benefits.

Pension benefits

TeliaSonera operates both defined benefit executive schemes and defined contribution executive schemes. A defined benefit scheme provides a pension level which is pre-determined as a percentage of the pensionable salary at retirement. A defined contribution scheme provides a contribution to the pension scheme as a percentage of the pensionable salary. The level of pension benefits at retirement will be determined by the contributions paid and the return on investments and the costs associated to the plan. In July 2006, the defined benefit executive scheme was closed for new entrants in the Group and only defined contribution executive schemes are offered.

CEO and EVP

For the CEO, the pension plan provides a defined contribution arrangement which is two-fold. One part is providing base-salary related contributions of 4.5 percent of the salary up to 7.5 income base amounts and 30 percent of such salary above 7.5 income base amounts. The income base amount is determined annually by the Swedish Government and was SEK 52,100 for 2011. The second part is a fixed annual contribution of SEK 6,000,000. For the EVP, the contributions amount to 4.5 percent of the base salary up to 7.5 income base amounts and 30 percent of such salary above 7.5 income base amounts and an additional contribution of 10 percent

of the base salary. The contributions into the plan are vested immediately. The normal retirement age is 65, although the Company may request the CEO to enter into early retirement not earlier than from age 62 and the CEO may enter into early retirement on his own request not earlier than from age 62. Contributions to the pension scheme will cease at retirement or earlier if leaving the company for any other reason.

Other members of Group Management

Other members of Group Management have individual pension arrangements. All members are covered by defined contribution schemes similar to the ITP plan Section 1 providing contributions in the amount of 4.5 percent of the base salary up to 7.5 income base amounts and 30 percent of the base salary for the part exceeding 7.5 income base amounts. Three members have additional contributions of 20 percent of the base salary, one member has an additional contribution of 15 percent of the base salary and one member has an additional contribution of 14 percent of the base salary. All contributions to the schemes are vested immediately. The retirement age for other members of Group Management is 65.

Severance pay

Termination of the CEO's employment by the Company or by the CEO requires that notice is given by either party in writing 6 months before termination. Should a termination of employment be initiated by the Company more than two years before the CEO has turned the age of 62, the CEO is entitled to a severance pay in the amount of two annual base salaries to be paid in 24 equal monthly installments. If less than 24 months remains until the CEO turns 62, the salary payment during the notice period or the severance payment will cease at age 62. The salary during the notice period and the severance pay will be reduced by any other income. Should the CEO give notice of termination, he is not entitled to any severance pay.

Termination of employment in relation to the EVP and the other members of Group Management require that notice is given in writing 6 months before termination by the employees and 12 months before termination by the Company. Should notice be given by the Company, the member is entitled to a severance pay in the amount of one annual base salary to be paid in 12 equal monthly installments. The salary during the notice period and the severance pay will be reduced by any other income. Should the member give notice of termination on his or her own initiative, he or she is not entitled to any severance pay.

Planning and decision process

Applying the remuneration policy adopted at the AGM each year, the CEO's total remuneration package is decided by the Board of Directors based on the recommendation of its Remuneration Committee. Total remuneration packages to other members of Group Management are approved by the Remuneration Committee, based on the CEO's recommendation.

C33. Remuneration to Audit Firms

The following remuneration was billed by audit firms for audits and other reviews based on applicable legislation and for advice and other assistance resulting from observations in the reviews. Remuneration was also billed for independent advice, using Group auditors or other audit firms, in the fields of Tax/Law and Corporate Finance as well as other consulting services. Audit fees to other audit firms refer to subsidiaries or associated companies and joint ventures not audited by the Group auditors. Auditors are elected by the Annual General Meeting.

PricewaterhouseCoopers AB (PwC) has served as TeliaSonera AB's independent auditor (Group auditor) since April 28, 2004 and was reelected for a 1-year term at the 2011 Annual General Meeting. The audit of the consolidated financial statements has been carried out throughout the year. No separate fee has been billed for the review of interim financial statements.

SEK in millions	Jan-Dec 2011	Jan-Dec 2010
Remuneration expensed		
PwC		
Audits	37	44
Audit-related services	1	1
Tax services	2	3
All other services	1	6
Total PwC	41	54
Ernst & Young (E&Y)		
Tax services	0	0
All other services	9	4
Total E&Y	9	4
KPMG		
Tax services	9	11
All other services	1	0
Total KPMG	10	11
Other audit firms		
Audits, audit-related services	1	2
Tax services and all other services	4	1
Total other audit firms	5	3
Total remuneration expensed	65	72
Remuneration recognized in equity		
PwC		
Audit-related services	0	-
Total PwC	0	-
Total remuneration recognized in equity	0	-
Total remuneration	65	72

Within the provisions of Swedish legislation, the Audit Committee of the Board of Directors of TeliaSonera AB is responsible, among other matters, for the oversight of TeliaSonera's independent auditors. The Board of Directors has adopted a policy regarding pre-approval of audit-related services and permissible non-audit services provided by audit firms.

C34. Business Combinations

For two minor business combinations in 2011, the aggregate cost of combination was SEK 93 million and the net cash outflow SEK 61 million. Goodwill totaled SEK 34 million, of which SEK 2 million allocated to business area Mobility Services and SEK 32 million allocated to business area Broadband Services.

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

C35. Risks and Uncertainties

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

threats, uncertainties or lost opportunities relating to TeliaSonera's current or future operations or activities.

TeliaSonera has an established risk management framework in place to regularly identify, analyze, assess, and report business, financial and corporate responsibility related risks and uncertainties, and to mitigate such risks when appropriate. Risk management is an integrated part of TeliaSonera's business planning process and monitoring of business performance. Set forth below is a description of factors that may affect TeliaSonera's business, financial position, results of operations or the share price from time to time. See the Corporate Governance Statement for more information on risk management and the control environment and Note C27 for information on financial risk management.

Risks related to the industry and market conditions **World economy changes**

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

The maturity schedule of TeliaSonera's loan portfolio is aimed to be evenly distributed over several years, and refinancing is expected to be made by using uncommitted open-market debt financing programs and bank loans, alongside the company's free cash flow. In addition, TeliaSonera has committed lines of credit with banks that are deemed to be sufficient and may be utilized if the open-market refinancing conditions are poor. However, TeliaSonera's cost of funding might be higher should there be changes in the global financial markets or the world economy.

Competition and price pressure

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

Regulation

TeliaSonera operates in a highly regulated industry. The regulations to which TeliaSonera is subject impose significant limits on its flexibility to manage its business. In a number of countries, TeliaSonera entities have been designated as a party with significant market power in one or several telecom submarkets. As a result, TeliaSonera is required to provide certain services on regulated terms and prices, which may differ from the terms on which it would otherwise have provided those services. Effects from regulatory intervention may be both retroactive and prospective.

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

Emerging markets

TeliaSonera has made significant investments in telecom operators in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal, Russia and Turkey. Historically, the political, economic, legal and regulatory systems in these countries have been less predictable than in countries with more mature institutional structures. The future political situation in each of the emerging market countries may remain unpredictable, and markets in which TeliaSonera operates may become unstable.

Other risks associated with operating in emerging market countries include foreign exchange restrictions, which could effectively prevent TeliaSonera from repatriating cash, e.g. by receiving dividends and repayment of loans, or from selling its investments. Another risk is the potential establishment of foreign ownership restrictions or other potential actions against entities with foreign ownership, formally or informally.

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

Risks related to TeliaSonera's operations and strategic activities

Impairment losses and restructuring charges

Factors generally affecting the telecom markets, and changes in the economic, regulatory, business or political environment, as well as TeliaSonera's ongoing review and refinement of its business plans, could adversely affect its financial position and results of operations. TeliaSonera could be required to recognize impairment losses with respect to assets if management's expectation of future cash flows attributable to these assets change, including but not limited to goodwill and fair value adjustments that TeliaSonera has recorded in connection with acquisitions that it has made or may make in the future. Through the merger of Telia and Sonera, the acquisition of NetCom in Norway, and other acquisitions, TeliaSonera has a significant amount of goodwill in its statement of financial position, amounting to approximately SEK 77 billion as of December 31, 2011, which is not amortized but annually tested for impairment.

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

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

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

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

TeliaSonera has made substantial investments in networks and telecom and frequency licenses, and also expects to invest substantial amounts over the next several years in the

upgrading and expansion of networks. Many times, TeliaSonera also has to pay fees to acquire new licenses or to renew or maintain the existing licenses. In order to attract new customers, TeliaSonera may also engage in start-up operations, such as Xfera Móviles S.A. (Yoigo) in Spain and Ncell Pvt. Ltd. in Nepal, which require substantial investments and expenditure in the build-up phase.

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

Acquisitions, strategic alliances and business combinations

TeliaSonera is constantly reviewing its asset portfolio in line with the strategy of increasing ownership in core holdings. Over the years, TeliaSonera has made a number of targeted acquisitions in accordance with its strategy. TeliaSonera may continue to expand and grow its business through business combinations, strategic alliances, etc. The efficient integration of these acquisitions and the realization of related cost and revenue synergies, as well as the positive development of the acquired operations, are significant for the results of operations both in the long and short term. In case TeliaSonera will fail in integrating or managing any acquired company or strategic alliance there is a risk that management's attention will be diverted away from other ongoing business concerns. In addition, any potential acquisition could negatively affect TeliaSonera's financial position and its credit ratings, or, if made using TeliaSonera shares, dilute the existing shareholders.

Shareholder matters in partly-owned subsidiaries

TeliaSonera conducts some of its activities, particularly outside of the Nordic region, through subsidiaries in which TeliaSonera does not have a 100 percent ownership. Under the governing documents for certain of these entities, the holders of non-controlling interests have protective rights in matters such as approval of dividends, changes in the ownership structure and other shareholder-related matters. As a result, actions outside TeliaSonera's control and adverse to its interests may affect TeliaSonera's position to act as planned in these partly owned subsidiaries.

Customer service and network quality

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

Supply chain

TeliaSonera is reliant upon a limited number of suppliers to manufacture and supply network equipment and related software as well as terminals, to allow TeliaSonera to develop its networks and to offer its services on a commercial basis. TeliaSonera cannot be certain that it will be able to obtain network equipment or terminals from alternative suppliers on a timely basis if the existing suppliers are unable to satisfy

TeliaSonera's requirements. In addition, like its competitors, TeliaSonera currently outsources many of its key support services, including network construction and maintenance in most of its operations. The limited number of suppliers of these services, and the terms of TeliaSonera's arrangements with current and future suppliers, may adversely affect TeliaSonera, including by restricting its operational flexibility.

Ability to recruit and retain skilled personnel

To remain competitive and implement its strategy, and to adapt to changing technologies, TeliaSonera will need to recruit, retain, and where necessary, retrain highly skilled employees with particular expertise. In particular, competition is intense for qualified telecommunications and information technology personnel. To a considerable extent, TeliaSonera's ability to recruit and retain skilled personnel for growth business areas and new technologies will depend on its ability to offer competitive remuneration packages. If TeliaSonera fails to recruit or retrain necessary highly skilled employees, its ability to develop high growth business areas and new business areas or remain competitive in the traditional business areas may be limited.

Risks related to environment and corporate responsibility

Emerging markets

Operating in emerging markets poses risks for not being able to comply with TeliaSonera's corporate responsibility requirements. To mitigate these risks, TeliaSonera will not enter into countries that are sanctioned for investments by the United Nations or European Union, but may enter into countries with shifting political stability, provided that the business can be conducted in an ethically and financially sound way. During the due diligence process, a risk evaluation is performed to secure that the business to be acquired or market to be entered into will in due time be managed in accordance with TeliaSonera's corporate responsibility standards.

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 as new technology and 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 restrictions on the location and operation of base stations, or could subject TeliaSonera to claims for damages, any of which could have a negative impact on its business, financial position and results of operations.

Network integrity and data security

TeliaSonera is managing significant network and data volumes, posing risks of being complicit in violating human rights due to failure to uphold customer privacy and network integrity and of telecom services being used as a vehicle for exploitation of children. TeliaSonera therefore strives to ensure network integrity and data security and protect customers' personal data. TeliaSonera will only provide personal data to authorities to the extent required by law or with the customer's permission. To ensure privacy, TeliaSonera aims to protect assets such as personnel, customers, information, IT infrastructure, internal and public networks as well as office buildings and technical facilities. TeliaSonera implements measures to prevent and detect the disclosure of sensitive information to unauthorized

parties. TeliaSonera takes measures to detect and promptly respond to security incidents. TeliaSonera maintains a zero acceptance policy towards criminal activities and fraud. While TeliaSonera through appropriate measures avoids failure in its work to secure network integrity and data security, external or internal factors may negatively impact security and cause negative effects on customers' perception on how TeliaSonera handles these matters, possibly leading to an adverse impact on TeliaSonera's business and results of operations. To reduce the distribution of online content depicting sexual abuse of children, TeliaSonera has in its Swedish, Spanish and Nepalese networks introduced the Child Safeguard service, enabling telecom operators and internet service providers to prevent access to websites with child sexual abuse images. The service is based on Internet Watch Foundation's continuous identification and registration of online sexually abusive content.

Supply chain

For any large company with high purchasing volumes, assuring compliance with its corporate responsibility principles in the supply chain is a challenge and represents a reputational risk that needs to be mitigated. TeliaSonera predominantly purchases from a limited number of large strategic global suppliers with well-established corporate responsibility management practices. Risks related to the selection of local suppliers are assessed as part of the procurement process and controlled through management practices and internal control procedures.

Energy prices and shortages

Higher or volatile energy prices or energy shortages caused by weather conditions and regulation of or other intervention in the electricity and oil production negatively impact TeliaSonera's results of operations. By focusing on energy efficiency in its networks, from using alternative energy sources to establishing more energy-efficient technical centers accommodating additional traffic without increasing energy consumption, TeliaSonera aims at mitigating the effects of future price fluctuations and shortages.

Cases of emergency

As a consequence of climate change, extreme weather conditions are expected to become more frequent. Examples may include but are not limited to extreme storms at any time during the year, unusually high snow levels or floods caused by heavy rainfalls. Also internet attacks, technical center break-downs and pandemics are examples of emergency situations that may cause a major negative financial impact on TeliaSonera's business if preventing TeliaSonera from keeping its networks running for the customers.

To limit the effects of emergency situations, TeliaSonera has formed a crisis management organization, including a corporate crisis team and joint business area crisis teams on country level.

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 Lattelecom SIA in Latvia. As a result, TeliaSonera has limited influence over the conduct of these businesses. Under the governing documents for certain of these entities,

TeliaSonera's partners have control over or share control of key matters such as the approval of business plans and budgets, and decisions as to the timing and amount of cash distributions. The risk of actions outside TeliaSonera's or its associated companies' control and adverse to TeliaSonera's interests, or disagreement or deadlock, is inherent in associated companies and jointly controlled entities.

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

Further, TeliaSonera might not be able to assure that the associated companies apply the same corporate responsibility principles, increasing the risk for wrongdoings and reputational and financial losses. TeliaSonera strives to use its board presence and active ownership practices to promote the implementation of its corporate responsibility principles.

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 financial investments in 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.

Risks related to owning TeliaSonera shares

Volatility in share prices

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

Actions by the largest shareholders

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

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

Parent Company Income Statements

SEK in millions	Note	Jan–Dec 2011	Jan–Dec 2010
Net sales	P2	30	13,236
Costs of production	P3	-15	-10,347
Gross income		15	2,889
Selling and marketing expenses	P3	-27	-157
Administrative expenses	P3	-207	-856
Research and development expenses	P3	-0	-88
Other operating income	P4	79	81
Other operating expenses	P4	-1,476	-66
Operating loss/income		-1,616	1,803
Financial income and expenses	P5	12,650	32,958
Income after financial items		11,034	34,761
Appropriations	P6	-62	-4,963
Income before taxes		10,972	29,798
Income taxes	P6	-1,281	-4,376
Net income		9,691	25,422

Parent Company Statements of Comprehensive Income

SEK in millions	Note	Jan–Dec 2011	Jan–Dec 2010
Net income		9,691	25,422
Cash flow hedges		-118	87
Available-for-sale financial instruments		-1	-90
Income taxes relating to other comprehensive income		31	-23
Total other comprehensive income	P7	-88	-26
Total comprehensive income		9,603	25,396

Parent Company Balance Sheets

SEK in millions	Note	Dec 31, 2011	Dec 31, 2010
Assets			
Goodwill and other intangible assets	P8	26	435
Property, plant and equipment	P9	15	3,990
Deferred tax assets	P6	280	271
Other financial assets	P10	177,327	169,596
Total non-current assets		177,648	174,292
Inventories	P11	–	2
Trade and other receivables	P12	34,571	52,369
Current tax receivables		243	–
Short-term investments	P13	7,255	7,940
Cash and bank	P13	1,592	4,733
Total current assets		43,661	65,044
Total assets		221,309	239,336
Shareholders' equity and liabilities			
<i>Restricted equity</i>			
Share capital		13,856	14,369
Other reserves		1,855	1,855
<i>Non-restricted equity</i>			
Retained earnings		56,446	52,927
Net income		9,691	25,422
Total shareholders' equity		81,848	94,573
Untaxed reserves	P6	13,271	13,209
Provisions for pensions and employment contracts	P15	490	524
Other provisions	P16	80	96
Total provisions		570	620
<i>Interest-bearing liabilities</i>			
Long-term borrowings	P17	80,072	72,379
Short-term borrowings	P17	43,434	54,197
<i>Non-interest-bearing liabilities</i>			
Long-term liabilities	P18	8	264
Current tax payables		–	941
Short-term provisions, trade payables and other current liabilities	P19	2,106	3,153
Total liabilities		125,620	130,934
Total shareholders' equity and liabilities		221,309	239,336
Contingent assets			
Contingent assets	P24	–	–
Guarantees	P24	4,915	4,205
Collateral pledged	P24	2	–

Parent Company Cash Flow Statements

SEK in millions	Note	Jan–Dec 2011	Jan–Dec 2010
Net income		9,691	25,422
Adjustments for:			
Amortization, depreciation and impairment losses		370	6,498
Capital gains/losses on sales/discards of non-current assets		1,762	-114
Pensions and other provisions		-219	-1,048
Financial items		155	-506
Group contributions and appropriations		-8,466	-12,985
Income taxes		-1,147	555
Cash flow before change in working capital		2,146	17,822
Increase (-)/Decrease (+) in operating receivables		2,218	2,995
Increase (-)/Decrease (+) in inventories etc.		0	2
Increase (+)/Decrease (-) in operating liabilities		-28	-427
Change in working capital		2,190	2,570
Cash flow from operating activities		4,336	20,392
Intangible and tangible non-current assets acquired		-6	-922
Equity instruments acquired	P25	-4,035	-10,975
Equity instruments and operations divested		12,998	430
Non-current assets divested, etc.		-	2
Loans granted and other similar investments		-25,714	-2,209
Compensation from pension fund		170	850
Net change in interest-bearing current receivables		1,045	-1,101
Cash flow from investing activities		-15,542	-13,925
Cash flow before financing activities		-11,206	6,467
Repurchased treasury shares including transaction costs		-9,983	-
Dividend to shareholders		-12,349	-10,104
Group contributions and dividends received		17,949	1,538
Proceeds from long-term borrowings		17,864	7,658
Repayment of long-term borrowings		-4,321	-7,945
Change in short-term borrowings		197	1
Settlement of foreign exchange derivative contracts used for economic hedges of cash-pool balances		-1,129	-2,804
Cash flow from financing activities		8,228	-11,656
Change in cash and cash equivalents		-2,978	-5,189
Cash and cash equivalents, opening balance		11,773	16,962
Change in cash and cash equivalents		-2,978	-5,189
Exchange rate differences in cash and cash equivalents		52	0
Cash and cash equivalents, closing balance	P13	8,847	11,773
Dividends received		7,029	18,393
Interest received		2,687	1,339
Interest paid		-4,831	-3,506
Income taxes paid		-2,428	-3,822

Parent Company Statements of Changes in Shareholders' Equity

SEK in millions	Note	Share capital	Statutory reserve	Revaluation reserve	Fair value reserve	Retained earnings	Total shareholders' equity
Closing balance, December 31, 2009		14,369	1,855	1	-130	63,185	79,280
Dividend	P14	-	-	-	-	-10,104	-10,104
Total comprehensive income		-	-	-	-26	25,422	25,396
Share-based payments	P26	-	-	-	-	1	1
Depreciation on tangible assets written-up	P14	-	-	-1	-	1	-
Closing balance, December 31, 2010		14,369	1,855	-	-156	78,505	94,573
Dividend	P14	-	-	-	-	-12,349	-12,349
Repurchased and canceled treasury shares	P14	-513	-	-	-	-9,470	-9,983
Total comprehensive income		-	-	-	-88	9,691	9,603
Share-based payments	P26	-	-	-	-	4	4
Closing balance, December 31, 2011		13,856	1,855	-	-244	66,381	81,848

Notes to Parent Company Financial Statements

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P1. Basis of Preparation

General

The parent company TeliaSonera AB's financial statements have been prepared in accordance with the Swedish Annual Accounts Act, other Swedish legislation, and standard RFR 2 "Accounting for Legal Entities" and other statements issued by the Swedish Financial Reporting Board. The standard is applicable to Swedish legal entities whose equities at the end of the reporting period are listed on a Swedish stock exchange or authorized equity market place. In their consolidated financial statements such companies have to comply with the EU regulation on international accounting standards, while they still have to comply with the Annual Accounts Act in their separate financial statements. RFR 2 states that as a main rule listed parent companies should apply IFRSs and specifies exceptions and additions, caused by legal provisions or by the connection between accounting and taxation in Sweden.

Measurement bases and significant accounting principles

With the few exceptions below, TeliaSonera AB applies the same measurement bases and accounting principles as described in Notes to Consolidated Financial Statements (Note C3).

Item	Note	Accounting treatment
Group contributions	P5	Under certain conditions, it is possible to transfer profits through group contributions between Swedish companies in a group. A group contribution is normally a deductible expense for the contributor and a taxable income for the recipient. Group contributions are recognized as financial income and expenses from shares in subsidiaries.
Borrowing costs	P5, P8, P9	Borrowing costs directly attributable to the acquisition, construction or production of an asset are not capitalized as part of the cost of that asset.
Investments in subsidiaries and associated companies	P5, P10	Shares in subsidiaries and associated companies are recognized at cost less any impairment. Dividends received are brought to income while a repayment of contributed capital reduces the carrying value.
Provisions for pensions and employment contracts	P5, P15	Pension obligations and pension expenses are recognized in accordance with FAR accounting recommendation No. 4 (RedR 4).
Untaxed reserves and appropriations	P6	Untaxed reserves and appropriations are reported gross excluding deferred tax liabilities related to the temporary differences.
Goodwill	P8	Goodwill is amortized systematically over a maximum of 5 years.
Leasing agreements	P22	All leasing agreements are accounted for as operating leases.

Amounts and dates

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

Recently issued accounting standards

For information relevant to TeliaSonera AB, see Notes to Consolidated Financial Statements (corresponding section in Note C1).

Key sources of estimation uncertainty

For information relevant to TeliaSonera AB, see Notes to Consolidated Financial Statements (Note C2).

P2. Net Sales

Sales by customer location were distributed among economic regions as follows.

SEK in millions	Jan–Dec 2011	Jan–Dec 2010
European Economic Area (EEA)	30	13,236
<i>of which European Union (EU) member states</i>	30	13,234
<i>of which Sweden</i>	30	13,221
Total	30	13,236

Net sales were broken down by product category as follows.

SEK in millions	Jan–Dec 2011	Jan–Dec 2010
Fixed telephony	–	7,836
Internet	–	2,619
Network capacity	–	1,567
Data communications	–	819
Other	30	395
Total	30	13,236

As of January 1, 2011, the parent company operations within fixed network services and broadband application services were transferred to a subsidiary. There was no invoiced advertising tax in the years 2011 and 2010, respectively.

P3. Expenses by Nature

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

SEK in millions	Jan–Dec 2011	Jan–Dec 2010
Goods and services purchased	-30	-2
Interconnect and roaming expenses	–	-856
Other network expenses	-83	-7,450
Personnel expenses (see also Note P26)	-368	-1,146
Rent and leasing fees	-42	-176
Consultants' services	-149	-128
IT expenses	-78	-941
Invoiced and other expenses, net	520	591
Amortization, depreciation and impairment losses	-19	-1,340
Total	-249	-11,448

As of January 1, 2011, the parent company operations within fixed network services and broadband application services were transferred to a subsidiary. Administrative and other parent company expenses which are not classified as shareholder costs are invoiced to the subsidiaries recognized as cost reductions.

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

SEK in millions	Jan–Dec 2011	Jan–Dec 2010
Costs of production	-5	-1,312
Administrative expenses	-14	-28
Research and development expenses	–	-0
Total	-19	-1,340

P4. Other Operating Income and Expenses

Other operating income and expenses were distributed as follows.

SEK in millions	Jan-Dec 2011	Jan-Dec 2010
Other operating income		
Capital gains	5	22
Exchange rate gains	1	17
Patents sold, commissions, etc.	5	0
Recovered accounts receivable, released accounts payable	-	0
Damages received	68	42
Total other operating income	79	81
Other operating expenses		
Capital losses	-1,459	-10
Exchange rate losses	-13	-25
Restructuring costs	-4	-31
Total other operating expenses	-1,476	-66
<i>of which amortization, depreciation and impairment losses</i>	-	-
Net effect on income	-1,397	15
<i>of which net exchange rate losses on derivative instruments held-for-trading</i>	-0	-3

P5. Financial Income and Expenses

Financial income and expenses were distributed as follows.

SEK in millions	Jan-Dec 2011	Jan-Dec 2010
Income from shares in subsidiaries		
Dividends	7,029	18,393
Group contributions received	16,085	24,032
Capital gains	1,922	24
Impairment losses	-348	-5,158
Group contributions rendered	-7,557	-6,084
Capital losses	-2,246	-1
Total	14,885	31,206
Income from shares in associated companies		
Capital gains	12	-
Impairment losses	-1	-1
Total	11	-1
Income from other financial investments		
Dividends	3	7
Capital gains/losses, net	5	79
Changes in fair value	-3	-5
Total	5	81
Other financial income		
Interest from subsidiaries	1,084	360
Other interest income	204	156
Exchange rate gains	427	3,658
Total	1,715	4,174
Other financial expenses		
Interest to subsidiaries	-675	-467
Other interest expenses	-2,727	-1,818
Interest component of pension expenses (see also Note P15)	-23	-27
Exchange rate losses	-541	-190
Total	-3,966	-2,502
Net effect on income	12,650	32,958

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

SEK in millions	Jan-Dec 2011	Jan-Dec 2010	Jan-Dec 2011	Jan-Dec 2010	Jan-Dec 2011	Jan-Dec 2010
	Other interest expenses		Net exchange rate gains and losses		Other interest income	
Fair value hedge derivatives	239	368	66	-2,786	-	-
Cash flow hedge derivatives	-72	-142	5	-106	-	-
Derivatives held-for-trading	-217	19	112	-3,339	-	-
Loans and receivables	-	-	89	2,873	201	156
Borrowings in fair value hedge relationships	-1,206	-947	-66	2,786	-	-
Borrowings and other financial liabilities at amortized cost	-1,463	-1,093	-320	4,040	-	-
Other	-8	-24	-	-	3	-
Total	-2,727	-1,818	-114	3,468	204	156

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

P6. Income Taxes

Tax items recognized in comprehensive income and directly in equity

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

SEK in millions	Jan-Dec 2011	Jan-Dec 2010
Tax items recognized in net income		
Current tax expense relating to current year	-1,259	-4,357
Underprovided or overprovided current tax expense in prior years	1	-24
Deferred tax expense originated or reversed in current year	-23	5
Total tax expense recognized in net income	-1,281	-4,376
Tax items recognized in other comprehensive income		
Deferred tax originated or reversed in current year	31	-23
Total tax recognized in other comprehensive income	31	-23
Tax items recognized directly in equity		
Current tax related to treasury share repurchase transaction costs	14	-
Total tax recognized directly in equity	14	-

Pre-tax income was SEK 10,972 million in 2011 and SEK 29,798 million in 2010. The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	Jan-Dec 2011	Jan-Dec 2010
Swedish income tax rate	26.3	26.3
Underprovided or overprovided current tax expense in prior years	0.0	0.1
Non-deductible expenses	10.7	4.7
Tax-exempt income	-25.3	-16.4
Effective tax rate in net income	11.7	14.7

In 2011, as well as in 2010, tax-exempt income consisted primarily of dividends received from subsidiaries.

Deferred tax assets and liabilities

Deferred tax assets and liabilities changed as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Deferred tax assets		
Carrying value, opening balance	271	289
Comprehensive income period change	11	-18
Reversals of offset tax liabilities/assets	-2	-
Carrying value, closing balance	280	271
Deferred tax liabilities		
Carrying value, opening balance	-	-
Comprehensive income period change	2	-
Reversals of offset tax assets/liabilities	-2	-
Carrying value, closing balance	-	-

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

SEK in millions	Dec 31, 2011	Dec 31, 2010
Deferred tax assets		
Fair value adjustments for other financial assets	78	47
Delayed expenses for provisions	204	224
Subtotal	282	271
Offset deferred tax liabilities/assets	-2	-
Total deferred tax assets	280	271
Deferred tax liabilities		
Accelerated depreciation, non-current assets	2	-
Subtotal	2	-
Offset deferred tax assets/liabilities	-2	-
Total deferred tax liabilities	-	-
Net deferred tax assets	280	271

In 2011 and 2010, there were no accumulated non-expiring tax loss carry-forwards or unrecognized deferred tax assets. As of December 31, 2011 and 2010, the unrecognized deferred tax liability in untaxed reserves amounted to SEK 3,490 million and SEK 3,474 million, respectively.

Untaxed reserves and appropriations

Untaxed reserves in the balance sheet were distributed as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Profit equalization reserves	13,271	11,697
Accumulated excess amortization and depreciation	-	1,512
Total	13,271	13,209

Excess amortization and depreciation changed as follows.

SEK in millions	Dec 31, 2011		Dec 31, 2010	
	Intangible assets	Plant and machinery	Intangible assets	Plant and machinery
Opening balance	113	1,399	142	1,879
Reversals	-113	-1,399	-29	-480
Closing balance	-	-	113	1,399

As of January 1, 2011, the parent company operations within fixed network services and broadband application services were transferred to a subsidiary.

Appropriations brought to income were as follows.

SEK in millions	Jan-Dec 2011	Jan-Dec 2010
Change in profit equalization reserves	-1,574	-5,472
Change in accumulated excess amortization and depreciation	1,512	509
Net effect on income	-62	-4,963

P7. Other Comprehensive Income

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan-Dec 2011	Jan-Dec 2010
Cash flow hedges			
Net changes in fair value	Fair value reserve	-120	-22
Transferred to interest expenses in net income	Fair value reserve	2	109
Income tax effect	Fair value reserve	31	-23
Total cash flow hedges		-87	64
Available-for-sale financial instruments			
Net changes in fair value	Fair value reserve	-1	-90
Total available-for-sale financial instruments		-1	-90
Total other comprehensive income		-88	-26
<i>of which total income tax effects (see also Note P6)</i>		<i>31</i>	<i>-23</i>

No transfer necessitated adjustment of the cost of acquisition.

P8. Goodwill and Other Intangible Assets

The total carrying value was distributed and changed as follows.

	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
			Other intangible assets	
SEK in millions	Goodwill			
Accumulated cost	-	114	77	887
Accumulated amortization	-	-113	-51	-329
Accumulated impairment losses	-	-	-	-124
Carrying value	-	1	26	434
<i>of which work in progress</i>	<i>-</i>	<i>-</i>	<i>3</i>	<i>167</i>
Carrying value, opening balance	1	2	434	1,030
Investments and operations acquired	-	-	3	290
Sales and disposals	-1	-	-399	-827
Reclassifications	-	-	1	185
Amortization for the year	-	-1	-13	-196
Impairment losses for the year	-	-	-0	-48
Carrying value, closing balance	-	1	26	434

As of January 1, 2011, the parent company operations within fixed network services and broadband application services were transferred to a subsidiary. No general changes of useful lives were made in 2011. Goodwill was amortized straight-line over 5 years. For other useful lives applied, see Notes to Consolidated Financial Statements (corresponding section in Note C2). In the income statement, amortization and impairment losses are, if applicable, included in all expense line items by function as well as in line item Other operating expenses. Accelerated amortization, to the extent allowed by Swedish tax legislation, is recorded as untaxed reserves and appropriations (see this section in Note P6 "Income Taxes").

The carrying value of other intangible assets was distributed as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Capitalized development expenses	23	266
Licenses, contractual agreements, patents, etc.	-	1
Work in progress	3	167
Total carrying value	26	434

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

P9. Property, Plant and Equipment

The total carrying value was distributed and changed as follows.

	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
SEK in millions	Property		Plant and machinery		Equipment, tools and installations		Total	
Accumulated cost	–	569	8	41,009	22	482	30	42,060
Accumulated depreciation	–	-259	-3	-36,957	-12	-368	-15	-37,584
Accumulated impairment losses	–	–	–	-552	–	-5	–	-557
Accumulated write-ups	–	–	–	6	–	–	–	6
Advances	–	–	–	65	–	–	–	65
Carrying value	–	310	5	3,571	10	109	15	3,990
<i>of which assets under construction</i>	–	–	–	511	–	–	–	511
Carrying value, opening balance	310	311	3,571	4,331	109	107	3,990	4,749
Investments and operations acquired	–	12	2	543	1	13	3	568
Sales and disposals	-317	–	-3,559	-85	-95	-26	-3,971	-111
Reclassifications	7	20	-8	-256	-0	51	-1	-185
Depreciation for the year	–	-33	-1	-1,027	-5	-36	-6	-1,096
Advances	–	–	–	65	–	–	–	65
Carrying value, closing balance	–	310	5	3,571	10	109	15	3,990

As of January 1, 2011, the parent company operations within fixed network services and broadband application services were transferred to a subsidiary. No general changes of useful lives were made in 2011. For useful lives applied, see Notes to Consolidated Financial Statements (corresponding section in Note C2). In the income statement, amortization and impairment losses are, if applicable, included in all expense line items by function as well as in line item Other operating expenses. Accelerated depreciation, to the extent allowed by Swedish tax legislation, is recorded as untaxed reserves and appropriations (see this section in Note P6 "Income Taxes").

P10. Other Financial Assets

The total carrying value changed as follows.

	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
SEK in millions	Investments in associated companies		Investments in other equity instruments		Investments in subsidiaries and other non-current financial assets		Total	
Carrying value, opening balance	899	899	18	148	168,679	164,043	169,596	165,090
New share issues and shareholder contributions	2	–	6	–	4,014	5	4,022	5
Additions	–	–	–	–	15,085	11,007	15,085	11,007
Divestitures	–	–	–	-40	-11,210	-282	-11,210	-322
Impairment losses	–	–	–	–	108	-6,094	108	-6,094
Reclassifications	–	–	–	–	-271	–	-271	–
Changes in fair value	–	–	-3	-90	–	–	-3	-90
Carrying value, closing balance	901	899	21	18	176,405	168,679	177,327	169,596

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

SEK in millions	Dec 31, 2011		Dec 31, 2010	
	Carrying value	Fair value	Carrying value	Fair value
Investments in other equity instruments available-for-sale	2	2	2	2
Investments in other equity instruments held-for-trading	15	15	12	12
Convertible bonds available-for-sale	4	4	4	4
Interest rate and cross currency interest rate swaps at fair value	1,910	1,910	1,597	1,597
<i>of which designated as fair value hedges</i>	1,742	1,742	1,275	1,275
<i>of which held-for-trading</i>	168	168	322	322
Currency swaps and forward exchange contracts held-for-trading	2	2	3	3
Subtotal (see Fair value hierarchy levels – Note P20)	1,933	1,933	1,618	1,618
Loans and receivables at amortized cost	1,603	1,744	0	0
Subtotal (see Categories – Note P20 and Credit risk – Note P21)/ Total fair value	3,536	3,677	1,618	1,618
Investments in subsidiaries	159,705		166,925	
Receivables from subsidiaries	13,181		150	
Investments in associated companies	901		899	
Investments in other equity instruments at cost	4		4	
Total other financial assets	177,327		169,596	
<i>of which interest-bearing</i>	16,719		1,768	
<i>of which non-interest-bearing</i>	160,608		167,828	

For Loans and receivables (including claims on associated companies), fair value is estimated at the present value of future cash flows discounted by applying market interest rates at the end of the reporting period. As there had been no significant change in credit quality, Loans and receivables as of the end of the reporting period were not provided for.

For more information on financial instruments by category/fair value hierarchy level and exposed to credit risk, refer to

Note P20 “Financial Assets and Liabilities by Category and Level” and section “Credit risk management” in Note P21 “Financial Risk Management,” respectively. Conventional commercial terms apply for receivables from subsidiaries.

Investments in subsidiaries are specified below, while corresponding information on associated companies and other equity instruments is presented in Notes to Consolidated Financial Statements (Notes C15 and C16).

Subsidiary, Corp. Reg. No., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions)	
			Dec 31, 2011	Dec 31, 2010
Swedish companies				
TeliaSonera Skanova Access AB, 556446-3734, Stockholm	100	21,255,000	34,003	34,003
Telia Nättjänster Norden AB, 556459-3076, Stockholm	100	68,512	7,006	5,557
TeliaSonera Sverige AB, 556430-0142, Stockholm	100	3,000,000	2,898	2,898
TeliaSonera Mobile Networks AB, 556025-7932, Nacka	100	550,000	2,698	2,698
TeliaSonera Norge Holding AB, 556591-9759, Stockholm	100	1,000	2,255	0
Telia International AB, 556352-1284, Stockholm	100	20,000	1,722	1,722
Cygate Group AB (publ), 556364-0084, Solna	100	532,724,280	681	681
TeliaSonera International Carrier AB, 556583-2226, Stockholm	100	1,000,000	453	453
TeliaSonera Finans AB, 556404-6661, Stockholm	100	1,000	229	229
TeliaSonera Försäkring AB, 516401-8490, Stockholm	100	1,000,000	200	200
TeliaSonera Sverige Net Fastigheter AB, 556368-4801, Stockholm	100	5,000	169	169
Sense Communications AB, 556582-8968, Stockholm	100	250,000	34	34
Sergel Kredittjänster AB, 556264-8310, Stockholm	100	5,000	8	8
Telia International Management AB, 556595-2917, Stockholm	100	1,000	5	5
TeliaSonera Asset Finance AB, 556599-4729, Stockholm	100	1,000	4	4
TeliaSonera Network Sales AB, 556458-0040, Stockholm	100	10,000	3	3
Other operating, dormant and divested companies			0	1,372

Subsidiary, Corp. Reg. No., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions)	
			Dec 31, 2011	Dec 31, 2010
Non-Swedish companies				
TeliaSonera Finland Oyj, 1475607-9, Helsinki	100	1,417,360,515	77,206	75,448
Sergel Oy, 1571416-1, Helsinki	100	267,966,000	277	277
TeliaSonera International Carrier Finland Oy, 1649304-9, Helsinki	100	100	98	98
TeliaSonera Danmark A/S, 18530740, Copenhagen	100	14,500	6,835	6,835
TeliaSonera International Carrier Denmark A/S, 24210413, Copenhagen	100	1,000	172	172
TEO LT, AB, 121215434, Vilnius	68.3	530,504,838	2,884	218
UAB Omnitel, 110305282, Vilnius	100	39,688,889	2,797	2,797
UAB Sergel, 125026242, Vilnius	100	1,500	7	7
SIA Telia Latvija, 000305757, Riga	100	328,300	123	123
TeliaSonera International Carrier Latvia SIA, 000325135, Riga	100	205,190	13	13
Latvijas Mobilais Telefons SIA, 000305093, Riga	24.5	140,679	2	2
SIA Sergel, 010318318, Riga	100	1,000	1	1
AS Eesti Telekom, 10234957, Tallinn	100	137,954,528	6,702	6,702
Xfera Móviles S.A., A82528548, Madrid	76.6	517,025,247	2,549	2,549
ZAO TeliaSonera International Carrier Russia, 102780919732, Moscow	100	220,807,825	200	200
TeliaSonera Telekomünikasyon Hizmetleri L.S., 381395, Istanbul	99	79,193	10	10
TeliaSonera International Carrier Telekomünikasyon L.S., 609188-556770, Istanbul	100	55,919	8	8
TeliaSonera International Carrier Germany GmbH, HRB50081, Frankfurt am Main	100	–	1,329	1,329
TeliaSonera International Carrier France S.A.S., B421204793, Paris	100	2,700,000	681	681
TeliaSonera International Carrier Austria, FN191783i, Vienna	100	–	118	118
TeliaSonera International Carrier Switzerland AG, 2171000547-8, Zurich	100	1,000	54	54
Telia Telecommunications International B.V., 34135584, Rotterdam	100	45,000	4,785	4,785
TeliaSonera International Carrier Netherlands B.V., 34128048, Amsterdam	100	910	60	60
TeliaSonera Assignments B.V., 24300363, Rotterdam	100	1,810,719,000	1	–
TeliaSonera International Carrier Belgium S.A., 469422293, Brussels	100	50,620	20	20
TeliaSonera International Carrier Italy S.p.A., 07893960018, Turin	100	530,211	17	17
TeliaSonera International Carrier Ireland Ltd., 347074, Dublin	100	27	6	6
TOV TeliaSonera International Carrier Ukraine, 34716440, Kyiv	100	–	6	6
TeliaSonera International Carrier Poland Sp. z o.o., KRS00000186, Warsaw	100	52,500	58	58
TeliaSonera International Carrier Czech Republic a.s., 26207842, Prague	100	20,000	126	182
TeliaSonera International Carrier Slovakia, s.r.o., 36709913, Bratislava	100	–	7	7
TeliaSonera International Carrier Hungaria Távközlési Kft., 01-09-688192, Budapest	100	–	19	32
TeliaSonera International Carrier Bulgaria EOOD, 175215740, Sofia	100	40,050	19	19
TeliaSonera International Carrier Romania S.R.L., 20974985, Bukarest	100	20,001	10	10
TeliaSonera International Carrier, Inc., 541837195, Herndon, VA	100	100	136	136
TeliaSonera International Carrier Singapore Pte. Ltd, 200005728N, Singapore	100	1,200,002	1	1
Other operating, dormant and divested companies			0	13,908
Total			159,705	166,925

Telia Danmark is a branch of Telia Nättjänster Norden AB. Through its Norwegian branch, TeliaSonera Norge Holding AB owns the vast majority of the TeliaSonera companies in Norway. Another 24.5 percent of the shares in Latvijas Mobilais Telefons SIA are owned by a subsidiary. TeliaSonera has a board majority on Latvijas Mobilais Telefons. The remaining shares in TeliaSonera Telekomünikasyon Hizmetleri L.S. are owned by TeliaSonera Finland Oyj which also indirectly controls Fintur Holdings B.V. and TeliaSonera UTA Holding B.V.

Equity participation corresponds to voting rights participation in all companies except Xfera Móviles S.A., where TeliaSonera controls 80 percent of the votes by virtue of a shareholders agreement.

Other operating and dormant companies do not control Group assets of significant value. Holdings of Other Swedish companies for the comparative year (SEK 1,372 million) refer to Amber Mobile Teleholding AB, Telia International Holdings AB, IKT II Holding AB and Baltic Tele AB, which were

liquidated in 2011. Holdings of Other non-Swedish companies for the comparative year (SEK 13,908 million) refer to Amber Teleholding A/S and Holmbladsgade 140 A/S, which were liquidated in 2011, and to Telia NetCom Holding AS, NextGenTel AS, TeliaSonera Chess Holding AS, Telia Norge AS and TeliaSonera International Carrier Norway AS, which were transferred to a subsidiary in 2011.

In addition to the companies mentioned above, TeliaSonera AB indirectly controls a number of operating and dormant subsidiaries of subsidiaries.

P11. Inventories

As of January 1, 2011, the parent company operations within fixed network services and broadband application services were transferred to a subsidiary. The transfer included all inventories.

P12. Trade and Other Receivables

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

SEK in millions	Dec 31, 2011	Dec 31, 2010
Interest rate and cross currency interest rate swaps designated as fair value hedges	–	13
Currency swaps and forward exchange contracts held-for-trading	421	349
Subtotal (see Fair value hierarchy levels – Note P20)	421	362
Accounts receivable at amortized cost	5	117
Receivables from associated companies and joint ventures at amortized cost	80	203
Loans and receivables at amortized cost	30	17
Subtotal (see Categories – Note P20 and Credit risk – Note P21)	536	699
Receivables from subsidiaries	33,808	51,328
<i>of which cash-pool balances and short-term deposits</i>	<i>24,870</i>	<i>30,643</i>
<i>of which trade and other receivables</i>	<i>8,938</i>	<i>20,685</i>
Other current receivables	169	174
Deferred expenses	58	168
Total trade and other receivables	34,571	52,369
<i>of which interest-bearing</i>	<i>24,901</i>	<i>31,145</i>
<i>of which non-interest-bearing</i>	<i>9,670</i>	<i>21,224</i>

For Accounts receivable and Loans and receivables, the carrying values equal fair value as the impact of discounting is insignificant. For Accounts receivable and Loans and receivables (including receivables from associated companies and joint ventures), at the end of the reporting period, concentration of credit risk by geographical area and by customer segment was as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Geographical area		
Sweden	115	336
Other countries	0	1
Total carrying value	115	337
Customer segment		
Other operators	–	248
Other customers	115	89
Total carrying value	115	337

For more information on financial instruments by category/fair value hierarchy level and exposed to credit risk, refer to Note P20 “Financial Assets and Liabilities by Category and Level” and section “Credit risk management” in Note P21 “Financial Risk Management,” respectively. Conventional commercial terms apply for receivables from subsidiaries.

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

SEK in millions	Dec 31, 2011	Dec 31, 2010
Accounts receivable invoiced	13	142
Allowance for doubtful accounts receivable	-8	-25
Total accounts receivable	5	117
Accounts receivable not due	3	109
Accounts receivable past due but not impaired	2	8
<i>of which less than 30 days</i>	<i>–</i>	<i>0</i>
<i>of which 30–180 days</i>	<i>–</i>	<i>1</i>
<i>of which more than 180 days</i>	<i>2</i>	<i>7</i>
Total accounts receivable	5	117

As of the end of the reporting period, ageing of Loans and receivables (including receivables from associated companies and joint ventures) were as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Loans and receivables not due	110	212
Loans and receivables past due but not impaired	–	8
<i>of which more than 180 days</i>	<i>–</i>	<i>8</i>
Total loans and receivables	110	220

Receivables past due at the end of the reporting period were not provided for as there had not been a significant change in credit quality and the amounts were still considered recoverable. TeliaSonera AB does not hold any significant collateral over these balances. See also Notes to Consolidated Financial Statements (section “Credit risk management” in Note C27) for information on mitigation of risks related to accounts receivable.

There were no bad debt expenses and no recovered accounts receivable in 2011 and in 2010. The allowance for doubtful accounts receivable changed as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Opening balance	25	445
Provisions for receivables impaired	8	–
Receivables written-off as uncollectible	–	-420
Unused amounts reversed	-25	-0
Closing balance	8	25

P13. Short-term Investments, Cash and Cash Equivalents

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

	Dec 31, 2011	Dec 31, 2010
SEK in millions		
Short-term investments with maturities over 3 months	–	900
<i>of which bank deposits at amortized cost</i>	–	900
Short-term investments with maturities up to and including 3 months	7,255	7,040
<i>of which bank deposits at amortized cost</i>	7,255	7,040
Total short-term investments	7,255	7,940
Cash and bank	1,592	4,733
Total (see Categories – Note P20 and Credit risk – Note P21)	8,847	12,673
<i>of which Cash and cash equivalents</i>	<i>8,847</i>	<i>11,773</i>

Cash and cash equivalents are defined as the sum of Short-term investments with maturities up to and including 3 months and the balance sheet item Cash and bank. The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. As of December 31, 2011, there were no blocked funds in TeliaSonera AB's bank accounts. For more information on financial instruments by category and exposed to credit risk, refer to Note P20 "Financial Assets and Liabilities by Category and Level" and section "Credit risk management" in Note P21 "Financial Risk Management," respectively.

P14. Shareholders' Equity

Share capital, treasury shares, earnings per share and dividends

See Notes to Consolidated Financial Statements (corresponding sections in Note C20).

Revaluation reserve

The revaluation reserve changed as follows.

	Dec 31, 2011	Dec 31, 2010
SEK in millions		
Carrying value, opening balance	–	1
Depreciation	–	-1
Carrying value, closing balance	–	–

P15. Provisions for Pensions and Employment Contracts

Pension obligations and pension expenses

The vast majority of employees in TeliaSonera AB are covered by a defined benefit pension plan (the ITP-Tele plan) which means that the individual is guaranteed a pension equal to a certain percentage of his or her salary. The pension plan mainly includes retirement pension, disability pension and family pension. All employees born in 1979 or later are covered by a defined contribution pension plan (the ITP1 plan).

Most pension obligations are secured by Telia Pension Fund. Certain commitments, such as certain supplementary individual pension benefits and a right under the employment contracts for certain categories of personnel to retire at age 55, 60, or 63, are provided for by taxed reserves in the balance sheet.

Pension obligations are calculated annually, as of the end of the reporting period, based on actuarial principles.

The parent company's fixed network and broadband opera-

tions and personnel were transferred to a subsidiary as of January 1, 2011. Consequently and after supervision authority approval, the related pension obligations and plan assets were transferred to the subsidiary during 2011.

	Dec 31, 2011	Dec 31, 2010
SEK in millions		
Opening balance, pension obligations covered by plan assets	9,633	9,949
Opening balance, pension obligations not covered by plan assets	524	533
Opening balance, total pension obligations	10,157	10,482
Current service cost	36	96
Interest cost, paid-up policy indexation	111	315
Benefits paid	-153	-744
Divested operations	-8,105	-2
Other changes in valuation of pension obligations	35	-6
Termination benefits	–	16
Closing balance, pension obligations covered by plan assets	1,591	9,633
Closing balance, pension obligations not covered by plan assets	490	524
Closing balance, total pension obligations	2,081	10,157
<i>of which PRI Pensionsgaranti pensions</i>	<i>1,366</i>	<i>6,156</i>

The fair value of plan assets changed as follows.

	Dec 31, 2011	Dec 31, 2010
SEK in millions, except percentages		
Opening balance, plan assets	10,853	10,775
Actual return	30	928
Divested operations	-8,661	–
Payment from pension fund	-170	-850
Closing balance, plan assets	2,052	10,853
<i>Actual return on plan assets (%)</i>	<i>1.3</i>	<i>8.6</i>

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

	Dec 31, 2011	Dec 31, 2010
SEK in millions		
Present value of pension obligations	2,081	10,157
Fair value of plan assets	-2,052	-10,853
Surplus capital in pension fund	461	1,220
Provisions for pension obligations	490	524

Total pension income was distributed as follows.

	Jan–Dec 2011	Jan–Dec 2010
SEK in millions		
Current service cost	36	96
Interest cost, paid-up policy indexation	111	315
Less interest expenses recognized as financial expenses	-23	-27
Actual return on plan assets	-30	-928
Divested operations, plan assets	8,661	–
Divested operations, pension obligations	-8,105	-2
Other changes in valuation of pension obligations	35	-6
Termination benefits	–	16
Pension expenses (+)/income(-), defined benefit pension plans	685	-536
Pension premiums, defined benefit/defined contribution pension plans and other pension costs	47	89
Changes in estimates	-6	-16
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring cost	–	-23
Pension expenses (+)/income (-)	726	-486
Decrease (-)/Increase (+) of surplus capital in pension fund	-760	395
Recognized pension income	-34	-91
<i>of which pension premiums paid to the ITP pension plan</i>	<i>6</i>	<i>33</i>

Principal actuarial assumptions

The actuarial calculation of pension obligations and pension expenses is based on principles set by PRI Pensionsgaranti and the Swedish Financial Supervisory Authority, respectively.

The principal calculation assumption is the discount rate which, as a weighted average for the different pension plans and, as applicable, net of calculated yield tax, was 3.7 percent

in 2011 and 3.0 percent in 2010. Obligations were calculated based on the salary levels prevailing at December 31, 2011 and 2010, respectively.

In 2011, PRI Pensionsgaranti changed its life expectancy assumptions, resulting in a SEK 82 million one-off increase of the parent company's pension obligations.

Plan-asset allocation

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

Asset category	Dec 31, 2011		Dec 31, 2010	
	SEK in millions	Percent	SEK in millions	Percent
Fixed income instruments, liquidity	1,010	49.2	5,340	49.2
Shares and other investments	1,042	50.8	5,513	50.8
Total	2,052	100.0	10,853	100.0
<i>of which shares in TeliaSonera AB</i>	<i>8</i>	<i>0.4</i>	<i>53</i>	<i>0.5</i>

Future contributions and pension payments

As of December 31, 2011, the fair value of plan assets exceeded the present value of pension obligations. Unless the fair value of plan assets during 2012 should fall short of the

present value of pension obligations, TeliaSonera AB has no intention to make any contribution to the pension fund.

In 2012, pension payments from the defined benefit plans are expected to be SEK 155 million.

P16. Other Provisions

Changes in other provisions were as follows.

SEK in millions	December 31, 2011						Total
	Payroll taxes on future pension payments	Restructuring provisions	Warranty provisions	Damages and court cases	Insurance provisions		
Opening balance	52	48	4	240	41		385
<i>of which financial liabilities at amortized cost</i>	-	-	4	-	-		4
Provisions for the period	5	5	-	-	-		10
Utilized provisions	-12	-48	-	-	-6		-66
Reversals of provisions	-	-	-	-	-		-
Reclassifications	-	-	-	-	-		-
Closing balance	45	5	4	240	35		329
<i>of which non-current portion</i>	45	-	-	-	35		80
<i>of which current portion</i>	-	5	4	240	-		249
<i>of which financial liabilities at amortized cost (see Categories – Note P20)</i>	-	-	4	-	-		4

For financial liabilities, the carrying value equals fair value as provisions are discounted to present value. Refer to Note P20 "Financial Assets and Liabilities by Category and Level" for more information on financial instruments classified by category. As of December 31, 2011, contractual undiscounted

cash flows for the financial liabilities represented the following expected maturities. Expected maturity refers to the earliest point in time, based on the agreement terms, at which the counterpart might call for settlement.

Expected maturity SEK in millions	Jan-Mar 2012	Apr-Jun 2012	Jul-Dec 2012	Later years	Total	Carrying value
Financial liabilities	-	4	-	-	4	4

Restructuring provisions mainly refer to staff redundancy costs related to cost saving programs in the Swedish operations, launched by management in 2005 and in 2008. As group-wide initiatives, the programs have been completed, but cost saving activities continued in 2010 and 2011 on business area level. The remaining provision as of December 31, 2011 is expected to be fully utilized in 2012. Warranty provisions include provisions for potential litigation and other provisions related to disposals and winding-up of group entities and associated companies. Full utilization of payroll taxes on future pension

payments, warranty provisions, damages and court cases, and insurance provisions is expected in the period 2012–2024.

The provisions represent the present value of management's best estimate of the amounts required to settle the liabilities. The estimates may vary mostly as a result of changes in actual pension payments, changes in the actual number of months an employee is staying in redeployment before leaving, changes in tax and other legislation and changes in the actual outcome of negotiations with lessors, sub-contractors and other external counterparts as well as the timing of such changes.

P17. Long-term and Short-term Borrowings

Open-market financing programs

For information on TeliaSonera AB's open-market financing programs, see Notes to Consolidated Financial Statements (corresponding section in Note C21).

Borrowings

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

SEK in millions	Dec 31, 2011		Dec 31, 2010	
	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	17,896	17,896	16,253	16,253
Interest rate swaps at fair value	421	421	276	276
<i>of which designated as hedging instruments</i>	377	377	252	252
<i>of which held-for-trading</i>	44	44	24	24
Cross currency interest rate swaps at fair value	1,005	1,005	1,448	1,448
<i>of which designated as hedging instruments</i>	–	–	4	4
<i>of which held-for-trading</i>	1,005	1,005	1,444	1,444
Subtotal (see Fair value hierarchy levels – Note P20)	19,322	19,322	17,977	17,977
Open-market financing program borrowings at amortized cost	46,958	53,396	40,023	43,036
Other borrowings at amortized cost	375	376	876	881
Subtotal (see Categories – Note P20)/Total fair value	66,655	73,094	58,876	61,894
Borrowings from subsidiaries	13,417		13,503	
<i>of which other borrowings</i>	13,417		13,503	
Total long-term borrowings	80,072		72,379	
Short-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	–	–	464	464
Interest rate swaps designated as hedging instruments	8	8	7	7
Cross currency interest rate swaps held-for trading	655	655	–	–
Subtotal (see Fair value hierarchy levels – Note P20)	663	663	471	471
Open-market financing program borrowings at amortized cost	9,703	9,744	3,983	3,995
Other borrowings at amortized cost	697	698	–	–
Subtotal (see Categories – Note P20)/Total fair value	11,063	11,105	4,454	4,466
Borrowings from subsidiaries	32,371		49,743	
<i>of which cash pool balances</i>	30,704		48,004	
<i>of which other borrowings</i>	1,667		1,739	
Total short-term borrowings	43,434		54,197	

As of December 31, 2011 and 2010, fully unutilized bank overdraft facilities had a total limit of SEK 1,038 million and SEK 1,089 million, respectively.

For additional information on financial instruments classified by category/fair value hierarchy level, refer to Note P20 "Financial Assets and Liabilities by Category and Level", and for information on maturities and liquidity risks, refer to section "Liquidity risk management" in Note P21 "Financial Risk Management." Refer to Notes to Consolidated Financial Statements (corresponding section in Note C21) for further information on borrowings and the swap portfolio. Conventional commercial terms apply for borrowings from subsidiaries, which comprise cash-pool balances and other borrowings.

P18. Long-term Liabilities

The carrying value of long-term liabilities was distributed as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Liabilities to subsidiaries	6	–
Prepaid contracts for broadband build-out	–	254
Other liabilities	2	10
Total long-term liabilities	8	264

For the years 2011 and 2010, SEK – million and SEK 27 million, respectively, of the total long-term liabilities fell due more than 5 years after the end of the reporting period.

P19. Short-term Provisions, Trade Payables and Other Current Liabilities

Short-term provisions, trade payables and other current liabilities were distributed as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Currency swaps, forward exchange contracts and currency options held-for-trading	577	1,048
Subtotal (see Fair value hierarchy levels – Note P20)	577	1,048
Accounts payable at amortized cost	172	495
Current liabilities at amortized cost	–	112
Subtotal (see Categories – Note P20)	749	1,655
Liabilities to subsidiaries	959	833
Other current liabilities	398	568
Deferred income	–	97
Total short-term provisions, trade payables and other current liabilities	2,106	3,153

For Accounts payable and Current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. For additional information on financial instruments classified by category/fair value hierarchy level and on liquidity risks, refer to Note P20 "Financial Assets and Liabilities by Category and Level" and section "Liquidity risk management" in Note P21 "Financial Risk Management." As of December 31, 2011, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2012	Apr–Jun 2012	Jul–Sep 2012	Oct–Dec 2012	Total
Liabilities at amortized cost	–	39	0	133	172

Corresponding information for currency derivatives held-for-trading are presented in section "Liquidity risk management" to Note P21 "Financial Risk Management."

Conventional commercial terms apply for trading with subsidiaries. The main components of Other current liabilities are short-term provisions (see Note P16 "Other Provisions") and accrued payroll expenses and social security contributions.

P20. Financial Assets and Liabilities by Category and Level

Categories

Carrying values of classes of financial assets and liabilities were distributed by category as follows. Financial assets and liabilities relating to subsidiaries are not included. Excluded are also investments in associated companies as discussed in Note P10 "Other Financial Assets" and pension obligations as discussed in Note P15 "Provisions for Pensions and Employment Contracts."

SEK in millions	Note	Dec 31, 2011	Dec 31, 2010
Financial assets			
Derivatives designated as hedging instruments	P10, P12	1,742	1,288
Financial assets at fair value through profit and loss		606	686
<i>Derivatives not designated as hedging instruments</i>	P10, P12	591	674
<i>Held-for-trading investments</i>	P10	15	12
Loans and receivables	P10, P12, P13	10,565	13,010
Available-for-sale financial assets	P10	6	6
Total financial assets by category		12,919	14,990
Financial liabilities			
Derivatives designated as hedging instruments	P17	385	263
Derivatives not designated as hedging instruments	P17, P19	2,281	2,516
Borrowings in fair value hedge relationships	P17	17,896	16,717
Financial liabilities measured at amortized cost	P16, P17, P19	57,909	45,493
Total financial liabilities by category		78,471	64,989

Fair value hierarchy levels

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

SEK in millions	Note	December 31, 2011			December 31, 2010		
		Fair value	of which		Fair value	of which	
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value							
Investments in other equity instruments available-for-sale	P10	2	2	–	2	2	–
Investments in other equity instruments held-for-trading	P10	15	–	15	12	–	12
Convertible bonds available-for-sale	P10	4	–	4	4	–	4
Derivatives designated as hedging instruments	P10, P12	1,742	1,742	–	1,288	1,288	–
Derivatives held-for-trading	P10, P12	591	591	–	674	674	–
Total financial assets at fair value by level		2,354	2,333	19	1,980	1,962	16
Financial liabilities at fair value							
Borrowings in fair value hedge relationships	P17	17,896	17,896	–	16,717	16,717	–
Derivatives designated as hedging instruments	P17	385	385	–	263	263	–
Derivatives held-for-trading	P17, P19	2,281	2,281	–	2,516	2,516	–
Total financial liabilities at fair value by level		20,562	20,562	–	19,496	19,496	–

There were no transfers between Level 1 and 2 in 2011 and 2010.

Level 3 financial assets changed as follows.

SEK in millions	December 31, 2011			December 31, 2010		
	Investments in other equity instruments held-for-trading	Convertible bonds available- for-sale	Total	Investments in other equity instruments held-for-trading	Convertible bonds available- for-sale	Total
Level 3, opening balance	12	4	16	12	4	16
Changes in fair value	-3	-	-3	-5	-	-5
<i>of which recognized in net income</i>	-3	-	-3	-5	-	-5
<i>of which related to assets held at reporting period-end</i>	-3	-	-3	-5	-	-5
Purchases	6	-	6	5	-	5
Level 3, closing balance	15	4	19	12	4	16

Changes in fair value recognized in net income are included in line item Financial income and expenses, see specification in Note P5 "Financial Income and Expenses."

P21. Financial Risk Management

Principles, capital management and management of financial risks

For information relevant to TeliaSonera AB, see Notes to Consolidated Financial Statements (Note C27).

Credit risk management

TeliaSonera's exposure to credit risk arises from default of counterparts (including price risks as regards investments in equity instruments), with a maximum exposure equal to the carrying amount of these instruments (detailed in the respective note and excluding receivables from subsidiaries), as follows.

SEK in millions	Note	Dec 31, 2011	Dec 31, 2010
Other financial assets	P10	3,536	1,618
Trade and other receivables	P12	536	699
Short-term investments, cash and cash equivalents	P13	8,847	12,673
Total		12,919	14,990

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

Liquidity risk management

Liquidity risk is the risk that TeliaSonera AB will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. For information on liquidity risk management relevant to TeliaSonera AB, see Notes to Consolidated Financial Statements (corresponding section in Note C27).

As of December 31, 2011, contractual undiscounted cash flows for interest-bearing borrowings and non-interest-bearing currency derivatives (excluding intra-group derivatives) represented the following expected maturities, including installments and estimated interest payments. The balances due within 12 months equal their carrying values as the impact of discounting is insignificant.

Expected maturity SEK in millions	Jan-Mar 2012	Apr-Jun 2012	Jul-Sep 2012	Oct-Dec 2012	2013	2014	2015	2016	Later years	Total
Open-market financing program borrowings	829	5,180	4,150	1,659	8,261	10,781	10,408	4,587	45,068	90,923
Other borrowings	206	503	2	2	377	-	-	-	-	1,090
Cross currency interest rate swaps and interest rate swaps										
Payables	550	5,804	494	1,026	7,127	3,782	11,656	5,032	3,341	38,812
Receivables	-631	-5,326	-296	-882	-6,881	-3,824	-11,330	-5,023	-3,587	-37,780
Currency swaps and forward exchange contracts										
Payables	54,669	8,751	2,950	168	29	6	-	-	-	66,573
Receivables	-54,680	-8,672	-2,912	-170	-30	-5	-	-	-	-66,469
Total, net	943	6,240	4,388	1,803	8,883	10,740	10,734	4,596	44,822	93,149

Expected maturities for and additional information on non-interest-bearing liabilities, guarantees and other contractual obligations are presented in Notes P16 "Other Provisions," P19 "Short-term Provisions, Trade Payables and Other Current Liabilities" and P24 "Contingencies, Other Contractual Obligations and Litigation," respectively.

P22. Operating Lease Agreements

TeliaSonera AB leases primarily office premises. Most of the leases are from outside parties. The leases are on commercial terms with respect to prices and duration. There was no subletting.

Future minimum leasing fees under operating lease agreements in effect as of December 31, 2011 that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2012	Apr–Jun 2012	Jul–Sep 2012	Oct–Dec 2012	2013	2014	Later years	Total
Future minimum leasing fees	8	8	8	8	23	1	–	56

In 2011 and 2010, total rent and leasing fees paid were SEK 42 million and SEK 176 million, respectively.

P23. 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 2011 and 2010, sales to subsidiaries totaled SEK 30 million and SEK 10,375 million, respectively, while purchases from subsidiaries totaled SEK 487 million and SEK 6,647 million, respectively. The parent company's fixed network and broadband operations were transferred to a subsidiary as of January 1, 2011.

Pension fund

As of December 31, 2011, Telia Pension Fund held 1,487,099 TeliaSonera shares, or 0.03 percent of the voting rights. TeliaSonera AB's share of the fund's assets is 12 percent. For information on transactions and balances, see Note P15 "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 P24 "Contingencies, Other Contractual Obligations and Litigation" for further details.

Other transactions

For descriptions of certain other transactions with related parties, see Notes to Consolidated Financial Statements (Note C29).

P24. Contingencies, Other Contractual Obligations and Litigation

Contingent assets, financial guarantees and collateral pledged

As of the end of the reporting period, TeliaSonera AB had no contingent assets, while financial guarantees reported as contingent liabilities were distributed as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
Credit guarantee on behalf of Svenska UMTS-nät AB	–	1,375
Subtotal (see Liquidity risk – Note P21)	–	1,375
Guarantees on behalf of subsidiaries	4,877	2,695
Guarantees for pension obligations	38	135
Total financial guarantees	4,915	4,205

Some loan covenants agreed limit the scope for divesting or pledging certain assets. For information on change-of-control provisions included in some of TeliaSonera AB's more recent bond issuances, see Notes to Consolidated Financial Statements (corresponding section in Note C30).

For all financial guarantees issued, stated amounts equal the maximum potential future payments that TeliaSonera AB could be required to make under the respective guarantee. For information on the guarantee on behalf of Svenska UMTS-nät, see Notes to Consolidated Financial Statements (corresponding section in Note C30).

Guarantees on behalf of subsidiaries include SEK 3,727 million (EUR 417 million) related to Xfera Móviles S.A., of which counter guarantees of EUR 366 million as TeliaSonera's share on behalf of Xfera's performance requirements in relation to its telecom and frequency licenses and a counter guarantee of EUR 44 million as TeliaSonera's share to cover payment to a former Xfera shareholder, should the outcome of a legal dispute concerning Xfera's spectrum fee for 2001 be favorable. Guarantees on behalf of subsidiaries also include SEK 672 million related to Swedish pension obligations.

In addition to financial guarantees indicated above, guarantees for fulfillment of contractual undertakings are granted by TeliaSonera AB on behalf of subsidiaries, as part of the Group's normal course of business. At the end of the reporting period, there was no indication that payment will be required in connection with any such contractual guarantee.

Collateral pledged

As of the end of the reporting period, collateral pledged was distributed as follows.

SEK in millions	Dec 31, 2011	Dec 31, 2010
<i>For commitments under a shareholders' agreement: Shares in 4T Sverige AB</i>	2	–
Total collateral pledged	2	–

Under an agreement, all shareholders of 4T Sverige AB have mutually pledged their shares in favor of the other shareholders.

Other unrecognized contractual obligations

As of December 31, 2011, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2012	Apr–Jun 2012	Jul–Sep 2012	Oct–Dec 2012	Later years	Total
Other intangible assets	7	2	2	5	–	16
Total (see Liquidity risk – Note P21)	7	2	2	5	–	16

Reported obligations refer to licenses for and adaption of business support systems.

Legal and administrative proceedings

For additional information relevant to TeliaSonera AB, see Notes to Consolidated Financial Statements (corresponding section in Note C30).

P25. Cash Flow Information

Non-cash transactions

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

P26. Human Resources

The number of employees decreased to 249 at December 31, 2011 (1,255 at year-end 2010), mainly due to the transfer of the parent company's fixed network and broadband operations to a subsidiary as of January 1, 2011.

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

Country	Jan–Dec 2011		Jan–Dec 2010	
	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	239	50.6	1,396	69.6
Total	239	50.6	1,396	69.6

The share of female and male Corporate Officers was as follows. Corporate Officers include all members of the Board of Directors, the President, the Executive Vice President and the 8 other members (2010: 9 members) of Group Management employed by the parent company.

Percent	Dec 31, 2011		Dec 31, 2010	
	Board of Directors	Other Corporate Officers	Board of Directors	Other Corporate Officers
Women	27.3	30.0	27.3	27.3
Men	72.7	70.0	72.7	72.7
Total	100.0	100.0	100.0	100.0

Total personnel expenses were distributed by nature as follows.

SEK in millions	Jan–Dec 2011	Jan–Dec 2010
Salaries and other remuneration	281	913
<i>of which performance share programs</i>	4	1
Social security expenses		
Employer's social security contributions	86	286
<i>of which performance share programs</i>	1	0
Pension expenses	-34	-91
Total social security expenses	52	195
Other personnel expenses	35	38
Total personnel expenses recognized by nature	368	1,146

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

SEK in millions	Jan–Dec 2011		Jan–Dec 2010	
	Corporate Officers (of which variable pay)	Other employees	Corporate Officers (of which variable pay)	Other employees
Salaries and other remuneration	58 (–)	223	58 (–)	855

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 8 other members (2010: 9 members) of Group Management employed by the parent company.

Pension expenses and outstanding pension commitments for Corporate Officers were as follows. There are no pension benefit arrangements for external members of the Board of Directors.

SEK in millions	January–December or December 31,	
	2011	2010
Pension expenses	20	21
Outstanding pension commitments	156	176

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

P27. Remuneration to Audit Firms

Remuneration billed by audit firms was as follows. See additional information in Notes to Consolidated Financial Statements (Note C33).

SEK in millions	Jan–Dec 2011	Jan–Dec 2010
Remuneration expensed		
PricewaterhouseCoopers AB (PwC)		
Audits	8	12
Audit-related services	0	1
Tax services	0	0
All other services	1	1
Total PwC	9	14
Ernst & Young AB (E&Y)		
Tax services, all other services	8	2
Total E&Y	8	2
KPMG AB (KPMG)		
Tax services, all other services	1	2
Total KPMG	1	2
Other audit firms		
Tax services, all other services	3	0
Total other audit firms	3	0
Total remuneration expensed	21	18
Remuneration recognized in equity		
PwC		
Audit-related services	0	–
Total PwC	0	–
Total remuneration recognized in equity	0	–
Total remuneration	21	18

Proposed Appropriation of Earnings

At the disposal of the Annual General Meeting:

	SEK
Retained earnings	56,445,229,060
Net income	9,691,402,715
Total	66,136,631,775

The Board proposes that this sum be appropriated as follows:

	SEK
SEK 2.85 per share ordinary dividend to the shareholders	12,340,741,626
To be carried forward	53,795,890,149
Total	66,136,631,775

The Board of Directors and the President and CEO certify that the consolidated financial statements have been prepared in accordance with IFRSs as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The Report of the Directors for the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 8, 2012

Anders Narvinger
Chairman

Timo Peltola
Vice-Chairman

Agneta Ahlström

Magnus Brattström

Stefan Carlsson

Maija-Liisa Friman

Ingrid Jonasson Blank

Conny Karlsson

Lars Renström

Jon Risfelt

Per-Arne Sandström

Lars Nyberg
President and CEO

Our auditors' report was rendered March 9, 2012

PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized Public Accountant
Auditor in charge

Jeanette Skoglund
Authorized Public Accountant

Auditors' Report

To the Annual Meeting of the shareholders of TeliaSonera AB (publ)
Corporate Reg. No. 556103-4249

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts TeliaSonera AB (publ) for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 10–114.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates

made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2011 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory report of the directors and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of TeliaSonera AB (publ) for the year 2011.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the

company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director

is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

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

Stockholm, March 9, 2012

PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized Public Accountant
Auditor in charge

Jeanette Skoglund
Authorized Public Accountant

Ten-Year Summary – Financial Data

TeliaSonera Group Financial Data (IFRS)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Income (SEK in millions)										
Net sales	104,354	106,979	109,550	103,585	96,344	91,060	87,661	81,937	82,425	59,483
Operating income	29,567	32,003	30,242	28,648	26,155	25,489	17,549	18,793	14,710	-10,895
Income after financial items	26,774	29,936	27,614	26,411	25,251	25,226	17,019	17,448	13,899	-11,616
Net income	21,072	23,562	21,280	21,442	20,298	19,283	13,694	14,264	10,049	-7,997
of which attributable to owners of the parent	18,341	21,257	18,854	19,011	17,674	16,987	11,697	12,964	9,080	-8,067
EBITDA excluding non-recurring items	36,914	36,897	36,584	32,954	31,021	32,266	29,411	30,196	30,700	15,692
EBITDA	36,873	37,661	35,159	31,658	30,333	31,113	27,508	30,841	32,035	9,421
Amortization, depreciation and impairment losses	13,023	13,479	12,932	12,106	11,875	11,203	13,188	15,596	17,707	20,844
Financial position (SEK in millions)										
Goodwill and other intangible assets	91,915	90,531	100,239	100,968	83,909	74,172	74,367	69,534	61,820	68,106
Property, plant and equipment	59,580	58,353	61,222	61,946	52,602	48,195	48,201	47,212	49,161	56,172
Financial assets	65,743	62,458	60,849	62,265	48,633	41,826	40,526	35,353	42,061	48,534
Current assets and non-current assets held-for-sale	36,643	39,209	47,360	39,107	31,558	35,199	40,681	39,873	37,018	33,844
<i>Total assets</i>	<i>253,881</i>	<i>250,551</i>	<i>269,670</i>	<i>264,286</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>
Total equity	124,033	132,665	142,499	141,448	127,057	127,717	135,694	128,067	115,834	113,949
of which attributable to owners of the parent	116,680	125,907	135,372	130,387	117,274	119,217	127,049	121,133	112,393	108,829
Provisions	24,163	23,230	25,625	24,594	16,748	15,471	15,564	13,402	15,297	18,406
Interest-bearing liabilities	79,842	65,436	71,833	65,799	43,579	27,729	26,735	24,675	30,554	44,732
Non-interest-bearing liabilities	25,843	29,220	29,713	32,445	29,318	28,475	25,782	25,828	28,375	29,569
<i>Total equity and liabilities</i>	<i>253,881</i>	<i>250,551</i>	<i>269,670</i>	<i>264,286</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>
Capital employed	192,564	186,509	204,908	199,186	153,090	127,195	146,712	147,132	142,235	157,035
Operating capital	170,393	163,889	175,063	178,017	140,925	110,163	125,299	126,198	120,006	137,113
Net debt	65,079	47,309	46,175	48,614	34,155	14,892	7,879	6,580	17,648	38,075
Net interest-bearing liability	58,701	43,573	42,668	44,652	31,830	10,736	5,320	3,741	8,847	25,034
Cash flows (SEK in millions)										
Cash flow from operating activities	27,023	27,434	30,610	25,091	26,529	27,501	26,990	24,403	26,443	12,449
Cash flow from investing activities	-17,306	-16,476	-17,627	-19,634	-15,705	-13,084	-12,236	-7,991	-3,443	-5,553
<i>Cash flow before financing activities</i>	<i>9,717</i>	<i>10,958</i>	<i>12,983</i>	<i>5,457</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>
Cash flow from financing activities	-12,035	-17,736	-2,187	-2,364	-14,726	-19,382	-15,653	-11,102	-16,412	-10,344
<i>Cash flow for the year</i>	<i>-2,318</i>	<i>-6,778</i>	<i>10,796</i>	<i>3,093</i>	<i>-3,902</i>	<i>-4,965</i>	<i>-899</i>	<i>5,310</i>	<i>6,588</i>	<i>-3,448</i>
Free cash flow	9,629	12,901	16,643	9,333	13,004	16,596	15,594	14,118	17,351	3,877
Investments (SEK in millions)										
CAPEX	17,243	14,934	14,007	15,795	13,531	11,101	11,583	10,331	9,267	14,345
Acquisitions and other investments	672	1,735	2,842	9,060	7,171	3,951	2,732	9,099	2,851	40,093
<i>Total investments</i>	<i>17,915</i>	<i>16,669</i>	<i>16,849</i>	<i>24,855</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>
Business ratios										
EBITDA margin (%)	35.4	34.5	33.4	31.8	32.2	35.4	33.6	36.9	37.2	26.4
Operating margin (%)	28.3	29.9	27.6	27.7	27.1	28.0	20.0	22.9	17.8	-18.3
Return on sales (%)	20.2	22.0	19.4	20.7	21.1	21.2	15.6	17.4	12.2	-13.4
Amortization, depreciation and impairment losses as a percentage of net sales	12.5	12.6	11.8	11.7	12.3	12.3	15.0	19.0	21.5	35.0
CAPEX-to-sales ratio (%)	16.5	14.0	12.8	15.2	14.0	12.2	13.2	12.6	11.2	24.1
Total asset turnover (multiple)	0.41	0.41	0.41	0.43	0.46	0.45	0.44	0.43	0.42	0.36
Turnover of capital employed (multiple)	0.55	0.55	0.54	0.59	0.69	0.67	0.60	0.57	0.55	0.48
Return on assets (%)	12.3	12.7	11.8	12.7	13.1	13.2	9.4	10.5	8.7	-5.7
Return on capital employed (%)	16.4	16.9	15.5	17.3	19.4	19.5	12.6	13.9	11.6	-7.7
Return on equity (%)	16.8	17.8	15.2	17.2	18.6	17.2	10.3	11.6	8.5	-9.7
Equity/assets ratio (%)	44.0	48.0	49.1	50.5	50.3	49.9	58.9	63.8	58.5	54.2
Net debt/equity ratio (%)	58.3	39.3	34.9	36.5	31.3	15.0	6.6	5.4	15.9	34.0
Net debt/EBITDA rate (multiple)	1.76	1.28	1.26	1.48	1.10	0.46	0.27	0.22	0.57	2.43
Interest coverage ratio (multiple)	7.2	10.7	8.3	7.6	14.2	18.1	11.7	7.6	5.1	-4.7
Self-financing rate (multiple)	1.51	1.65	1.82	1.01	1.28	1.83	1.89	1.26	2.18	0.23
Share data										
Number of outstanding shares (millions)										
– at the end of the period	4,330.1	4,490.5	4,490.5	4,490.5	4,490.5	4,490.5	4,490.5	4,675.2	4,675.2	4,605.8
– average, basic	4,367.0	4,490.5	4,490.5	4,490.5	4,490.5	4,490.5	4,574.0	4,675.2	4,667.6	3,124.3
– average, diluted	4,367.0	4,490.5	4,490.5	4,490.5	4,490.5	4,490.5	4,574.0	4,675.2	4,668.4	3,125.3
Basic and diluted earnings/loss per share (SEK)	4.20	4.73	4.20	4.23	3.94	3.78	2.56	2.77	1.95	-2.58
Cash dividend per share (SEK) ^{1), 2)}	2.85	2.75	2.25	1.80	4.00	6.30	3.50	1.20	1.00	0.40
Total cash dividend (SEK in millions) ^{1), 2)}	12,341	12,349	10,104	8,083	17,962	28,290	15,717	5,610	4,675	1,870
Pay-out ratio (%)	67.9	58.1	53.6	42.5	101.6	166.5	136.9	43.3	51.4	n/a
Equity per share (SEK)	26.95	28.04	30.15	29.04	26.12	26.55	28.29	25.91	24.04	23.63

¹⁾ For 2011 as proposed by the Board of Directors.

²⁾ For 2007, 2006 and 2005 including extra dividends of SEK 2.20 per share (totaling SEK 9,879 million), SEK 4.50 per share (totaling SEK 20,207 million) and SEK 2.25 per share (totaling SEK 10,104 million), respectively.

Ten-Year Summary – Operational Data

TeliaSonera Group Operational Data	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Mobility Services										
Total subscriptions (thousands)	19,520	18,384	16,963	15,900	14,501	13,434	13,000	11,545	9,519	9,202
<i>of which Sweden</i>										
Mobile telephony, total subscriptions (thousands)	6,290	5,869	5,666	5,334	4,807	4,603	4,387	4,243	3,838	3,604
Mobile telephony, outgoing traffic (millions of minutes)	9,854	9,499	8,493	7,849	6,635	5,335	4,456	3,814	3,313	3,201
Mobile telephony, incoming traffic (millions of minutes)	4,354	4,220	3,983	3,815	3,474	3,058	2,750	2,573	2,400	2,272
Mobile telephony, MoU (minutes)	242	237	218	191	178	157	139	131	128	131
Mobile telephony, blended churn (%)	15	17	13	14	15	17	15	11	13	n/a
Mobile telephony, ARPU (SEK)	196	196	192	189	194	204	213	227	252	262
<i>of which Finland</i>										
Mobile telephony, total subscriptions (thousands)	3,231	3,237	2,874	2,676	2,449	2,407	2,507	2,297	2,428	2,790
Mobile telephony, outgoing traffic (millions of minutes)	5,471	5,575	5,604	5,618	5,473	5,936	5,642	4,820	4,743	n/a
Mobile telephony, incoming traffic (millions of minutes)	2,840	2,896	2,831	2,911	2,656	2,554	2,405	2,147	2,090	n/a
Mobile telephony, MoU (minutes)	255	266	280	276	284	285	277	253	232	n/a
Mobile telephony, blended churn (%)	28	25	22	17	16	19	24	28	17	n/a
Mobile telephony, ARPU (EUR)	21	22	24	26	29	29	30	38	38	n/a
<i>of which Norway</i>										
Mobile telephony, total subscriptions (thousands)	1,657	1,680	1,658	1,581	1,577	1,641	1,651	1,308	1,195	1,089
Mobile telephony, MoU (minutes)	279	276	279	247	236	218	192	175	164	156
Mobile telephony, ARPU (NOK)	259	291	309	330	348	352	333	339	342	330
<i>of which Denmark</i>										
Mobile telephony, total subscriptions (thousands)	1,426	1,450	1,460	1,493	1,449	1,123	1,154	1,115	472	421
<i>of which Baltic countries</i>										
Mobile telephony, subscriptions, Lithuania (thousands)	1,990	2,000	1,991	2,012	2,012	2,074	1,889	1,338	1,052	851
Mobile telephony, subscriptions, Latvia (thousands)	1,092	1,068	1,042	1,056	1,015	803	735	649	534	447
Mobile telephony, subscriptions, Estonia (thousands)	795	797	766	778	765	759	677	595	–	–
<i>of which Spain</i>										
Mobile telephony, subscriptions (thousands)	3,039	2,283	1,506	970	427	24	–	–	–	–
Broadband Services										
Broadband, total subscriptions (thousands)	2,481	2,402	2,348	2,284	2,164	1,828	1,278	897	571	411
Fixed telephony, total subscriptions (thousands)	4,267	4,666	5,212	5,806	6,218	6,497	7,064	8,312	8,087	8,296
<i>of which Sweden</i>										
Broadband, subscriptions (thousands)	1,149	1,129	1,125	1,122	1,061	915	711	526	394	317
Fixed telephony, total subscriptions (thousands)	2,948	3,214	3,604	4,000	4,295	4,586	5,036	6,115	6,283	6,415
<i>of which Finland</i>										
Broadband, subscriptions (thousands)	491	476	458	478	473	412	350	243	150	82
Fixed telephony, total subscriptions (thousands)	239	277	324	420	497	580	647	740	804	722
<i>of which Norway</i>										
Broadband, subscriptions (thousands)	188	195	223	176	177	172	–	–	–	–
<i>of which Denmark</i>										
Broadband, subscriptions (thousands)	80	67	47	34	31	7	5	1	2	1
Fixed telephony, prefix and contract customers (thousands)	148	153	205	226	251	165	195	212	172	223
<i>of which Baltic countries</i>										
Broadband, subscriptions, Lithuania (thousands)	372	345	313	298	259	181	105	50	25	11
Fixed telephony, subscriptions, Lithuania (thousands)	647	689	722	769	789	785	798	819	828	936
Broadband, subscriptions, Estonia (thousands)	201	190	182	176	163	141	107	77	–	–
Fixed telephony, subscriptions, Estonia (thousands)	285	333	357	391	386	381	388	426	–	–
Eurasia										
Mobile telephony, total subscriptions (thousands)	34,840	28,505	22,363	18,272	12,147	7,352	6,146	3,866	2,385	1,614
Mobile telephony, subscriptions, Kazakhstan (thousands)	10,850	8,921	7,165	7,083	6,017	3,539	3,320	1,795	990	615
Mobile telephony, subscriptions, Azerbaijan (thousands)	4,166	3,994	3,847	3,471	3,029	2,333	1,741	1,291	912	669
Mobile telephony, subscriptions, Uzbekistan (thousands)	7,688	6,832	5,074	2,683	690	–	–	–	–	–
Mobile telephony, subscriptions, Tajikistan (thousands)	2,139	1,723	1,523	1,154	611	–	–	–	–	–
Mobile telephony, subscriptions, Georgia (thousands)	2,066	2,044	1,892	1,582	1,296	1,032	715	481	307	198
Mobile telephony, subscriptions, Moldova (thousands)	1,089	907	660	550	504	448	370	299	176	132
Mobile telephony, subscriptions, Nepal (thousands)	6,842	4,084	2,202	1,749	–	–	–	–	–	–
Human Resources										
Number of employees as of December 31	28,412	28,945	29,734	32,171	31,292	28,528	28,175	29,082	26,694	29,173
Average number of full-time employees during the year	26,999	27,697	28,815	30,037	28,561	26,969	27,403	25,381	26,188	17,277
of whom, in Sweden	8,372	8,937	9,170	10,152	10,002	10,427	11,061	10,948	11,321	12,593
of whom, in Finland	4,497	4,686	4,981	5,258	5,697	5,936	6,369	6,750	6,408	1,142
of whom, in other countries	14,130	14,074	14,664	14,627	12,862	10,606	9,973	7,683	8,459	3,542
of whom, women	11,784	12,212	13,111	13,251	12,571	12,164	11,934	11,427	10,936	7,546
of whom, men	15,215	15,485	15,704	16,786	15,990	14,805	15,469	13,954	15,252	9,731
Salaries and remuneration (SEK in millions)	9,974	10,405	11,152	11,011	9,632	8,918	9,023	8,674	8,460	6,732
Employer's social security contributions (SEK in millions)	1,819	1,900	1,995	2,134	1,971	1,903	1,970	1,902	1,950	1,804
Salaries and employer's social security contributions as a percentage of operating costs	14.5	14.8	15.3	15.8	14.8	15.2	15.5	16.4	14.9	14.9
Net sales per employee (SEK in thousands)	3,865	3,862	3,802	3,449	3,373	3,376	3,199	3,228	3,147	3,443
Operating income per employee (SEK in thousands)	1,095	1,155	1,050	954	916	945	640	740	562	-631
Change in labor productivity (%)	11.2	10.8	11.1	7.8	7.1	11.2	8.3	10.8	-4.9	53.5
Net income per employee (SEK in thousands)	780	851	738	714	711	715	500	511	347	-467

Definitions

Concepts

Addressable cost base

Comprises personnel costs, marketing costs and all other operating expenses other than purchases of goods and sub-contractor services as well as interconnect, roaming and other network-related costs.

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, impairment losses, 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 equity

Reported equity attributable to owners of the parent less the (proposed) dividend. For the parent company also including untaxed reserves net of tax.

Capital employed

Total assets less non-interest-bearing liabilities and non-interest-bearing provisions, and the (proposed) dividend.

Operating capital

Non-interest-bearing assets less non-interest-bearing liabilities, including the (proposed) dividend, and non-interest-bearing provisions.

Segment assets and liabilities (Segment operating capital)

As Operating capital, but assets and liabilities exclude items related to foreign currency derivatives and accrued interest as well as to deferred and current tax, respectively, and liabilities exclude the (proposed) dividend.

Net debt

Interest-bearing liabilities less derivatives recognized as financial assets and hedging long-term and short-term borrowings, and less short-term investments and cash and bank.

Net interest-bearing liability

Interest-bearing liabilities and provisions less interest-bearing assets but including investments in associated companies and joint ventures.

Free cash flow

Cash flow from operating activities less cash CAPEX.

CAPEX

An abbreviation of "Capital Expenditure." Investments in intangible and tangible non-current assets but excluding goodwill, fair-value adjustments and asset retirement obligations.

Acquisitions and other investments

Investments in goodwill and fair-value adjustments, shares and participations, and asset retirement obligations.

EBITDA margin

EBITDA excluding non-recurring items expressed as a percentage of net sales.

Operating margin

Operating income expressed as a percentage of net sales.

Return on sales

Net income expressed as a percentage of net sales.

Total asset turnover

Net sales divided by average total assets.

Turnover of capital employed

Net sales divided by the average capital employed.

Return on assets

Operating income plus financial revenues expressed as a percentage of average total assets.

Return on capital employed

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

Return on equity

Net income attributable to owners of the parent expressed as a percentage of average adjusted equity.

Equity/assets ratio

Adjusted equity and equity attributable to non-controlling interests expressed as a percentage of total assets.

Net debt/equity ratio

Net debt expressed as a percentage of adjusted equity and equity attributable to non-controlling interests.

Net debt/EBITDA rate

Net debt divided by EBITDA excluding non-recurring items.

Interest coverage ratio

Operating income plus financial revenues divided by financial expenses.

Self-financing rate

Cash flow from operating activities divided by gross investments.

Earnings and equity per share

Earnings per share are based on the weighted average number of shares before and after dilution with potential ordinary shares, while equity per share is based on the number of shares at the end of the period. Earnings

equal net income attributable to owners of the parent and equity is equity attributable to owners of the parent.

Pay-out ratio

Dividend per share divided by basic earnings per share.

MoU

Minutes of usage per subscription and month.

Blended churn

The number of lost subscriptions (postpaid and pre-paid) expressed as a percentage of the average number of subscriptions (postpaid and prepaid).

ARPU

Average monthly revenue per user.

Labor productivity

Year-on-year percentage change in the ratio: net sales at fixed prices to average number of full-time employees.

Notation conventions

In conformity with international standards, this report applies the following currency notations:

SEK	Swedish krona	GEL	Georgian lari	RUB	Russian ruble
AZN	Azerbaijan manat	JPY	Japanese yen	TJS	Tajikistan somoni
CZK	Czech koruna	KZT	Kazakhstan tenge	TRY	Turkish lira
DKK	Danish krone	LTL	Lithuanian litas	USD	U.S. dollar
EEK	Estonian kroon	LVL	Latvian lats	UZS	Uzbekistan som
EUR	European euro	NOK	Norwegian krone		
GBP	Pound sterling	NPR	Nepalese rupee		

Annual General Meeting 2012

TeliaSonera's Annual General Meeting will be held on Tuesday, April 3, 2012 at 14.00 CET at Cirkus, Djurgårdsslätten 43–45, Stockholm. The complete notification was published on TeliaSonera's website, www.teliasonera.com at the end of February. The meeting will be interpreted into English.

Right to attend

Shareholders who wish to attend the Annual General Meeting shall

- be entered into the transcription of the share register as of Wednesday, March 28, 2012, kept by Swedish central securities depository Euroclear Sweden AB and
- give notice of attendance to the Company no later than Wednesday, March 28, 2012.

Notice to the Company

Notice of attendance can be made

- in writing to TeliaSonera AB, Box 7842, SE-103 98 Stockholm, Sweden,
- by telephone +46 (0)8 402 90 50 on weekdays between 09.00 CET and 16.00 CET, or
- via the Company's website www.teliasonera.com (only private individuals).

When giving notice of attendance, please state name/company name, social security number/corporate registration number, address, telephone number (office hours) and number of accompanying persons.

Shareholding in the name of a nominee

Shareholders, whose shares are registered in the name of a nominee, must request to be temporarily entered into the share register kept by Euroclear Sweden AB as of March 28, 2012, in order to be entitled to participate in the meeting. Such shareholder is requested to inform the nominee to that effect well before that day. As Finnish shareholders within the Finnish book-entry system at Euroclear Finland Oy are nominee registered

at Euroclear Sweden AB, these Finnish shareholders have to contact Euroclear Finland Oy, by email: thy@euroclear.eu or by phone: +358 (0)20 770 6609, for re-registration well in advance of March 28, 2012 to be able to participate in the meeting.

Nominee

Shareholders who are represented by proxy shall issue a power of attorney for the representative. Forms for power of attorneys are available at the Company's website www.teliasonera.com. To a power of attorney issued by a legal entity a copy of the certificate of registration (and should such certificate not exist, a corresponding document of authority) of the legal entity shall be attached. The documents must not be older than one year. In order to facilitate the registration at the meeting, powers of attorney in original, certificates of registration and other documents of authority should be sent to the Company at the address above at the latest by Friday March, 30, 2012.

Decisions to be made by the Annual General Meeting

The Annual General Meeting determines, among other matters, the appropriation of the Company's profits and whether to discharge the Board of Directors and President from liability. The Annual General Meeting also appoints the Board of Directors and makes decisions regarding remuneration to the Board. The Board of Directors proposes that a dividend of SEK 2.85 per share be distributed to the shareholders, and that April 10, 2012 be set as the record date for the dividend. If the Annual General Meeting adopts this proposal, it is estimated that disbursement from Euroclear Sweden AB will take place on April 13, 2012.

Other information

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

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Production

Production: TeliaSonera AB Investor Relations in cooperation with Narva
Photo of the Board of Directors and Group Management: Victor Brott