
TeliaSonera

Annual Report 2009



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TeliaSonera in Brief

TeliaSonera provides network access and telecommunication services that help people and companies communicate in an easy, efficient and environmentally friendly way.

TeliaSonera is an international group with a global strategy, but wherever we operate we act as a local company. We offer our services in 20 markets in the Nordic and Baltic countries, the emerging markets of Eurasia, including Russia and Turkey, and in Spain.

World-class Service Company

Our focus areas are:

- To build a world-class service company
- To secure high quality in our networks
- To create a best-in-class cost efficiency

TeliaSonera is listed on the NASDAQ OMX Stockholm and NASDAQ OMX Helsinki stock exchanges.

Highlights and achievements

Strong financial performance

Although 2009 was a difficult year in the world economy, we reported the highest operating income in the company's history.

4G – World premiere in Stockholm and Oslo

We opened up the world's first commercial 4G networks in Stockholm and Oslo, providing customers with up to ten times faster speeds than today's networks.

Employee satisfaction and commitment improved

We reached the highest level since TeliaSonera started measurements in 2004.

Agreement with Altimo

TeliaSonera and Altimo agreed to combine their ownership interests in Turkcell and MegaFon into a new company.

Strong subscription growth

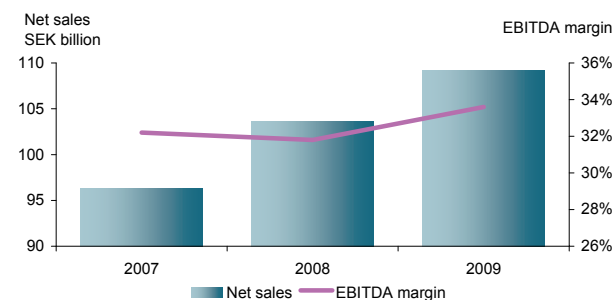
The number of subscriptions grew substantially and mobile data traffic volumes in the Nordic and Baltic markets increased by almost 200 percent.

Financial Highlights

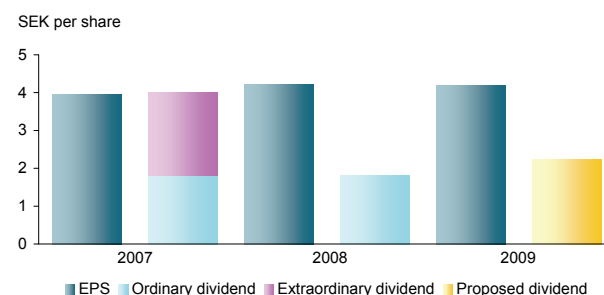
SEK in millions except key ratios, per share data and margins

	2009	2008	2007
Net sales	109,161	103,585	96,344
EBITDA, excluding non-recurring items	36,666	32,954	31,021
Margin (%)	33.6	31.8	32.2
Operating income	30,324	28,648	26,155
Operating income, excluding non-recurring items	31,679	30,041	27,478
Net income	21,280	21,442	20,298
of which attributable to owners of the parent company	18,854	19,011	17,674
Earnings per share (SEK)	4.20	4.23	3.94
Return on equity (% , rolling 12 months)	15.2	17.2	18.6
CAPEX-to-sales (%)	12.8	15.2	14.0
Free cash flow	17,024	11,328	13,004

Net sales and EBITDA margin, excluding non-recurring items, 2007–2009



EPS and Dividends, 2007–2009



Letter from the CEO

Dear Shareholders,

TeliaSonera's performance is strong. 2009 was a difficult year in the world economy, with low or even negative GDP growth in many markets. In this tough economic environment, TeliaSonera reported the highest operating income in the company's history.

The financial crisis is still prominent and affected several of our markets during the year, but our business is resilient. Due to a healthy mix of mature and emerging markets, we were able to keep revenues in local currencies intact and at the same time improve our profitability.

Traffic volumes increased, although prices have been under significant pressure. The telecom sector is not immune to lower economic activity and is pressured by regulatory intervention as well as lower roaming revenues related to less business travel.

Therefore, one of the things I and the rest of the management team are very proud of is that we have managed to break the trend of continuous cost increases. This is a result of major cost reductions in the Nordic and Baltic countries and tight cost control in Eurasia.

In this context, I am encouraged that employee satisfaction and commitment continued to improve. For the second year in a row, we have made significant progress and reached the highest level since TeliaSonera started measurements in 2004.

Improvement in profitability and cash flow

In 2009, TeliaSonera's EBITDA grew by 11 percent and the EBITDA margin improved to 33.6 percent. Operating income improved by 6 percent, despite notably lower income from associated companies. Cash flow improved by as much as 50 percent.

The improvement in profitability and cash flow is driven by actions that we can control ourselves, namely successful efficiency improvements, cost reductions and careful capital spending.

"TeliaSonera is a well positioned and financially strong company, with motivated and competent employees."

Lars Nyberg, President and CEO, TeliaSonera

Focus areas

When I joined TeliaSonera, we identified five focus areas – and later added another one – so they became six.

By now I think we can actually tick some of them off. For example, our B2B sales division is now established and up and running. We are in the middle of the migration to IP-based services and we continue to grow our business in Eurasia.

Therefore, the focus areas have been reduced to three, which we will live with for many years to come – and they apply to all our business areas.



- Building a world class service company and delivering a superior customer experience
- Securing high quality in our networks
- Cost efficient operations

TeliaSonera – a pioneer

In addition to this, it is important that TeliaSonera is regarded as a pioneer, by being at the forefront in adopting new technology and introducing new services to our customers in all markets.

We can thereby add value and contribute to a society with better communication opportunities for people and businesses.

Expanding in Eurasia and increasing ownership in core holdings

TeliaSonera aims to grow in line with the markets and take advantage of the increased demand for bandwidth, while maintaining profitability in the Nordic and Baltic regions, where we have leading market positions. Eurasia is our growth engine and in this region, fixed networks are limited and mobile penetration is lower.

Our mobile services provide people and businesses with opportunities to communicate with each other and to connect to the rest of the world.

Contribution to economic growth

TeliaSonera's investments in infrastructure and services contribute to increased transparency and contribute to economic growth.

We aim to expand our operations in Eurasia by increasing ownership in core holdings and making complementary acquisitions within our existing footprint, as well as selectively looking at new markets.

Increased ownership

In October, we successfully completed the cash offer for Eesti Telekom in Estonia and in January 2010 we took full control of the company. We also increased our ownership in TEO LT in Lithuania.

In February 2010 we increased our ownership in UCell, which during 2009 became the second largest operator in Uzbekistan.

These transactions underline our strategy to increase ownership in core holdings and we are actively exploring further possibilities to pursue this strategy.

Aligning ownership with Altimo

For a number of years, we have had the ambition to increase our ownership in both Turkcell and MegaFon and to consolidate those businesses. However, this has proven to be very difficult and we have explored different routes to increase our control over and the liquidity of these assets.

In November, we took an important step towards resolving the long lasting ownership deadlock, by aligning our ownership interests with Altimo into a new company.

The real value of the agreement is in the execution of it, which depends on the resolution of the legal disputes with Cukurova regarding the ownership of Turkcell and regulatory approvals in Turkey and Russia. Once these issues have been resolved, the shareholder structure and control of Turkcell and MegaFon will improve, as well as the liquidity of these assets.

We have focused on creating a governance structure where all major parties will have good possibilities to influence, without single-handedly controlling, the management of the new telecommunications group.

Turkcell and MegaFon will both continue to operate as independent companies. They are both very strong and professionally managed operators and cross-border synergies are limited.

It may take some time before we reach the end result, but the new listed company will have exciting future prospects and add value to TeliaSonera and our shareholders.

Entering a new decade

As we close 2009, we also leave the first decade of the 21st century behind.

In this period, TeliaSonera expanded eastward into new markets with growing economies and populations, and low mobile penetration.

We are now present in 20 countries with more than 48 million subscriptions in majority-owned operations and close to 100 million in our associated companies. This means that more than 100 million new subscribers have gained access to telecommunication services and the internet since Telia and Sonera were merged in late 2002.

Telecommunication services have become a necessity

In the same period, telecommunication services have become a basic necessity for people in their everyday lives. Society is being digitalized as we are constantly online, working from multiple locations, engaging in e-commerce, enjoying interactive entertainment and connecting to social networks on the internet.

The introduction of 3G services, rapid development of telecommunication networks and the development of new devices, such as computers with integrated SIM cards and more advanced and user-friendly mobile phones have all contributed to this trend.

At the same time, mobile penetration in our Eurasian markets increased and we introduced mobile internet in markets where we have 3G licences.

The world's first 4G commercial networks

In December 2009, TeliaSonera opened up the world's first 4G commercial networks in the city centers of Stockholm and Oslo. By the end of 2010, we will cover 25 Swedish municipalities and holiday areas and four Norwegian municipalities.

4G is the fastest mobile technology available on the market, with speeds up to ten times higher than today's turbo 3G.

4G will open up new possibilities for customers to use and enjoy services on their laptops, that require high transmission speeds and capacity, such as advanced web-TV broadcasting, extensive online gaming and web conferences.

Changed competitive landscape

The competitive landscape in the telecommunications industry is changing. Hardware manufacturers are developing applications and content. Software manufacturers and internet search engines, like Microsoft and Google, are developing mobile phones and applications.

Our core business is, and will continue to be, providing network access and telecommunication services that help people and companies to communicate in an easy, efficient and environmentally friendly way.

Unlimited demand for bandwidth

We believe the future demand for bandwidth will be virtually unlimited. At the right price, customers will use as much capacity as we can provide.

Two primary consequences

This has two primary consequences. First, the fixed networks will remain competitive, where there is already an infrastructure, as fixed networks are superior to mobile for communication between fixed locations with multiple users, such as homes and offices, requiring high-speed and transmission of large data volumes.

Second, in order to cater for the exploding volumes of data, we need to develop our business model to secure our future profitability and to be able to continue investing in expanding our networks, mobile as well as fixed.

We will move in the same direction as utilities, by charging for the network connection and for each of the services required, such as voice, broadband and IPTV. In addition to this, a variable fee for the consumption will be added. This is based on the assumption that low volume users are not willing to subsidize high volume users or pay for services they do not require.

In addition to providing a world-class customer experience, these will be our primary challenges as we enter the new decade.

Well positioned for the future

TeliaSonera is a well positioned and financially strong company, with motivated and competent employees. Add to that a growing number of customers and improving customer satisfaction. This makes me convinced that we have a bright future ahead of us.

Stockholm, March 9, 2010

Lars Nyberg
President and CEO

Markets and Brands

Country	Trademark	Owner-ship (percent)	Service	No. of Subscriptions (thousands)	Market Position	Market Share (percent) ¹	Main Competitors	Logotypes
Majority-owned companies								
Sweden	Telia, Halebop	100	Mobile	5,666	1	42	Tele2, Telenor, "3"	
	Telia	100	Broadband	1,125	1	42	Telenor, Com Hem	
	Telia	100	Fixed Voice incl. VoIP	3,762	1	66	Tele2, Telenor, Com Hem	
Finland	Sonera, TeleFinland	100	Mobile	2,874	2	37	Elisa, DNA	
	Sonera	100	Broadband	458	2	32	Elisa, DNA, Welho	
	Sonera	100	Fixed Voice incl. VoIP	325	2	28	Elisa, Finnet	
Norway	NetCom, Chess	100	Mobile	1,658	2	28	Telenor, Tele2	
	NextGenTel	100	Broadband	223	2	15	Telenor, Get, Tele2	
	NextGenTel	100	Fixed Voice (VoIP)	48	5	4	Telenor, Ventelo	
Denmark	Telia, Call me	100	Mobile	1,460	3	19	TDC, Telenor, "3"	
	Telia, Stofa, DLG Tele ²	100	Broadband	194	3	10	TDC, Telenor	
	Telia, Call me, DLG Tele ²	100	Fixed Voice incl. VoIP	214	3	7	TDC, Telenor	
Lithuania	Omnitel, Ezys	100	Mobile	1,991	1	40	Bité GSM, Tele2	
	TEO	64.9	Broadband	313	1	50	Balticum TV, Vinita, Mikrovisatos	
	TEO	64.9	Fixed Voice incl. VoIP	726	1	95	Eurocom SIP, Cubio	
Latvia	LMT, Okarte, Amigo	60.3	Mobile	1,042	1	43	Tele2, Bité Latvia	
	EMT, Diil	100	Mobile	766	1	47	Tele2, Elisa	
	Elion	100	Broadband	182	1	53	Starman, STV	
Estonia	Elion	100	Fixed Voice incl. VoIP	365	1	80	Starman, Elisa	
	Yoigo	76.6	Mobile	1,506	4	3	Telefónica, Vodafone, Orange	
	Yoigo	76.6	Mobile	1,506	4	3	Telefónica, Vodafone, Orange	
Kazakhstan ³	Kcell	51	Mobile	7,165	1	49	VimpelCom	
Azerbaijan ³	Azercell	51.3	Mobile	3,847	1	58	Bakcell, Azerfon	
Uzbekistan	UCell	94	Mobile	5,074	2	31	MTS, VimpelCom	
Tajikistan	Tcell ⁴	60 59.4	Mobile	1,523	1	34	Babilon Mobile, VimpelCom	
Georgia ³	Geocell	100	Mobile	1,892	1	46	Magticom, VimpelCom	
Moldova ³	Moldcell	100	Mobile	660	2	28	Orange	
Nepal ⁵	Ncell	80	Mobile	2,202	2	35	NTC	
Cambodia ⁵	Star-Cell	100	Mobile	195	4	4	Mobitel, TMIC	
Associated companies								
Latvia	Latttelecom	49	Broadband	194	1	48	Balticom TV, Izzi	
	Latttelecom	49	Fixed Voice incl. VoIP	565	1	75	Telecom Baltija, Teledialogs SIA	
Russia	MegaFon	43.8	Mobile	50,542	3	24	MTS, VimpelCom	
Turkey	Turkcell	38.0	Mobile	36,000	1	56	Vodafone, Avea	
Ukraine ⁶	Life		Mobile	11,800	3	22	Kyivstar, MTS, VimpelCom	
Belarus ⁶	Life		Mobile	800	3	6	Velcom, MTS	

¹ In Broadband and Fixed Voice TeliaSonera's market share estimate is based on the share of revenues. In Mobile the market share is based on the number of subscriptions except for subsidiaries in Eurasia where it is based on interconnect traffic.

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

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

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

⁵ For Nepal and Cambodia the ownership percent indicates TeliaSonera Asia Holding B.V.'s ownership. TeliaSonera holds 51 percent in TeliaSonera Asia Holding B.V.

⁶ Turkcell's subsidiaries in Ukraine and Belarus, in which Turkcell holds 55 percent and 80 percent, respectively.

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), HR, Internal Audit, IT and Legal.

Vision and Strategy

Mission

TeliaSonera's mission is to provide 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 achieving a best-in-class cost structure. TeliaSonera is an international group with a global strategy, but wherever we operate we act as a local company.

Vision

TeliaSonera's vision is to be 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 in a responsible way, based on a firm set of values and business principles.

Our services form a major part of people's daily lives – for business, education and pleasure.

Thereby, we contribute to a world with better opportunities.

Shared values

Our shared values form the foundation of our everyday work. They are:

- **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 and collaborate in teams and across borders, 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 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.

World-class Service Company

Our focus areas are:

- To build a world-class service company
- To secure high quality in our networks
- To create a best-in-class cost efficiency

Overall strategy

TeliaSonera's overall strategy is to deliver products and services to our different customer segments based on a deep understanding of present and future customer needs.

To create shareholder value through sustainable and improved profitability and cash flows, we will deliver our services in a cost-effective and sustainable manner.

Nordic and Baltic markets – focus on margins and cash flow

The Nordic and Baltic markets are mature markets with high mobile penetration. Here TeliaSonera has a leading market position. The aim is to grow in line with the markets, to take advantage of the increased growth in mobile data and to maintain profitability.

The Nordic and Baltic markets are exposed to price pressure caused by intense competition and regulatory intervention. In this environment operational efficiency is a top priority. TeliaSonera strives to improve efficiency continuously in order to be able to develop new mobile and IP-based services.

Our strategy in the Nordic and Baltic markets is to focus on:

- Strong growth in mobile data
- Migration to IP-based services
- Margins and cash flow

Eurasia – growth and high margins

TeliaSonera aims to expand in Eurasia and the surrounding region. Therefore we aim to increase ownership in core holdings and make complementary acquisitions within our existing footprint.

The focus is on markets with low mobile penetration, reasonably sized populations and growing economies where we can leverage our management experience.

In Eurasia, the mobile penetration is lower than in TeliaSonera's other markets and the fixed networks are not as developed. These countries therefore must rely on the mobile networks. This creates a great potential for TeliaSonera.

Our strategic priorities for Eurasia in the coming years are:

- Strengthening and creating leading market positions
- Securing high quality networks and services
- Achieving balanced growth and cost control
- Providing new services like mobile broadband
- Securing strong corporate governance and risk management

Spain – development of Yoigo

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

Data traffic increases more than customers

Our strategy is built upon the assumption that data and voice traffic increases more than customers and there is an unlimited demand for bandwidth. This has two consequences:

- Fixed networks remain competitive in regions where fixed networks already exist with strong growth in new services such as IPTV, video-on-demand and IP-based broadband.
- The pricing model will evolve. We will move from a voice based price model to introducing charging for access, consumption and speed.

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 and financial 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 and financial reporting. Risk and uncertainties related to the business and to shareholder issues 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 Report. Corporate Responsibility related risks are described in the Corporate Responsibility Report.

Development in 2009

During 2009 net sales in local currencies and excluding acquisitions were flat, whilst EBITDA was the highest ever reported at SEK 36.7 billion (SEK 33.0 billion in 2008). Net income attributable to the owners of the parent company was SEK 18.9 billion (19.0) and earnings per share SEK 4.20 (4.23). Compared to 2008, free cash flow improved 50 percent to SEK 17.0 billion (11.3).

For the business units in the Baltics the economic recession had a severe negative impact on net sales, however they were successful in defending margins throughout the year.

In Eurasia profitability margins improved and market positions were defended or improved. Network build-out continued with focus on Nepal and Uzbekistan, which supported growth in markets with lower mobile penetration.

In March 2009, TeliaSonera's Swedish infrastructure company Skanova Access announced higher prices for access to the copper network following a change in the price regulation. Con-

sequently, Telia raised the price for fixed telephony in Sweden on April 14, 2009. The increase was the first for fixed telephony subscriptions since 2001.

TeliaSonera introduced new, differentiated pricing for mobile broadband in Sweden on March 23, 2009, and in Norway on March 26, in order to better reflect varying levels of customer usage.

On November 11, 2009, TeliaSonera announced that it had agreed with Altimo to combine the ownership interests by contributing their respective direct and indirect interests in Turkcell and MegaFon into a new company. The new company will be established in a western jurisdiction and listed on the New York Stock Exchange. The purpose is to create a leading international telecom operator, with over 90 million subscriptions in Russia, Turkey and the CIS countries, and with well functioning corporate governance. The agreement between TeliaSonera and Altimo is legally binding, but the transaction is subject to agreement on definitive documentation and regulation approvals.

TeliaSonera has continued to be in the forefront of adopting new technology and introducing new services. In December 2009, TeliaSonera opened up the world's first commercial 4G networks in the city centers of Stockholm and Oslo. In 2010, the 4G roll-out will continue and investments in fixed network will continue through selective increase in fiber and IP investments within Broadband Services.

The employee satisfaction and commitment improved and for the second year in a row there was significant progress. TeliaSonera reached the highest level since measurements started in 2004.

SEK in millions, except earnings per share and margins	2009	2008	Change, %
Net sales	109,161	103,585	+5
Addressable cost base ¹	-33,568	-33,859	-1
EBITDA ² excluding non-recurring items ³	36,666	32,954	+11
Margin (%)	33.6	31.8	
Depreciation, amortization and impairment losses	-12,932	-12,106	+7
Income from associated companies and joint ventures	8,015	9,096	-12
Non-recurring items ³ , within EBITDA	-1,425	-1,296	+10
Operating income	30,324	28,648	+6
Financial income and expenses, net	-2,710	-2,237	+21
Income taxes	-6,334	-4,969	+27
Net income	21,280	21,442	-1
Attributable to:			
Shareholders of the parent company	18,854	19,011	-1
Minority interest in subsidiaries	2,426	2,431	-0
Earnings per share (SEK)	4.20	4.23	
Operating income excluding non-recurring items ³	31,679	30,041	+5
Margin (%)	29.0	29.0	

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 of non-recurring items, see "Non-recurring items" below.

Net sales

SEK in millions	2009	2008	Change, SEK million			Organic local currency change, %	
			2009	2008	2007	2009	2008
Mobility Services	51,077	48,673	+2,404	+5	-2		
Broadband Services	43,342	42,625	+717	+2	-3		
Eurasia	14,866	13,204	+1,662	+13	+5		
Other operations	5,561	4,906	+655	+13	+5		
Eliminations of internal sales	-5,685	-5,823	-138	-2			
Group	109,161	103,585	+5,576	+5			

Net sales increased 5.4 percent to SEK 109,161 million (103,585). Net sales in local currencies and excluding acquisitions decreased 0.3 percent. The positive effect of acquisitions was 1.1 percent and exchange rate fluctuations 4.6 percent.

In Mobility Services, net sales rose 4.9 percent to SEK 51,077 million (48,673). Net sales in local currencies and excluding acquisitions decreased 1.6 percent. The positive effect of acquisitions was 0.3 percent and exchange rate fluctuations 6.2 percent.

In Broadband Services, net sales increased 1.7 percent to SEK 43,342 million (42,625). Net sales in local currencies and excluding acquisitions decreased 3.1 percent. The positive effect of acquisitions was 0.4 percent and exchange rate fluctuations 4.4 percent.

In Eurasia, net sales rose 12.6 percent to SEK 14,866 million (13,204). Net sales in local currencies and excluding acquisitions increased 5.0 percent. The positive effect of acquisitions was 5.4 percent and exchange rate fluctuations 2.2 percent.

The number of subscriptions rose by 12.7 million to 147.6 million. The number of subscriptions in the majority-owned operations rose to 48.5 million and in the associated companies to 99.1 million.

Expenses

Cost of goods sold¹ was SEK 39.2 billion and increased 4.9 percent compared to 2008 which was in line with net sales development and thus the gross margin was maintained. Regulatory changes, primarily in Sweden, Finland and Azerbaijan, had a negative impact on gross margin whilst sourcing activities had a positive impact.

Intensified efficiency improvement is imperative for TeliaSonera. The intention was to keep the addressable cost base for 2009 below the SEK 33.8 billion of 2008, in local currencies and excluding acquisitions, and that the number of employees would be somewhat below 30,000 by year-end 2009 (32,171). This goal was successfully met as a result of major cost reductions in the Nordic and Baltic countries and tight cost control in Eurasia. In 2009, the addressable cost base in local currencies and excluding acquisitions decreased 6.8 percent compared to last year.

The number of employees was 29,734 at the end of 2009. The average number of full-time employees was 28,815 in 2009.

Restructuring costs for 2008 and 2009, reported as non-recurring items, were SEK 3.4 billion. Restructuring costs in 2009 amounted to SEK 1.8 billion. The efficiency measures affecting 2,900 employees in Sweden and Finland, as announced in February 2008, have now been completed.

Expenses SEK in millions	2009	2008	Change, SEK million		Change, %
			2009	2008	
Goods and services purchased	-16,625	-16,016	-609	+4	
Interconnect and roaming expenses	-17,307	-16,663	-644	+4	
Network capacity expenses	-5,038	-4,602	-436	+9	
Change in inventories	-213	-56	-157		
Addressable cost base	-33,568	-33,859	+291	-1	
Personnel expenses	-14,806	-15,056	+249	-2	
Marketing expenses	-6,999	-7,423	+424	-6	
Other expenses	-11,763	-11,380	-383	+3	
Total excluding depreciation, amortization and impairment losses	-72,751	-71,195	-1,556	+2	
Depreciation, amortization and impairment losses	-12,932	-12,057	-875	+7	
Other operating income and expenses	-1,169	-780	-389	+50	
Total expenses	-86,853	-84,033	-2,820	+3	

¹ Cost of goods sold consist of goods and services purchased, interconnect and roaming expenses, network capacity expenses and change in inventories.

In Broadband Services, addressable costs in local currencies and excluding acquisitions fell 12.6 percent compared to last year, with the Swedish and Finnish operations, driven by cost efficiency measures, showing the largest decline, 15.9 percent in total. In Mobility Services, addressable cost base in local currencies and excluding acquisitions decreased 2.8 percent compared to 2008.

Personnel expenses decreased 2 percent compared to an increase in 2008 of 12 percent. While personnel costs increased in Eurasia, where TeliaSonera is growing, the costs decreased substantially in Mobility Services, Broadband Services and Corporate functions. In Broadband Services, the decrease was 4 percent and stemmed from most units.

Marketing expenses decreased 6 percent as a combination of the effects from lower sales, better managed marketing activities and deliberate temporary cuts in cost. Other costs, such as facility costs, IT, travel and consultants, also decreased, as a result of many day-to-day activities to better manage cost and support environment. TeliaSonera's own offerings such as conference call services and video conferencing have been utilized to a larger extent.

Depreciation, amortization and impairment losses increased 7.2 percent to SEK 12,932 million (12,057), including write-downs of SEK 71 million (94) in Broadband Services related to restructuring activities. Depreciation increased slightly in Mobility Services due to increased CAPEX in 2008, and increased due to currency effects in Eurasia. This was partly compensated for by lower depreciation in Broadband Services and Other operations.

Other operating income and expenses, net, was negative at SEK 1,169 million in 2009. The main costs related to restructuring activities.

Non-recurring items

Non-recurring items affecting operating income were SEK -1,355 million (-1,393), including charges of about SEK -1,800 million (-1,630) related to efficiency measures. Non-recurring items were positively affected by SEK 282 million as a result of the agreement with Altimo to combine the two companies' ownership interests in Turkcell and MegaFon into a new company, as well as a capital gain of SEK 141 million from the sale of SmartTrust within TeliaSonera Holding.

The following table presents non-recurring items for 2009 and 2008. These items are not included in "EBITDA excluding non-recurring items" or in "Operating income excluding non-recurring items". These items are included in the total results for TeliaSonera and for each of the business areas.

SEK in millions	2009	2008
Within EBITDA	-1,425	-1,296
Restructuring charges, synergy implementation costs, etc.:		
Mobility Services	-452	-397
Broadband Services	-1,158	-1,189
Eurasia	282	-
Other operations	-97	290
Within Depreciation, amortization and impairment losses	-71	-97
Impairment losses, accelerated depreciation:		
Mobility Services	-	-3
Broadband Services	-71	-94
Within Income from associated companies and joint ventures	141	-
Capital gains	141	-
Within Financial net	-	290
Penalty interest income	-	290
Total	-1,355	-1,103

Earnings

EBITDA, excluding non-recurring items, increased 11.3 percent to SEK 36,666 million (32,954). The increase in local currencies and excluding acquisitions was 6.0 percent. The EBITDA increase was driven by efficiency measures, mainly in Sweden and Finland, and improvement in profitability in Eurasia. The margin rose to 33.6 percent (31.8).

EBITDA excluding non-recurring items, SEK in millions	2009	2008	Change, SEK million	Change, %
Mobility Services	14,961	14,399	+562	+4
Broadband Services	13,922	11,705	+2,217	+19
Eurasia	7,469	6,553	+916	+14
Other operations	314	333	-19	-6
Eliminations	0	-36	+36	
Group	36,666	32,954	+3,712	+11

Operating income, excluding non-recurring items, rose to SEK 31,679 million (30,041) mainly due to higher EBITDA. Income from associated companies decreased 11.9 percent to SEK 8,015 million (9,096), mainly driven by currency fluctuations and lower contribution from Turkcell.

Operating income excluding non-recurring items, SEK in millions	2009	2008	Change, SEK million	Change, %
Mobility Services	10,536	9,926	+610	+6
Broadband Services	8,649	6,568	+2,081	+32
Eurasia	12,827	13,731	-904	-7
Other operations	-351	-184	-167	+91
Eliminations	18	0	18	
Group	31,679	30,041	+1,638	+5

Financial net, tax and minority interest

Financial items totaled SEK -2,710 million (-2,237), of which SEK -2,346 million (-2,110) related to net interest expenses. The comparable period last year included a positive one-time interest payment of SEK 290 million related to a court decision on historical interconnect fees in Sweden.

Income taxes amounted to SEK -6,334 million (-4,969). The effective tax rate was higher than last year at 22.9 percent (18.8). The main differences relate to positive one-off items of approximately SEK 1,050 million in the fourth quarter of 2008 and the negative impact of lower income from associated companies in 2009. Higher dividends from AS Eesti Telekom in Estonia increased the distribution tax which also impacted taxes

negatively compared to the previous year. Recognized deferred tax assets decreased to SEK 11,177 million (13,206) due to utilization but also from currency effects.

Minority interests in subsidiaries were SEK 2,426 million (2,431), of which SEK 1,905 million (1,705) related to operations in Eurasia and SEK 471 million (692) to Eesti Telekom, LMT in Latvia and TEO in Lithuania.

Net income attributable to owners of the parent company decreased to SEK 18,854 million (19,011) and earnings per share to SEK 4.20 (4.23) due to lower income from associated companies and higher income taxes.

Financial Position, Capital Resources and Liquidity

Financial Position

SEK in millions	2009	2008	Change, SEK million	Change, %
Assets				
Goodwill and other intangible assets	100,239	100,968	-729	-1
Property, plant and equipment	61,222	61,946	-724	-1
Investments in associated companies and joint ventures, deferred tax assets and other financial assets	60,849	62,265	-1,416	-2
Total non-current assets	222,310	225,179	-2,869	-1
Current assets (except cash and cash equivalents)	24,872	27,254	-2,382	-9
Cash and cash equivalents	22,488	11,826	+10,662	+90
Total current assets	47,360	39,080	+8,280	+21
Non-current assets held-for-sale	0	27	-27	
Total assets	269,670	264,286	+5,384	+2
Equity and liabilities				
Shareholders' equity	135,372	130,387	+4,985	+4
Minority interests	7,127	11,061	-3,934	-36
Total equity	142,499	141,448	+1,051	+1
Long-term borrowings	63,664	54,178	+9,486	+18
Other long-term liabilities	27,214	27,159	+55	+0
Total non-current liabilities	90,878	81,337	+9,541	+12
Short-term borrowings	8,169	11,621	-3,452	-30
Other current liabilities	28,124	29,880	-1,756	-6
Total current liabilities	36,293	41,501	-5,208	-13
Total equity and liabilities	269,670	264,286	+5,384	+2

The financial position remained relatively stable year-on-year.

Goodwill and other intangible assets decreased in 2009. The acquisition of shares in Eesti Telekom and investments in licenses increased the value while currency effects had a negative impact of SEK 1.8 billion.

Property, plant and equipment increased through capital expenditures (CAPEX) of SEK 11.5 billion and decreased due to negative exchange rate differences of SEK 3.2 billion (-4.8). Depreciation and impairment losses were SEK 10.1 billion.

The carrying value of associated companies and joint ventures was SEK 42.5 billion (39.5). The value increased due to income from these companies (SEK 8.0 billion), and was partly offset by dividends received from associated companies, mainly Turkcell, (SEK 1.9 billion) and by negative exchange rate differences (SEK 3.1 billion).

Deferred tax assets as well as deferred tax liabilities decreased due to currency effects. Utilized tax losses further reduced deferred tax assets while accelerated depreciation, mainly related to the Swedish operations, and additional deferral of withholding taxes in retained earnings in foreign subsidiaries and associated companies boosted deferred tax liabilities. In total, the 2008 net deferred tax asset of SEK 1.9 billion turned into a net deferred tax liability of SEK 2.0 billion as of year-end 2009.

Net working capital (inventories and non-interest-bearing receivables, less non-interest-bearing liabilities) remained negative at SEK –2.6 billion (–3.1).

Shareholders' equity increased to SEK 135.4 billion (130.4), due to net income attributable to shareholders of SEK 18.9 billion (19.0) and negative exchange rate differences of SEK –5.9 billion (12.4), and dividends of SEK 8.1 billion paid to shareholders in April 2009. The equity/assets ratio, adjusted for proposed dividends, remained stable at 49.1 percent (50.5).

Net debt decreased from SEK 48.6 billion to SEK 46.2 billion. Dividend payments had a negative impact of SEK 11.2 billion. The net debt/EBITDA ratio decreased to 1.26 (1.48) and the net debt/equity ratio decreased to 34.9 percent (36.5).

See the 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. TeliaSonera's cash and short-term investments totaled SEK 22.8 billion at the end of the year (12.9). In addition, the total available unutilized amount under committed bank credit facilities and overdraft facilities was SEK 13.1 billion at year-end (14.1).

TeliaSonera's credit ratings remained unchanged during 2009. The rating from Moody's Investors Service is A3 for long-term borrowing and Prime-2 for short-term borrowing, with a "Stable" outlook reference. The rating from Standard & Poor's Ratings Services is A- for long-term borrowing and A2 for short-term borrowing, also with a "Stable" outlook reference.

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 2009 TeliaSonera AB issued some SEK 18.5 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 all of it was issued on a long-term basis contributing to an extension of the average time to maturity of TeliaSonera AB's overall debt portfolio to approximately 5 years (4 years at the end of 2008).

At the end of 2009 TeliaSonera AB had no Commercial Papers outstanding.

Cash Flow

SEK in millions	2009	2008	Change, SEK million	Change, %
Cash from operating activities	30,991	27,086	+3,905	+14
Cash used in capital expenditure	–13,967	–15,758	+1,791	–11
Free cash flow	17,024	11,328	+5,696	+50
Cash used in other investing activities	–3,660	–3,876	+216	–6
Cash flow before financing activities	13,364	7,452	+5,912	+79
Cash used in financing activities	–2,568	–4,359	+1,791	–41
Cash and cash equivalents, opening balance	11,826	7,802	+4,024	+52
Net cash flow for the period	10,796	3,093	+7,703	
Exchange rate differences	–134	931	–1,065	–114
Cash and cash equivalents, closing balance	22,488	11,826	+10,662	+90

Cash flow from operating activities increased 14 percent in 2009 to SEK 31.0 billion. The cash flow was positively affected by higher EBITDA, higher dividends received from associated companies and lower cash payments for taxes. Payment for restructuring provisions and currency effects had a negative impact on cash flow. Cash used in capital expenditure (cash CAPEX) decreased by 11 percent, mainly in Broadband Services and lower license costs in Mobility Services. As a result, free cash flow (cash flow from operating activities less capital

expenditure) increased 50 percent in 2009 to a total of SEK 17.0 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. Net cash paid for acquisitions was SEK 5.1 billion (4.1), and net cash used for granting loans was SEK 0.4 billion (0.1). In 2009, net cash in other investing activities was positively impacted by a repayment of SEK 0.9 billion from TeliaSonera's pension fund in Sweden.

Net cash used in financing activities in 2009 includes dividends of SEK 11.2 billion, of which paid to shareholders of the parent company SEK 8.1 billion (18.0) and to the minority shareholders SEK 3.1 billion (1.9). Net new borrowings were SEK 8.6 billion (15.5).

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

Outlook for 2010

Net sales in local currencies and excluding acquisitions are expected to be somewhat higher in 2010 compared to 2009. Currency fluctuations may have a material impact on reported figures in Swedish krona.

TeliaSonera will continue to invest in future growth as well as in the quality of networks and services. We expect the addressable cost base in 2010 to be in line with the SEK 33.6 billion of 2009, in local currencies and excluding acquisitions. The EBITDA margin in 2010 is expected to be somewhat higher compared to 2009, excluding non-recurring items.

Capital expenditures will be driven by continued investments in broadband and mobile capacity as well as in network expansion in Eurasia. The CAPEX-to-sales ratio is expected to be somewhat below 15 percent in 2010.

Ordinary Dividend to Shareholders

For 2009, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 2.25 (1.80) per share, totaling SEK 10.1 billion, or 54 percent of net income attributable to owners of the parent company (pay-out ratio).

Dividend	2009 ¹	2008	Change, %
Dividend per share (SEK)	2.25	1.80	25
Total dividend (SEK billion)	10.1	8.1	25
Pay-out ratio (%)	53.6	42.5	

¹ As proposed by the Board of Directors.

The Board of Directors proposes that the final day for trading in shares entitling shareholders to dividend be set for April 7, 2010, and that the first day of trading in shares excluding rights to dividend be set for April 8, 2010. The recommended record date at Euroclear Sweden for the right to receive dividend will be April 12, 2010. If the AGM votes to approve the Board's proposals, the dividend is expected to be distributed by Euroclear Sweden on April 15, 2010.

According to its dividend policy, TeliaSonera shall target a solid investment grade long-term credit rating (A– to BBB+) to secure the company's strategically important financial flexibility for investments in future growth, both organically and by acquisitions. The ordinary dividend shall be at least 50 percent of net income attributable to owners of the parent company. In addition, excess capital shall be returned to shareholders after the Board of Directors has taken into consideration the company's cash at hand, cash flow projections and investment plans in a medium term perspective, as well as capital market conditions.

The Board of Directors has made an assessment according to Chapter 18 Section 4 of the Swedish Companies Act, to assess

whether the proposed dividend is justified. The Board of Directors assesses that:

- The parent company's 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 and that
- The proposal is consistent with the established cash flow forecast under which the parent company and the Group are expected to manage unexpected events and temporary variations in cash flows to a reasonable extent.

The full statement by the Board of Directors on the same will be included in the Annual General Meeting documents. See also "Proposed Appropriation of Earnings".

Proposal for Authorization

In order to provide TeliaSonera with an additional instrument to adjust the company's capital structure, the Board of Directors proposes that the Annual General Meeting authorizes 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.

Business Areas – Development 2009

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.

Despite the weak economic development in 2009, the strong demand for mobile broadband and devices, such as Apple iPhone, continued. Mobile data traffic in the Nordic and Baltic operations increased by close to 200 percent while the number of mobile broadband subscriptions rose by more than 60 percent during 2009. In December 2009, TeliaSonera opened up the world's first commercial 4G networks in the city centers of Stockholm and Oslo. Voice revenue, and particularly international roaming, showed a weaker development than previous years as a result of the economic downturn. Intense competition together with regulatory intervention continued to put downward pressure on prices and margins in all markets. The growing need for higher network speeds and capacity required by mobile broadband and data services continued driving investments in the industry.

Net sales

Net sales rose 4.9 percent to SEK 51,077 million (48,673). In local currencies and excluding acquisitions net sales declined 1.6 percent. The positive effect from exchange rate fluctuations was 6.2 percent and from acquisitions 0.3 percent. Overall subscription growth and higher usage of mobile broadband and data drove sales higher, but did not compensate for price competition and regulatory interventions, including interconnect and roaming pricing. Non-voice share of net sales increased to 19.8 percent in 2009 (17.1).

The businesses in Sweden and Spain grew during the year. In Sweden, growth came from continued increase in voice and mobile broadband subscriptions as well as equipment sales, largely driven by iPhone. Strong subscriber intake generated growth in Spain. Net sales in Spain were negatively impacted by approximately SEK 120 million due to a reclassification of subsidies for equipment in own sales channels. Several markets were negatively impacted by the weak economy. In Finland, net sales decreased in local currency due to lower voice usage and lower prices, which were only partly offset by growth for mobile data services in the consumer segment. In Norway, sales declined due to loss of the national roaming agreement with Network Norway in the fourth quarter of 2008 and mobile termination price regulation. In Denmark, sales declined due to decreasing customer stock and lower ARPU. Sales in the Baltic countries were significantly hit by the economic downturn and declined more than 20 percent on average in local currencies.

Earnings

EBITDA, excluding non-recurring items, rose to SEK 14,961 million (14,399). The margin declined 0.3 percentage points to 29.3 percent (29.6). The sales erosion in several markets put pressure on the margins but this was largely compensated for by cost savings in all Nordic and Baltic markets. The continued growth of the subscriber base in Spain also put pressure on earnings in the year. In Sweden the margin improved as a result of revenue growth in combination with cost reductions. Also Finland improved the margin in 2009 as a result of cost savings.

The growth in EBITDA flowed through to operating income which improved to SEK 10,084 million (9,526). Increased depreciation was offset by improved earnings from associates. Non-recurring expenses amounted to SEK 452 million (400), primarily related to restructuring charges.

CAPEX

CAPEX decreased to SEK 3,867 million (4,467) mainly due to a one-off payment of SEK 563 million for the acquisition of a 2.6 GHz license in Sweden in 2008. CAPEX included continued investments in network coverage and capacity, mainly for 3G (UMTS) networks. Investments in 2G (GSM) networks declined in the year. 4G (LTE) networks build-out started in Sweden and Norway during the year. The CAPEX-to-sales ratio was 7.6 percent (9.2).

SEK in millions, except margins, operational data and changes	2009	2008	Change, %
Net sales	51,077	48,673	+5
EBITDA excl. non-recurring items	14,961	14,399	+4
Margin (%)	29.3	29.6	
Operating income	10,084	9,526	+6
Operating income excl. non-recurring items	10,536	9,926	+6
CAPEX	3,867	4,467	-13
MoU	191	195	-2
ARPU, blended (SEK)	216	223	-3
Churn, blended (%)	27	27	
Subscriptions, period-end (thousands)	16,963	15,900	+7
Employees, period-end	7,506	8,339	-10

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

SEK in millions, except margins and changes	2009	2008	Change, %
Net sales	51,077	48,673	+5
of which Sweden	14,114	13,334	+6
of which Finland	10,540	9,917	+6
of which Norway	8,977	9,433	-5
of which Denmark	7,278	6,845	+6
of which Lithuania	2,220	2,722	-18
of which Latvia	2,286	2,635	-13
of which Estonia	2,080	2,262	-8
of which Spain	4,086	2,050	+99
EBITDA excl. non-recurring items	14,961	14,399	+4
Margin (%), total	29.3	29.6	
Margin (%), Sweden	38.8	37.1	
Margin (%), Finland	32.5	31.0	
Margin (%), Norway	35.2	35.3	
Margin (%), Denmark	19.6	20.1	
Margin (%), Lithuania	34.6	34.6	
Margin (%), Latvia	40.0	43.0	
Margin (%), Estonia	36.5	38.1	
Margin (%), Spain	neg	neg	

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. On July 1, 2009, TeliaSonera's subsidiary NextGen-Tel acquired the broadband and VoIP business of Tele2 Norge.

During 2009 the loss of fixed-voice subscriptions continued but was partly compensated for by a strong demand for bundled offerings including IPTV and VoIP subscriptions. DSL services grew during the year but growth was negatively affected by the market saturation, competition and the promotion of mobile broadband. The consumer segment continued to show increasing net sales in local currencies in Sweden and in Finland. Efforts to reduce operating expenses significantly improved profitability and cash flow improved more than 50 percent compared to last year. Investments were directed to the backbone and transmission networks and broadband access networks to support services that require higher bandwidth, such as IPTV and broadband.

SEK in millions, except margins, operational data and changes	2009	2008	Change, %
Net sales	43,342	42,625	+2
EBITDA excl. non-recurring items	13,922	11,705	+19
Margin (%)	32.1	27.5	
Operating income	7,420	5,285	+40
Operating income excl. non-recurring items	8,649	6,568	+32
CAPEX	4,942	5,810	-15
Broadband ARPU (SEK)	312	270	+16
Subscriptions, period-end (thousands)			
Broadband	2,348	2,284	+3
Fixed voice	5,212	5,806	-10
Associated company, total	754	777	-3
Employees, period-end	13,645	15,410	-11

As of January 1, 2009, TeliaSonera restated its historical financial information for the fiscal years 2006–2008 for business area Broadband Services as well as for Other operations. The retail chain Veikon Kone was moved from Broadband Services Finland to Other operations. The cable-TV company Telia Stofa was moved from Broadband Services Denmark to Other operations. In addition, the business of selling backhaul to mobile operators, e.g. capacity to the base stations, was transferred to Broadband Services Wholesale from Broadband Services in Sweden, Finland and Denmark. Additional segment information available at www.teliaSonera.com.

Net sales

Net sales increased 1.7 percent to SEK 43,342 million (42,625). The decline in organic sales was 3.1 percent in local currencies. The positive effect from exchange rate fluctuations was 4.4 percent and from acquisitions 0.4 percent. The continued decline for traditional fixed line services was partly compensated for by growth in IP-based services. IP services made up 35 percent of total sales in 2009 (31). Most markets were impacted by the loss of PSTN customers and by migration to lower margin IP services. In addition the weak economic development contributed to the decrease in sales. Even though the Baltic operations in Broadband Services were not as impacted by the economic downturn as Mobility Services, sales in the Baltic markets weakened during the fourth quarter. Growth in Wholesale business and the acquisition of Tele2 customers in Norway partly compensated for declining sales in other markets.

Earnings

EBITDA, excluding non-recurring items, increased to SEK 13,922 million (11,705) and the margin to 32.1 percent (27.5). The improved earnings were generated by cost efficiency measures across all businesses. Gross margin improved as a result of lower prices from subcontractors as well as improved efficiency in fault handling. Personnel expenses declined as the number of employees decreased to 13,061 (14,837). Savings have also been achieved through lower marketing costs and other expenses.

Operating income improved to SEK 7,420 million (5,285). The earnings growth for EBITDA was slightly offset by increased depreciation and decline in earnings from associates (Lattelecom). Non-recurring expenses totaled SEK 1,229 million (1,283), mainly related to provisions for restructuring measures.

CAPEX

CAPEX decreased to SEK 4,942 million (5,810) as efficiency measures have also targeted capital expenses. A dominant part of CAPEX was spent on deployment of fiber and IP based infrastructure and services. The CAPEX-to-sales ratio was 11.4 percent (13.6).

SEK in millions, except margins and changes	2009	2008	Change, %
Net sales	43,342	42,625	+2
of which Sweden	18,692	19,283	-3
of which Finland	6,772	6,321	+7
of which Norway	1,114	913	+22
of which Denmark	1,086	994	+9
of which Lithuania	2,508	2,302	+9
of which Estonia	2,128	2,163	-2
of which Wholesale	12,415	12,010	+3
EBITDA excl. non-recurring items	13,922	11,705	+19
Margin (%), total	32.1	27.5	
Margin (%), Sweden	35.3	27.3	
Margin (%), Finland	32.7	23.1	
Margin (%), Norway	17.9	20.0	
Margin (%), Denmark	8.0	neg	
Margin (%), Lithuania	42.5	42.7	
Margin (%), Estonia	29.3	26.7	
Margin (%), Wholesale	25.1	27.9	

Eurasia

Business area Eurasia comprises mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal and Cambodia and a shareholding of 12 percent in Afghanistan's largest operator Roshan. The business area is also responsible for developing TeliaSonera's shareholding in Russian MegaFon and Turkish Turkcell. The main strategy is to create shareholder value by increasing mobile penetration and introducing value-added services in each respective country.

The business area continued to show good volume growth. The economic downturn has not had a major effect on usage but customers have become more price sensitive. Regulatory intervention, higher penetration and increasing competition put pressure on prices and margins in the region. In addition, the current economic uncertainty reduces visibility ahead. Fluctuations in exchange rates may also have an adverse effect on revenue and margins going forward.

TeliaSonera maintained market leadership in Kazakhstan, Azerbaijan, Tajikistan and Georgia, and improved or maintained the positions in all other markets.

SEK in millions, except margins, operational data and changes	2009	2008	Change, %
Net sales	14,866	13,204	+13
EBITDA excl. non-recurring items	7,469	6,553	+14
Margin (%)	50.2	49.6	
Income from associated companies			
Russia	4,691	5,070	-7
Turkey	3,056	3,991	-23
Operating income	13,109	13,731	-5
Operating income excl. non-recurring items	12,827	13,731	-7
CAPEX	4,416	4,595	-4
Subscriptions, period-end (thousands)			
Subsidiaries	22,558	18,416	+22
Associated companies	98,342	90,558	+9
Employees, period-end	4,888	4,780	+2

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

Net sales

Net sales rose 12.6 percent to SEK 14,866 million (13,204). Organic growth in local currencies was 5.0 percent. The positive effect from exchange rate fluctuations was 2.2 percent and from acquisitions 5.4 percent. In Kazakhstan, the largest market in the business area, sales rose by 4.5 percent in local currency. In the second-largest market, Azerbaijan, sales declined 8.5 percent in local currency as a result of asymmetric pricing on interconnect and decreased customer spending related to the economic slowdown. Operations in Uzbekistan contributed most to the overall growth based on an increase in the subscription base of 89 percent and growing usage. Also Tajikistan reported strong growth based on subscribers increase. In Nepal sales increased to SEK 687 million (158, October-December 2008). Sales increased in the fourth quarter as services started to be marketed on a larger scale, following development of the network during the first three quarters. The non-voice share of revenues increased in all markets.

Earnings

EBITDA, excluding non-recurring items, increased 14 percent to SEK 7,469 million (6,553) as a result of increased sales and continued high margins. The margin increased to 50.2 percent (49.6) due to efficiency improvements in Kazakhstan and scale advantages in the growing business in Uzbekistan.

Operating income decreased to SEK 13,109 million (13,731). The EBITDA improvement was offset by increased depreciation and decreased earnings from associates. Exchange rate fluctuations had a negative impact of 6.2 percent on earnings from associates. The decline from associates was primarily related to Turkcell which suffered from decreased margins as well as significant one-off items during 2009.

CAPEX

CAPEX decreased to SEK 4,416 million (4,595). CAPEX was driven by investments in additional capacity, and to improve coverage and maintain a high service quality in the network. CAPEX in Nepal increased significantly and CAPEX in Uzbekistan continued on a high level as the business grew. The CAPEX-to-sales ratio was 29.7 percent (34.8).

SEK in millions, except changes	2009	2008	Change, %
Net sales	14,866	13,204	+13
of which Kazakhstan	6,593	6,673	-1
of which Azerbaijan	3,829	3,563	+7
of which Uzbekistan	1,200	496	+142
of which Tajikistan	735	516	+42
of which Georgia	1,331	1,393	-4
of which Moldova	486	420	+16
of which Nepal	687	158	
of which Cambodia	31	10	

Associated companies – Russia

MegaFon (associated company, in which TeliaSonera holds 43.8 percent) in Russia continued to demonstrate strong volume growth and increased its subscription base by 7.0 million to 50.5 million. MegaFon increased its market share from 23 to 24 percent.

TeliaSonera's income from Russia decreased to SEK 4,691 million (5,070). Subscription growth was offset by decreased usage and falling prices, due to weak economic development. The result in 2009 was further negatively impacted by SEK 463 million as the Russian ruble depreciated 9.0 percent against the Swedish krona.

Associated companies – Turkey

Turkcell (associated company, in which TeliaSonera holds 37.3 percent, reported with a one-quarter lag) in Turkey decreased its subscription base by 0.3 million to 36.0 million. In Ukraine, the number of subscriptions rose by 1.1 million to 11.8 million.

TeliaSonera's income from Turkey decreased to SEK 3,056 million (3,991). Turkcell's net income included a provision of SEK 330 million related to historical interconnect disputes. The Turkish lira depreciated 3.2 percent against the Swedish krona, which had a negative impact of SEK 102 million.

In 2009, Turkcell distributed to its shareholders a total cash dividend of approximately SEK 5.8 billion (TRY 1.1 billion), corresponding to 50 percent of the distributable income for the fiscal year 2008. TeliaSonera's share was approximately SEK 1.9 billion (1.1).

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	2009	2008	Change, %
Net sales	5,561	4,906	+13
EBITDA excl. non-recurring items	314	333	-6
Income from associated companies	191	6	
Operating income	-307	106	
Operating income excl. non-recurring items	-351	-184	+91
CAPEX	781	919	-15

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

Net sales increased 13.4 percent to SEK 5,561 million (4,906). In local currencies and excluding acquisitions, net sales increased 6.3 percent.

Net sales in the cable TV company Telia Stofa was SEK 1,508 million (1,294). In local currency, net sales increased 5.4 percent. The number of subscriptions for broadband access decreased by 3,000 from the end of 2008 to 147,000, while the number of subscriptions for cable TV increased by 8,000 to 218,000.

Acquisitions, Investments and Divestitures

During 2009, TeliaSonera has made a number of acquisitions and divestitures.

- On June 3, 2009, TeliaSonera sold its 24 percent shareholding in SmartTrust AB and recognized a capital gain of SEK 141 million.
- On January 30, 2009, TeliaSonera, through its subsidiary Fintur Holdings B.V., increased its holding in Geocell to 100 percent from 97.5 percent by acquiring 2.5 percent of the shares from the Government of Georgia.
- TeliaSonera's subsidiary NextGenTel AS, the second-largest Norwegian broadband supplier, acquired the broadband and VoIP business of Tele2 Norge on July 1, 2009, for SEK 107 million in cash. The operations were consolidated as of the same date.
- TeliaSonera announced on October 13, 2009, that following a successful completion of the cash offer for all outstanding shares in AS Eesti Telekom, the shareholding of TeliaSonera increased to 97.58 percent (60.12). TeliaSonera decided to initiate a squeeze-out process which was finalized on January 12, 2010. TeliaSonera now controls 100 percent of Eesti Telekom.
- TeliaSonera announced on October 13, 2009, that following a completion of the cash offer for all outstanding shares in TEO LT, AB, TeliaSonera controlled 68.08 percent (62.94) of the voting shares and 64.90 percent (60.00) of the company's capital.

Research and Development

The main focus of research and development (R&D) at TeliaSonera is to ensure our pioneer position in the telecom industry as well as support future profitable growth and cost efficiency. The R&D work flow focus on developing reliable, innovative and user-friendly services based on open standards, integration of third party solutions and cooperation with external innovation clusters. The most important input to the R&D processes is current and forecasted market demand. To reduce risk and ensure easy to use services a proactive engagement of end users in all R&D phases is mandatory.

A key focus for R&D during 2009 has been world class network quality including key support of the 4G roll-outs. Effort has also been put on developing highly ranked API (Application Program Interface) initiative for open service development enabling third parties to access some of TeliaSonera's network assets. Technologies, services and business models for future IP based communication, including GSMA OneVoice and RCS initiatives, have been important R&D areas. R&D has also supported the broadband business by developing business models and partnerships for new emerging areas like Mobile Wallet (ticketing, payments & ID through the Mobile), solutions for interactive IPTV and the smart home. During the year the TeliaSonera IPTV service has been enhanced by possibilities for high definition TV (HDTV) and time shift TV, both enabled by the introduction of a new harddisk and support for MPEG4 decoding of content. The HDTV possibility is particularly useful for customers with fiber-based access.

As of December 31, 2009, TeliaSonera had approximately 520 patent "families" and approximately 2,050 patents and patent applications, none of which, individually, is material to its business.

In 2009, TeliaSonera incurred R&D expenses of SEK 1,008 million (1,178).

Environment

TeliaSonera is committed to environmentally sustainable practices in its own operations, while at the same time providing solutions that can reduce our customers' environmental impact. The environmental impact from TeliaSonera's operations is mainly associated with energy utilization, travel and transport, and material usage. Adapting to different conditions in our markets, TeliaSonera promotes environmental awareness and invests in modern technology to improve energy efficiency and environmental performance.

In 2009, TeliaSonera took the first steps to expand the environmental performance reporting to include also its majority-owned operations. Across the markets, TeliaSonera works towards more energy-efficient solutions in maintaining its networks available for customers 24/7. TeliaSonera also substituted its business travels significantly by increasing use of teleconferencing and video conferencing. In Finland and Sweden, the number of video conference meetings tripled, travel costs decreased 43 percent and as a result of this, the CO₂ emissions were reduced by 32 percent. Increasingly, e-billing has replaced traditional paper bills to customers, reducing TeliaSonera's use of paper as well as transports.

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

TeliaSonera Share

The TeliaSonera share is listed on the NASDAQ OMX Stockholm and the NASDAQ OMX Helsinki stock exchanges. The share rose 33.3 percent to SEK 51.85 during 2009. During the same period, the OMX Stockholm 30 Index rose 43.7 percent and the Dow Jones Euro Stoxx Telecommunications Index rose 6.6 percent. The highest price in 2009 was paid on December 30 and amounted to SEK 53.35. The lowest price was paid March 3 and amounted to SEK 34.40.

TeliaSonera's market capitalization was SEK 233 billion at the end of 2009, representing 7 percent of the total market value on the Stockholm stock exchange. In terms of market value, TeliaSonera was the third largest company on the Stockholm stock exchange at the end of 2009 and Europe's fifth largest telecommunications operator.

The number of shareholders decreased during 2009 from 651,816 to 635,799.

Holdings outside Sweden and Finland decreased from 15.6 percent to 13.8 percent.

TeliaSonera's issued and outstanding share capital as of December 31, 2009, totaled SEK 14,369,463,081.60 distributed among 4,490,457,213 shares. All issued shares have been paid in full and carry equal rights to vote and participate in the assets of the company. At the general meeting of shareholders, each shareholder is entitled to vote for the total number of shares she or he owns or represents. Each share is entitled to one vote.

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

As of December 31, 2009, the company had two shareholders with more than ten 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, 2009, TeliaSonera's pension funds and TeliaSonera Finland Oyj's Personnel Fund held 0.05 percent and 0.03 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

For remuneration to and the 2009 "Remuneration Policy for Executive Management," as decided by the Annual General Meeting on April 1, 2009, see Note C32 to the consolidated financial statements.

Proposed Remuneration Policy for Executive Management 2010

The Board of Directors' proposal for the remuneration policy for executive management, to be adopted at the Annual General Meeting on April 7, 2010, is as follows.

The guiding principles are:

The TeliaSonera objective is to maximize the effectiveness of cash and equity in remuneration programs 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 delivery based on the components base salary, variable pay, pension and other benefits.

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

TeliaSonera may have annual and long term variable pay programs. A variable pay program should reflect the EU Commission recommendation 2009/3177/EG and the Swedish Code of Corporate Governance.

Variable pay programs should contain criteria which are supporting an increased shareholder value and should have a defined ceiling in relation to the executive's annual base salary. A program should have a set of pre-determined objectives, which are measurable and for each variable pay objective it should be stated what performance is required to reach the starting point (minimum requirement for payout) and what performance is required to reach the maximum (cap).

An annual variable pay program should reward performance measured over a maximum period of 12 months, should ensure the long-term sustainability of the company and be capped to a maximum of the executive's annual base salary of 40 percent. The objectives should be designed in such a way which allows the executive to reach the threshold for a solid performance, the target level for a performance meeting expectations and the maximum level for an exceptional performance.

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 senior management and the shareholders by sharing risks and rewards of the TeliaSonera share price. The program may be annually repeated and shall reward performance measured over a minimum of a three year period, be capped to a maximum of 50 percent per annum of the annual base salary and should be 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 earnings period. Approximately 100 members of the senior management may be eligible to a long-term variable pay program out of which approximately ten belongs to the Group management. The program measures performance over a minimum 3 year period

in relation to Earnings Per Share (EPS) – weight 50 percent – and Total Shareholders Return (TSR) compared to a corresponding TSR development of a pre-defined peer-group of companies – weight 50 percent. The prevalence of a long-term variable pay program is subject to the approval of the annual general meeting of the company.

If extraordinary circumstances occur the board shall have the discretionary right to adjust variable salary payments.

The board shall reserve the right to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.

Retirement benefits shall be based on the defined contribution method. Pensionable salary is the base salary.

The executive may be entitled to a company car or other similar benefit.

The termination period for the executive management may be up to six months given from the employee and 12 months from the employer (for the CEO 6 months). In case of termination from the company the executive may be entitled to a severance payment of up to 12 months (for the CEO 24 months). Severance pay shall be paid on a monthly basis in amounts equal to the base salary. The severance pay shall not constitute a basis for calculation of holiday pay or pension benefits and shall be reduced if the executive has a new employment or conducts his own business.

The executive may be covered by health care provisions, travel insurance etc. in accordance with local labor market practice.

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

Parent Company

The parent company TeliaSonera AB, which is domiciled in Stockholm, comprises the Group's Swedish activities in development and operation of fixed network services and broadband application services. The parent company also includes Group management functions, certain Group common operations and the Group's internal banking operations.

The parent company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act, other Swedish legislation, and standard RFR 2.3 "Accounting for Legal Entities" and other statements issued by the Swedish Financial Reporting Board.

Net sales for the year declined to SEK 15,135 million (SEK 16,132 million in 2008), due to migration to mobile services and lower-priced IP-based services. SEK 12,058 million (12,644) was billed to subsidiaries. Operating income was SEK 1,439 million (21,697). In 2008, operating income was heavily impacted by capital gains on assets transferred to the subsidiary TeliaSonera Skanova Access AB (Skanova Access). Financial net improved strongly as a result of dividend payments from subsidiaries and income after financial items was SEK 12,964 million (18,280). Income before taxes was SEK 12,743 million (30,317). In 2008, income before taxes were positively impacted by a reversal of excess depreciation related to the Skanova Access transaction. Net income was SEK 12,264 million (30,306).

The balance sheet total increased to SEK 222,837 million (211,098). Shareholders' equity increased to SEK 79,280 million (75,017) and retained earnings to SEK 63,055 million (58,790) as the good result more than compensated for the ordinary dividend payment of SEK 8,083 million in 2009.

Free cash flow improved to SEK 11,626 million (negative 3,370) due to the dividends received, and cash flow before financing activities was SEK 9,424 million (4,011). Net debt decreased to SEK 111,391 million (112,435). Cash and cash equivalents totaled SEK 16,962 million (6,202) at year-end.

The equity/assets ratio (including the equity component of untaxed reserves and adjusted for the proposed dividend) was 33.8 percent (34.5).

Total investments in the year were SEK 4,879 million (40,280), of which SEK 914 million (1,276) in property, plant and equipment primarily for the fixed network. Other investments totaled SEK 3,965 million (39,004), of which SEK 3,535 million related to AS Eesti Telekom and TEO LT, AB. In 2008, other investments included a capital contribution of SEK 34,000 million provided in kind in exchange for new shares issued by Skanova Access.

The number of employees decreased to 1,937 at December 31, 2009 from 2,160 at year-end 2008, mainly due to efficiency measures executed during the year.

Significant Events after Year-End 2009

- On January 13, 2010, TeliaSonera selected the vendors for the build out of 4G in Sweden and in Norway. The common 4G/LTE core network will be delivered by Ericsson and the radio networks by Ericsson and Nokia Siemens Networks.
- On January 25, 2010, TeliaSonera announced that the Nomination Committee proposes Anders Narvinger, Ingrid Jonasson Blank and Per-Arne Sandström as new members of the Board. Maija-Liisa Friman, Conny Karlsson, Timo Peltola, Lars Renström and Jon Risfelt are proposed to be re-elected. Anders Narvinger is proposed to be elected Chairman of the Board. The current Chairman of the Board, Tom von Weymarn, has declined to be re-elected. The two Directors Lars G Nordström and Caroline Sundewall have also declined re-election and will leave the Board of Directors at the Annual General Meeting 2010.
- On February 2, 2010, TeliaSonera announced that it had increased its ownership in UCell (OOO Coscom) from 74 percent to 94 percent by acquiring 20 percent of the shares in the jointly owned TeliaSonera Uzbek Telecom Holding B.V. from Takilant Limited. TeliaSonera will pay approximately SEK 1,550 million (USD 220 million) for the shares. TeliaSonera Uzbek Telecom Holding B.V. is a Dutch holding company owning 100 percent of OOO Coscom in Uzbekistan.

Consolidated Statements of Comprehensive Income

SEK in millions, except per share data	Note	Jan–Dec 2009	Jan–Dec 2008
Net sales	C5, C6	109,161	103,585
Cost of sales	C7	-60,965	-57,853
Gross profit		48,196	45,732
Selling and marketing expenses	C7	-15,647	-16,670
Administrative expenses	C7	-8,063	-7,552
Research and development expenses	C7	-1,008	-1,178
Other operating income	C8	1,106	755
Other operating expenses	C8	-2,275	-1,535
Income from associated companies and joint ventures	C9	8,015	9,096
Operating income	C5	30,324	28,648
Finance costs	C10	-3,191	-3,683
Other financial items	C10	481	1,446
Income after financial items		27,614	26,411
Income taxes	C11	-6,334	-4,969
Net income		21,280	21,442
Foreign currency translation differences	C12	-7,355	13,814
Income from associated companies	C12	188	-37
Cash flow hedges	C12	89	-331
Available-for-sale financial instruments	C12	34	-97
Income taxes relating to other comprehensive income	C11, C12	-296	390
Other comprehensive income		-7,340	13,739
Total comprehensive income		13,940	35,181
Net income attributable to:			
Owners of the parent		18,854	19,011
Minority interests		2,426	2,431
Total comprehensive income attributable to:			
Owners of the parent		13,068	31,075
Minority interests		872	4,106
Earnings per share (SEK), basic and diluted	C20	4.20	4.23

Consolidated Statements of Financial Position

SEK in millions	Note	Dec 31, 2009	Dec 31, 2008
Assets			
Goodwill	C13	85,737	84,431
Other intangible assets	C13	14,502	16,537
Property, plant and equipment	C14	61,222	61,946
Investments in associated companies and joint ventures	C15	42,518	39,543
Deferred tax assets	C11	11,177	13,206
Pension obligation assets	C22	501	330
Other non-current assets	C16	6,653	9,186
Total non-current assets		222,310	225,179
Inventories	C17	1,551	1,673
Trade and other receivables	C18	21,390	23,243
Current tax receivables		205	191
Interest-bearing receivables	C19	1,726	2,147
Cash and cash equivalents	C19	22,488	11,826
Total current assets		47,360	39,080
Non-current assets held-for-sale		0	27
Total assets		269,670	264,286
Equity and liabilities			
Equity attributable to owners of the parent		135,372	130,387
Minority interests		7,127	11,061
Total equity		142,499	141,448
Long-term borrowings	C21	63,664	54,178
Deferred tax liabilities	C11	13,210	11,260
Provisions for pensions and employment contracts	C22	680	22
Other long-term provisions	C23	11,735	13,312
Other long-term liabilities	C24	1,589	2,565
Total non-current liabilities		90,878	81,337
Short-term borrowings	C21	8,169	11,621
Short-term provisions	C22	1,246	849
Current tax payables		1,439	1,254
Trade payables and other current liabilities	C25	25,439	27,777
Total current liabilities		36,293	41,501
Total equity and liabilities		269,670	264,286
Contingent assets	C30	–	–
Guarantees	C30	2,306	2,557
Collateral pledged	C30	822	1,854

Consolidated Statements of Cash Flows

SEK in millions	Note	Jan–Dec 2009	Jan–Dec 2008
Net income		21,280	21,442
Adjustments for:			
Amortization, depreciation and impairment losses		13,020	12,111
Capital gains/losses on sales/disposals of non-current assets		150	-17
Income from associated companies and joint ventures, net of dividends received		-5,863	-7,686
Pensions and other provisions		-934	-294
Financial items		1,019	1,924
Income taxes		3,279	1,077
Miscellaneous non-cash items		14	-77
Cash flow before change in working capital		31,965	28,480
Increase (-)/Decrease (+) in operating receivables		563	-1,824
Increase (-)/Decrease (+) in inventories		33	-325
Increase (+)/Decrease (-) in operating liabilities		-1,570	755
Change in working capital		-974	-1,394
Cash flow from operating activities	C31	30,991	27,086
Intangible assets and property, plant and equipment acquired	C31	-13,967	-15,758
Intangible assets and property, plant and equipment divested		82	40
Equity instruments and operations acquired	C31	-5,102	-4,079
Equity instruments and operations divested	C31	887	32
Payment on behalf of Ipse 2000 S.p.A.	C23	-878	—
Loans granted and other similar investments		-471	-472
Repayment of loans granted and other similar investments		637	309
Compensation from pension fund		870	—
Net change in short-term investments		315	294
Cash flow from investing activities		-17,627	-19,634
Cash flow before financing activities		13,364	7,452
Dividends paid to owners of the parent		-8,083	-17,962
Dividends paid to minority interests		-3,070	-1,902
Proceeds from long-term borrowings		19,240	11,776
Repayment of long-term borrowings		-3,136	-1,261
Net change in short-term borrowings		-7,519	4,990
Cash flow from financing activities		-2,568	-4,359
Net change in cash and cash equivalents		10,796	3,093
Cash and cash equivalents, opening balance		11,826	7,802
Net change in cash and cash equivalents for the year		10,796	3,093
Exchange rate differences in cash and cash equivalents		-134	931
Cash and cash equivalents, closing balance	C19	22,488	11,826
Dividends received	C31	2,153	1,410
Interest received	C31	371	787
Interest paid	C31	-2,141	-2,569
Income taxes paid	C31	-3,056	-3,892

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	Minority interest	Total equity
Closing balance, December 31, 2007		14,369	40,922	0	128	5,658	972	4,909	50,316	117,274	9,783	127,057
Dividends	C20	–	-9,879	–	–	–	–	–	-8,083	-17,962	-1,986	-19,948
Minority interest acquired		–	–	–	–	–	–	–	–	–	-857	-857
Minority interest disposed of		–	–	–	–	–	–	–	–	–	15	15
Total comprehensive income	C12, C20	–	–	-244	-97	12,405	–	–	19,011	31,075	4,106	35,181
Transfer of amortization and depreciation for the year		–	–	–	–	–	-153	–	153	–	–	–
Closing balance, December 31, 2008		14,369	31,043	-244	31	18,063	819	4,909	61,397	130,387	11,061	141,448
Dividends	C20	–	–	–	–	–	–	–	-8,083	-8,083	-2,817	-10,900
Minority interest acquired		–	–	–	–	–	–	–	–	–	-1,989	-1,989
Minority interest disposed of		–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	C12, C20	–	–	72	45	-5,903	–	–	18,854	13,068	872	13,940
Transfer of amortization and depreciation for the year		–	–	–	–	–	-145	–	145	–	–	–
Closing balance, December 31, 2009		14,369	31,043	-172	76	12,160	674	4,909	72,313	135,372	7,127	142,499

Notes to Consolidated Financial Statements

C1. Basis of Preparation

General

The annual report and consolidated financial statements have been approved for issue by the Board of Directors on March 9, 2010. 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 7, 2010.

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 1.3 "Supplementary Accounting Rules for Groups" and other statements. As encouraged by the Financial Reporting Board, TeliaSonera has pre-adopted RFR 1.3. The standard is applicable to Swedish legal entities whose securities are listed on a Swedish stock exchange or authorized equity market place at the end of the reporting period and specifies supplementary rules and disclosures in addition to IFRS requirements, caused by provisions in the Swedish Annual Accounts Act.

Measurement bases and accounting policies

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

Change in accounting policy

IFRSs are unclear on the accounting for certain transactions with minority interests. With respect to changes in the value of liabilities arising from put options granted to minority interests, TeliaSonera would previously have recognized such changes as an adjustment to goodwill if the option was granted in connection with a business combination and in net income if it was not (the IAS 39 approach). As of the fourth quarter of 2009, changes in the value of the liabilities have been recognized as adjustments to goodwill. This means that the liability is now considered contingent consideration applying business combination accounting (IFRS 3) by analogy. This is consistent with TeliaSonera's policy for other minority interest acquisitions. Additionally, the option strike prices are fair value at the exercise date, implying no gains or losses neither upon exercise nor during the term. For these reasons, TeliaSonera believes that it is more relevant to recognize value changes towards goodwill. As no value changes to the put option liabilities have previously been recognized, this change will have no retrospective impact.

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 2009 or pre-adopted

- Amended IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after January 1, 2009; earlier application permitted). The amendments to IFRS 1 and IAS 27 are not applicable to TeliaSonera.
- Amended IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after January 1, 2009; earlier application permitted), clarifying that vesting conditions are service conditions and performance conditions only and further specifying that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. IFRS 2 is currently not relevant to TeliaSonera.
- Amendments on improving disclosures about financial instruments to IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after January 1, 2009; earlier application permitted; comparative disclosures not required at first-time application), introducing a three-level hierarchy for fair value measurement disclosures and requiring additional disclosures on the relative reliability of fair value measurements. In addition, existing requirements on disclosure of liquidity risk are clarified and enhanced.
- IFRS 8 "Operating Segments" (effective for annual periods beginning on or after January 1, 2009; earlier application permitted). TeliaSonera adopted IFRS 8 in 2007.
- Revised IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after January 1, 2009; earlier application permitted). The revision requires all owner changes in equity to be presented in a statement of changes in equity, separately from non-owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. The revisions also include (non-mandatory) changes in the titles of some of the financial statements to reflect their function more clearly. TeliaSonera has chosen to present all non-owner changes in equity in the statement of comprehensive income and changed the titles of the other financial statements. Comparative information has been represented to conform to the revised IAS 1.
- Amended IAS 23 "Borrowing Costs" (effective January 1, 2009; earlier application permitted). The amendment did not affect TeliaSonera, already applying the existing alternative of capitalizing borrowing costs.
- Amendments on puttable financial instruments and obligations arising on liquidation to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after January 1, 2009; earlier application permitted). The amendments are currently not relevant to TeliaSonera.
- "Improvements to IFRSs (May 2008)" (mostly effective for annual periods beginning on or after January 1, 2009; earlier application permitted) introducing amendments to about 20 IFRSs that had not been included in other major projects. The amendments relevant to TeliaSonera were in certain cases already applied and otherwise had no or very limited impact on results or financial position.
- Amendments on embedded derivatives to IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement" (effective for annual periods ending on or after June 30, 2009; to be applied retrospectively), clarifying that on reclassification of a financial asset out of the "at fair value through profit or loss" category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements. Currently, TeliaSonera is not considering the reclassification of any financial assets.
- IFRIC 13 "Customer Loyalty Programmes" (effective for annual periods beginning on or after July 1, 2008; earlier application permitted). IFRIC 13 explains how to account for obligations to provide free or discounted goods or services

('awards') to customers who redeem award credits. Entities are required to allocate some of the proceeds of the initial sale to the award credits and recognize these proceeds as revenue only when their obligations are fulfilled. TeliaSonera already deferred revenue related to loyalty programs as required by IFRIC 13. However, IFRIC 13 requires that the deferred revenue be determined as the fair value of the goods or services to be delivered in the future, while TeliaSonera based the deferral on estimated costs. Full adoption of IFRIC 13 did not have a material impact on TeliaSonera's results or financial position.

- IFRIC 15 "Agreements for the Construction of Real Estate" (effective for annual periods beginning on or after January 1, 2009; to be applied retrospectively). IFRIC 15 is not applicable to TeliaSonera.
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (effective for annual periods beginning on or after October 1, 2008; to be applied prospectively), applicable to entities that hedge foreign currency risks arising from net investments in foreign subsidiaries, associates, joint ventures or branches and wish to qualify for hedge accounting under IAS 39. IFRIC 16, which does not apply to other types of hedge accounting and should not be applied by analogy, clarifies that (a) the presentation currency does not create an exposure to which hedge accounting may be applied and consequently, an entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation; (b) the hedging instrument(s) may be held by any entity or entities within the group; and (c) while IAS 39 must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21 must be applied in respect of the hedged item. TeliaSonera already in previous periods applied the IFRIC 16 provisions.
- IFRIC 18 "Transfers of Assets from Customers" (effective for transfers received on or after July 1, 2009; earlier application permitted within limits; to be applied prospectively). IFRIC 18 clarifies (a) the circumstances in which the definition of an asset is met; (b) the recognition of the asset and the measurement of its cost on initial recognition; (c) the identification of the separately identifiable services (one or more services in exchange for the transferred asset), (d) the recognition of revenue; and (e) the accounting for transfers of cash from customers. Adoption of IFRIC 18 did not have any significant impact on TeliaSonera's results or financial position.

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

Recently issued new or revised/amended standards and interpretations impacting TeliaSonera's consolidated financial statements on or after January 1, 2010, are as follows:

- Revised IFRS 1 "First-time Adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after July 1, 2009; earlier application permitted); Amendments on retrospective application of IFRSs to IFRS 1 (effective for annual periods beginning on or after January 1, 2010; earlier application permitted); and Amendment on limited exemption from comparative IFRS 7 disclosures to IFRS 1 (effective July 1, 2010; earlier application permitted). IFRS 1 is not applicable to TeliaSonera.
- Amendments on group cash-settled share-based payment transactions to IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after January 1, 2010; earlier application permitted, to be applied retrospectively). The amendments also incorporate guidance previously included in IFRIC 8 "Scope of IFRS 2" and IFRIC 11 "IFRS 2—Group and Treasury Share Transactions," which as a result are withdrawn. IFRS 2 is currently not relevant to TeliaSonera.
- Revised IFRS 3 "Business Combinations" and amended IAS 27 "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after July 1,

2009; earlier application permitted). Inter alia, the changes include: (a) that transaction costs are expensed as incurred; (b) that contingent consideration is always recognized at fair value and for non-equity-consideration post-combination changes in fair value affects profit and loss; (c) that an option is added to on a transaction-by-transaction basis permit recognition of 100 percent of the goodwill of the acquired entity with the increased goodwill amount also increasing the non-controlling interest; (d) that in a step acquisition, on the date that control is obtained, the fair values of the acquired entity's assets and liabilities, including goodwill, are measured and any resulting adjustments to previously recognized assets and liabilities are recognized in profit or loss; (e) that acquiring additional shares in a subsidiary after obtaining control as well as a partial disposal of shares in a subsidiary while retaining control is accounted for as an equity transaction with owners; and (f) that a partial disposal of shares in a subsidiary that results in loss of control triggers remeasurement of the residual holding to fair value and any difference between fair value and carrying amount is a gain or loss, recognized in profit or loss. TeliaSonera expects that applying the revised IFRS 3 and the amended IAS 27 will lead to increased volatility in profit and loss.

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after January 1, 2013; earlier application permitted; to be applied retrospectively but if adopted before January 1, 2012, restatement of prior periods is not required). Classification under IFRS 9 is driven by the entity's business model for managing financial assets and the contractual characteristics of the financial 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. IFRS 9 also amends many other standards, including the disclosure requirements of IFRS 7. The issued parts of IFRS 9 mark the first phase of replacing IAS 39 "Financial Instruments: Recognition and Measurement." Work on finalizing IFRS 9 is ongoing and includes addressing the impairment methodology for financial assets, hedge accounting as well as classification and measurement of financial liabilities. TeliaSonera is currently analyzing the effects, if any, of adopting the issued parts of IFRS 9. Tentatively, 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.
- Revised IAS 24 "Related Party Disclosures" (effective for annual periods beginning on or after January 1, 2011; earlier application permitted), simplifying the disclosure requirements for government-related entities and changing the definition of a related party. The revision also changes the disclosure requirements in the separate financial statements of subsidiaries or associates. Previously, only directly or indirectly held investments in associates were included in the disclosure requirements, now any associated company of the whole Group is regarded as a related party also in separate financial statements. Further, "commitments" is added to the list of examples of related party transactions that are

to be disclosed. TeliaSonera's interpretation of the current disclosure requirements relating to transactions with other entities controlled, or significantly influenced by the governments of Sweden and Finland are in line with the revised disclosure requirements. TeliaSonera is currently analyzing the effects, if any, of adopting the other revisions to IAS 24.

- 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.
- Amendment on eligible hedged items to IAS 39 "Financial Instruments: Recognition and Measurement" (effective for annual periods beginning on or after July 1, 2009; earlier application permitted, to be applied retrospectively), restricting/clarifying the risks qualifying for hedge accounting in two particular situations: (a) a one-sided risk in a hedged item (hedging with options) and (b) inflation in a financial hedged item (identifying inflation as a hedged risk or portion). The amendment is currently not relevant to TeliaSonera.
- "Improvements to IFRSs (April 2009)" (mostly effective for annual periods beginning on or after January 1, 2010; earlier application permitted) introducing amendments to 12 IFRSs that had not been included in other major projects. The amendments relevant to TeliaSonera are in certain cases already applied 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 17 "Distributions of Non-cash Assets to Owners" (effective for annual periods beginning on or after July 1, 2009; earlier application permitted, to be applied prospectively), clarifying the accounting treatment of pro rata distributions of non-cash assets except for common control transactions and requiring additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. Currently, IFRIC 17 is 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.

EU endorsement status

As of the beginning of March 2010, all standards, revisions/amendments to standards, and interpretations mentioned above had been adopted by the EU, except for amendments on retrospective application to IFRS 1, amendment on limited exemption from comparative IFRS 7 disclosures to IFRS 1, amendment on group cash-settled share-based payment transactions to IFRS 2, IFRS 9, revised IAS 24, Improvements to IFRSs (April 2009), amendment to IFRIC 14, and IFRIC 19.

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 state-

ments 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. Information on accounting policies applied, see the respective sections of Note C3 "Significant Accounting Policies."

Revenue recognition

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

Income taxes

Significant management judgment is required in determining current tax liabilities and assets as well as provisions for deferred tax liabilities and assets, in particular as regards valuation of deferred tax assets. As part of this process, income taxes have to be estimated in each of the jurisdictions in which TeliaSonera operates. The process involves estimating the actual current tax exposure together with assessing temporary differences resulting from the different valuation of certain assets and liabilities in the financial statements and in the tax returns. Management must also assess the probability that the deferred tax assets will be recovered from future taxable income. Actual results may differ from these estimates due to, among other factors, future changes in business environment, currently unknown changes in income tax legislation, or results from the final review of tax returns by tax authorities or by courts of law. For additional information on deferred tax assets and liabilities and their carrying values as of the end of the reporting period, see Note C11 "Income Taxes."

Valuation of intangible and other non-current assets

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

Useful lives

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

Currently, the following amortization and depreciation rates are applied.

Trade names	Individual evaluation, minimum 10 percent
Telecom licenses, numbering rights	Remaining license period, minimum 5 percent. Licenses are regarded as integral to the network and amortization of a license does not commence until the related network is ready for use.
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
Equipment placed with customers under service arrangements	Agreement term, annuity basis

In 2009 and 2008, amortization, depreciation and impairment losses totaled SEK 12,932 million and SEK 12,106 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 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, consensus is that the corporate bond market is not a deep market and management based its determination of the estimated discount rate on nominal government bonds adjusting yields to consistent terms by interpolating along the yield-curve. Until recently, the longest term of Swedish domestic nominal bonds was 12 years. In early 2009, a 30-year government bond was issued, assisting management in determining the estimated discount rate. 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 84 percent of total plan assets, is currently 4.7 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 fixed income 4.0 percent, domestic and global equity 7.5 percent and other investments 7.5 percent. The assumptions used in the non-Swedish pension funds are similar.

Provisions for restructuring activities, minority put options, contingent liabilities and litigation

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.

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

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

For additional information on restructuring provisions and minority put options, including their carrying values as of the 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. TeliaSonera's consolidated financial statements are based on accounts prepared by all controlled entities as of December 31, and have been prepared using the purchase method. According to this method the cost of a business combination is the aggregate of the fair values, at acquisition, of as-

sets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree plus any costs directly attributable to the business combination. Identifiable assets acquired, and liabilities and contingent liabilities assumed are initially measured at fair value. Any excess of the cost of acquisition over the fair value of net assets acquired is recognized as goodwill.

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.

Minority interests

Transactions with minority interests are treated as transactions with non-related parties. Disposals to minority interests result in capital gains or losses which are recognized in net income. Purchases from minority interests result 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. Commitments to purchase minority interests and put options granted to minority shareholders (taking into account any subsequent capital contributions from or dividends to minority shareholders) are recognized as contingent consideration. Where the amount of the liability exceeds the amount of the minority 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. 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) and taxes paid or re-

funded. Changes in non-interest bearing long-term 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 minority interests. 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 minority interests, acquisitions or disposals of subsidiaries and associated companies, and other major non-recurring transactions which are translated at the rate prevailing on the transaction day.

Segment reporting

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

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 ex-

cept 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 minority 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 minority interests which are derecognized but not recycled to net income.

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 sales of customer premises equipment. 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. 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. If the fair value of delivered items can-

not, but the fair value of undelivered items can be reliably determined, the residual method is used. Under the residual method, the amount of consideration allocated to the delivered item(s) equals the total arrangement consideration less the aggregate fair value of the undelivered items. Customized equipment that can be used only in connection with services or products provided by TeliaSonera is not accounted for separately and revenue is deferred over the total service arrangement period.

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

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

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

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

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

Other operating income and expenses

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

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

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

Income taxes

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

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

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. Mobile and fixed telecommunication licenses are regarded as integral to the network and the amortization of a license does not commence until the related network is ready for use. Intangible assets acquired in a business 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 on 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.

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.

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

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

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 – 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 instrument 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 valuation reserve is used in connection with step acquisitions 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 2009 will be recorded as a liability immediately following the final decision by the shareholders.

Provisions for pensions and employment contracts

TeliaSonera provides defined benefit pension plans, which mean that the individual is guaranteed a pension equal to a certain percentage of his or her salary, to most of its employees in Sweden, Finland and Norway. The pension plans mainly include 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. As of January 1, 2007, a new defined contribution pension plan (the ITP1 plan) was introduced. This pension plan is applicable to all employees born in 1979 and later. TeliaSonera's employees in Finland are entitled to statutory pension benefits pursuant to the Finnish Employees' Pension Act, a defined benefit pension arrangement with retirement, disability, unemployment and death benefits (TEL pension). In addition, certain employees have additional pension coverage through a supplemental pension plan.

The pension obligations are secured mostly by pension funds, but also by provisions in the 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

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

Other provisions also include contingent consideration resulting from business combinations or from put options granted to minority shareholders in existing subsidiaries, warranty commitments, environmental restoration, litigation, onerous contracts not related to restructuring activities, etc. Such provisions are recognized as Cost of sales, Selling and marketing expenses, Administrative expenses or Research and development ex-

penses as applicable. Provisions for contingent consideration are not charged to income, but increases goodwill.

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

Provisions are measured at management's best estimate, 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.

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

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

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

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**Minor business combinations**

In 2009 and in order to strengthen its market position, TeliaSonera acquired Tele2's broadband and VoIP operations in Norway, the Swedish IT security company Protexion Sverige AB (100 percent), the Norwegian retailer Mobilconsult AS (100 percent) and the web hosting services provider UAB Interdata in Lithuania (100 percent).

For additional information, see Note C34 "Business Combinations, etc."

Divestitures

On June 3, 2009, TeliaSonera sold its 24 percent shareholding in SmartTrust AB, which provides software for managing applications on SIM cards and mobile phones.

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 in-

clude mobile voice and data, mobile content, WLAN Hot-spots, mobile broadband, mobile/PC convergence 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, 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, 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, Nepal and Cambodia. The business area is also responsible for developing TeliaSonera's shareholding in the mobile operators MegaFon in Russia and Turkcell in Turkey.
- 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. 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 "Definitions"). Comparative period figures for 2008 have been restated to reflect the certain limited organizational restructuring effective January 1, 2009. The retail chain Veikon Kone Oy and the cable-TV company Telia Stofa A/S were moved from Broadband Services to Other operations.

January–December 2009 or December 31, 2009						
SEK in millions	Mobility Services	Broadband Services	Eurasia	Other operations	Eliminations	Group
Net sales	51,077	43,342	14,866	5,561	–5,685	109,161
External net sales	48,801	40,472	14,863	5,025	–	109,161
EBITDA excluding non-recurring items	14,961	13,922	7,469	314	–	36,666
Non-recurring items	–452	–1,158	282	–97	–	–1,425
Amortization, depreciation and impairment losses	–4,424	–5,422	–2,389	–715	18	–12,932
Income from associated companies and joint ventures	–1	78	7,747	191	–	8,015
Operating income/loss	10,084	7,420	13,109	–307	18	30,324
Financial items, net						–2,710
Income taxes						–6,334
Net income						21,280
Investments in associated companies and joint ventures	345	854	40,964	355	–	42,518
Other operating segment assets	95,133	55,542	30,750	6,879	–2,379	185,925
Unallocated operating assets						11,382
Other unallocated assets						29,845
Total assets						269,670
Operating segment liabilities	12,427	14,172	10,514	5,318	–2,422	40,009
Unallocated operating liabilities						24,753
Other unallocated liabilities						72,513
Adjusted equity						132,395
Total equity and liabilities						269,670
Investments	4,895	6,672	4,486	813	–17	16,849
of which CAPEX	3,867	4,942	4,416	781	1	14,007
Number of employees	7,506	13,645	4,888	3,695	–	29,734
Average number of full-time employees	7,419	13,161	4,759	3,476	–	28,815

January–December 2008 or December 31, 2008 (restated)						
SEK in millions	Mobility Services	Broadband Services	Eurasia	Other operations	Eliminations	Group
Net sales	48,673	42,625	13,204	4,906	–5,823	103,585
External net sales	46,259	39,712	13,196	4,418	–	103,585
EBITDA excluding non-recurring items	14,399	11,705	6,553	333	–36	32,954
Non-recurring items	–397	–1,189	–	290	–	–1,296
Amortization, depreciation and impairment losses	–4,354	–5,382	–1,883	–523	36	–12,106
Income from associated companies and joint ventures	–122	151	9,061	6	–	9,096
Operating income/loss	9,526	5,285	13,731	106	0	28,648
Financial items, net						–2,237
Income taxes						–4,969
Net income						21,442
Investments in associated companies and joint ventures	96	974	38,100	373	–	39,543
Other operating segment assets	93,159	56,786	34,088	7,519	–1,375	190,177
Unallocated operating assets						13,397
Other unallocated assets						21,169
Total assets						264,286
Operating segment liabilities	12,795	13,854	13,141	6,109	–1,396	44,503
Unallocated operating liabilities						20,597
Other unallocated liabilities						65,821
Adjusted equity						133,365
Total equity and liabilities						264,286
Investments	4,771	6,311	12,691	1,079	3	24,855
of which CAPEX	4,467	5,810	4,595	919	4	15,795
Number of employees	8,339	15,410	4,780	3,642	–	32,171
Average number of full-time employees	7,777	14,563	4,276	3,421	–	30,037

External net sales were distributed by product area as follows.

SEK in millions	Jan–Dec 2009	Jan–Dec 2008
Mobile communications	59,521	56,213
Fixed communications	41,399	39,833
Other services	8,241	7,539
Total	109,161	103,585

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 2009		Jan–Dec 2008		Dec 31, 2009		Dec 31, 2008	
	Net sales				Non-current assets			
	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent
Sweden	36,323	33.3	35,890	34.7	24,174	14.9	22,373	13.7
Finland	17,891	16.4	16,781	16.2	45,603	28.2	48,604	29.8
Norway	10,162	9.3	10,287	9.9	31,670	19.5	28,455	17.5
All other countries	44,785	41.0	40,627	39.2	60,606	37.4	63,672	39.0
Total	109,161	100.0	103,585	100.0	162,054	100.0	163,104	100.0

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

	Jan–Dec 2009		Jan–Dec 2008	
	SEK in millions	Percent	SEK in millions	Percent
European Economic Area (EEA)	92,029	84.3	88,448	85.4
<i>of which European Union (EU) member states</i>	<i>81,845</i>	<i>75.0</i>	<i>78,108</i>	<i>75.4</i>
Rest of Europe	2,968	2.7	1,419	1.4
North-American Free Trade Agreement (NAFTA)	714	0.7	688	0.6
Rest of world	13,450	12.3	13,030	12.6
Total	109,161	100.0	103,585	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 2009	Jan–Dec 2008
Change in net sales, total	5.4	7.5
– <i>volume growth</i>	6.2	9.7
– <i>price reductions</i>	–6.5	–5.8
– <i>structural changes</i>	1.1	1.5
– <i>exchange rate effects</i>	4.6	2.1

TeliaSonera experienced volume growth mainly within mobile communications and broadband in almost all of its geographical markets. Volume growth was especially strong in the Eurasian operations due to ongoing high customer intake. In 2009, however, total volume growth was more than offset by continued overall price pressure on telecom services. Over time, the impact from currency fluctuations is increasing.

Structural changes in 2009 mainly related to the acquisitions of Tele2's broadband and VoIP operations in Norway as well as the acquisitions in 2008 of Avansys in Sweden, ComHouse in Norway and the mobile operations in Nepal and Cambodia, while 2008 was also impacted by the acquisitions in 2007 of Cygate in Sweden, debitel Danmark and the mobile operations in Uzbekistan and Tajikistan.

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.

	Jan–Dec 2009	Jan–Dec 2008
SEK in millions		
Goods and sub-contracting services purchased	–16,625	–16,016
Interconnect and roaming expenses	–17,307	–16,663
Other network expenses	–5,038	–4,602
Change in inventories	–213	–56
Personnel expenses (see also Note C32)	–14,806	–15,056
Marketing expenses	–6,999	–7,423
Other expenses	–11,763	–11,380
Amortization, depreciation and impairment losses	–12,932	–12,057
Total	–85,683	–83,253

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 33,568 million in 2009 and SEK 33,859 million in 2008.

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

	Jan–Dec 2009	Jan–Dec 2008
SEK in millions		
Cost of sales	–10,946	–10,136
Selling and marketing expenses	–1,108	–1,133
Administrative expenses	–813	–737
Research and development expenses	–65	–51
Total	–12,932	–12,057

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 2009	Jan-Dec 2008
Other operating income		
Capital gains	34	64
Exchange rate gains	216	267
Commissions, license and patent fees, etc.	219	265
Grants	27	37
Recovered accounts receivable, released accounts payable	267	25
Compensation for damages	343	97
Total other operating income	1,106	755
Other operating expenses		
Capital losses	-182	-97
Provisions for onerous contracts	-11	0
Exchange rate losses	-266	-341
Restructuring costs	-1,458	-986
Amortization, depreciation and impairment losses	-0	-49
Damages paid	-358	-62
Total other operating expenses	-2,275	-1,535
Net effect on income	-1,169	-780
<i>of which net exchange rate losses on derivative instruments held-for-trading</i>	<i>-0</i>	<i>-13</i>

In 2009, compensation for damages included SEK 282 million as a result of the agreement with Altimio to combine the two companies' ownership interests in Turkcell Iletisim Hizmetleri A.S. in Turkey and OAO MegaFon in Russia into a new company. Restructuring costs mainly relates to staff redundancy costs. In 2008, this item also included a SEK 360 million reversal of a provision for onerous lease and maintenance contracts relating to a French fiber network.

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 2009	Jan-Dec 2008
Share in net income for the year	7,995	9,257
Amortization of fair value adjustments	-121	-146
Net capital gains/losses	141	-15
Net effect on income	8,015	9,096

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 2009	Jan-Dec 2008
Svenska UMTS-nät AB, Sweden (joint venture)	0	-120
SIA Lattelecom, Latvia	77	151
OAO MegaFon, Russia	4,691	5,070
Turkcell Iletisim Hizmetleri A.S., Turkey	3,056	3,991
SmartTrust AB, Sweden	149	-4
Other holdings	42	8
Net effect on income	8,015	9,096

Turkcell's financials are included in TeliaSonera's reporting with a one-quarter lag. SmartTrust AB was divested in 2009.

C10. Finance Costs and Other Financial Items

Finance costs and other financial items were distributed as follows.

SEK in millions	Jan-Dec 2009	Jan-Dec 2008
Finance costs		
Interest expenses	-2,672	-3,477
Interest expenses on finance leases	-10	-2
Unwinding of provision discounts	-190	-147
Capitalized interest	94	58
Net exchange rate gains and losses	-413	-115
Total finance costs	-3,191	-3,683
Other financial items		
Interest income	413	1,429
Interest income on finance leases	21	29
Credit losses on finance leases	0	-4
Dividends from financial investments available-for-sale	1	0
Changes in fair value on venture capital investments	-21	5
Capital losses on equity instruments at cost	-1	-13
Impairment losses on equity instruments at cost	-69	-
Remitted long-term vendor financing	137	-
Total other financial items	481	1,446
Net effect on income	-2,710	-2,237

Interest income in 2008 included received penalty interest of SEK 290 million related to court rulings on certain historical interconnect fees.

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 2009	Jan-Dec 2008	Jan-Dec 2009	Jan-Dec 2008	Jan-Dec 2009	Jan-Dec 2008
SEK in millions	Interest expenses		Net exchange rate gains and losses		Interest income	
Fair value hedge derivatives	245	-173	-1,348	2,047	-	-
Cash flow hedge derivatives	-118	-211	-81	-75	-	-
Derivatives held-for-trading	97	-2	-456	3,850	-	-
Held-to-maturity investments	-	-	-	-	0	5
Loans and receivables	-	-	559	-2,514	405	1,428
Borrowings in fair value hedge relationships	-988	-572	1,348	-2,047	-	-
Borrowings and other financial liabilities at amortized cost	-1,894	-2,514	-435	-1,376	-	-
Other	-14	-5	-	-	8	-4
Total	-2,672	-3,477	-413	-115	413	1,429

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

C11. Income Taxes

Tax items recognized in net income and in other comprehensive income

Tax items recognized in net income and in other comprehensive income were distributed as follows.

SEK in millions	Jan-Dec 2009	Jan-Dec 2008
Tax items recognized in net income		
Current tax expense relating to current year	-3,315	-3,083
Underprovided or overprovided current tax expense in prior years	262	-36
Deferred tax expense originated or reversed in current year	-3,262	-2,926
Recognition of previously unrecognized deferred taxes	19	625
Effect on deferred tax income (+)/expense (-) from changes in tax rates	-38	451
Total tax expense recognized in net income	-6,334	-4,969
Tax items recognized in other comprehensive income		
Current tax relating to current year	-279	303
Deferred tax originated or reversed in current year	-17	87
Total tax recognized in other comprehensive income	-296	390

In November 2009, enacted changes to the tax legislation in Kazakhstan postponed the effective dates of the previously decided corporate income tax-rate cuts from 2010 and 2011 to 2013 and 2014, respectively. In December 2009, enacted changes to the Lithuanian tax legislation involved a reduction of the corporate income tax rate from 20 percent to 15 percent, effective January 1, 2010.

In 2008, SEK 395 million of the effect from changes in tax rates referred to the Swedish operations, following the reduction of the Swedish corporate income tax rate from 28 percent to 26.3 percent, which was enacted in 2008 and effective January 1, 2009.

Pre-tax income was SEK 27,614 million in 2009 and SEK 26,411 million in 2008. The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	Jan-Dec 2009	Jan-Dec 2008
Swedish income tax rate	26.3	28.0
Effect of higher or lower tax rates in subsidiaries	-0.5	-2.4
Withholding tax on earnings in subsidiaries, associated companies and joint ventures	3.5	4.8
Underprovided or overprovided current tax expense in prior years	-0.9	0.1
Recognition of previously unrecognized deferred taxes	-0.1	-2.4
Effect on deferred tax expense from changes in tax rates	0.1	-1.7
Income from associated companies and joint ventures	-7.6	-9.7
Current year losses for which no deferred tax asset was recognized	1.6	1.9
Non-deductible expenses	0.6	0.4
Tax-exempt income	-0.1	-0.2
Effective tax rate	22.9	18.8
<i>Effective tax rate excluding effects from associated companies and joint ventures</i>	<i>28.1</i>	<i>25.0</i>

Deferred tax assets and liabilities

Deferred tax assets and liabilities changed as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Deferred tax assets		
Opening balance	13,206	12,017
Comprehensive income period change	-943	-926
Operations acquired	-	22
Reversals of offset tax liabilities/assets, other reclassifications	-264	379
Exchange rate differences	-822	1,714
Deferred tax assets, closing balance	11,177	13,206
Deferred tax liabilities		
Opening balance	11,260	9,577
Comprehensive income period change	2,355	837
Operations acquired	-	464
Operations divested	-	-563
Reversals of offset tax assets/liabilities, other reclassifications	-40	353
Exchange rate differences	-365	592
Deferred tax liabilities, closing balance	13,210	11,260

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

SEK in millions	Dec 31, 2009	Dec 31, 2008
Gross deferred tax assets		
Unrealized gain, associated companies	48	48
Delayed depreciation, impairment losses and fair value adjustments, other non-current assets	6,604	6,654
Delayed expenses for provisions	251	655
Doubtful current receivables	196	135
Tax loss carry-forwards	8,527	10,151
Subtotal	15,626	17,643
Valuation allowances		
Delayed depreciation, other non-current assets	–	–40
Tax loss carry-forwards	–4,137	–3,927
Subtotal	–4,137	–3,967
Offset deferred tax liabilities/assets	–312	–470
Total deferred tax assets	11,177	13,206
Deferred tax liabilities		
Withholding taxes and impairment losses, subsidiaries and associated companies	2,643	2,082
Accelerated depreciation and fair value adjustments, other non-current assets	8,040	6,535
Fair value adjustments, provisions	1,098	1,521
Delayed revenue recognition, current receivables	34	34
Profit equalization reserves	1,707	1,558
Subtotal	13,522	11,730
Offset deferred tax assets/liabilities	–312	–470
Total deferred tax liabilities	13,210	11,260
Net deferred tax assets	–2,033	1,946
Net increase (+)/decrease (–) in valuation allowance	170	917

Unrecognized deferred tax assets, as reflected by the valuation allowance at December 31, 2009, are expected to expire as follows.

Expected expiry SEK in millions	2010	2011	2012	2013	2014	2015– 2026	Unlimited	Total
Unrecognized deferred tax assets	–	320	53	15	23	2,950	776	4,137

As of December 31, 2009 and 2008, unrecognized deferred tax liabilities for undistributed earnings in subsidiaries, including estimated such income tax that is levied on dividends paid, totaled SEK 762 million and SEK 955 million, respectively.

Tax loss carry-forwards

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

Tax losses in Finland refer mainly to impairment losses on the European 3G investments recognized by TeliaSonera Finland Oyj (formerly Sonera Oyj) in 2002 and to capital losses on shares divested in 2003 by another subsidiary within the Finnish tax group.

Tax losses in Spain refer to the Spanish 3G mobile network operator Xfera Móviles S.A., 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, 2009, Xfera had tax losses and

taxable temporary differences totaling SEK 12.2 billion. As is the normal case for start-up operations, management projects tax losses also during the next few years.

At the current stage of the 3G market and due to the decreases in equipment prices in the past few years, management is, however, confident that Xfera will be able to generate taxable profits, and has prepared a robust business plan based on a sound business model with detailed and benchmarked data, and has also convinced other parties to invest alongside TeliaSonera. As a result, management believes that the current tax losses will be utilized before they expire after 15 years from the first profitable year. However, management acknowledges that the threshold for recognizing deferred tax assets in a situation of recurring historical losses is higher than for other assets, and has therefore reduced its projections to a level which it is convinced that Xfera will reach. As of December 31, 2009, based on these projections, management has recognized a deferred tax asset of SEK 719 million after valuation allowance.

TeliaSonera's accumulated tax loss carry-forwards were SEK 30,436 million in 2009 and SEK 36,822 million in 2008. Tax loss carry-forwards as of December 31, 2009 are expected to expire as follows.

Expected expiry SEK in millions	2010	2011	2012	2013	2014	2015– 2026	Unlimited	Total
Tax loss carry-forwards	14	1,270	9,606	2,756	907	12,234	3,649	30,436

Most of the Finnish tax loss carry-forwards expire in 2012.

C12. Other Comprehensive Income

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan-Dec 2009	Jan-Dec 2008
Foreign currency translation differences			
Translation of foreign operations	Foreign currency translation reserve	-6,853	13 222
Translation of foreign minority interests	Minority interests	-1,554	1 675
Foreign operations divested	Foreign currency translation reserve	-9	-
Hedging of foreign operations	Foreign currency translation reserve	1,061	-1 083
Income tax effect	Foreign currency translation reserve	-279	303
Total foreign currency translation differences		-7,634	14 117
<i>of which attributable to owners of the parent</i>		<i>-6,080</i>	<i>12,442</i>
Income from associated companies			
Net changes in fair value of available-for-sale financial instruments	Fair value reserve	11	0
Translation of foreign operations	Foreign currency translation reserve	177	-37
Total income from associated companies		188	-37
Cash flow hedges			
Net changes in fair value	Hedging reserve	16	-349
Transferred to finance costs in net income	Hedging reserve	73	18
Income tax effect	Hedging reserve	-17	87
Total cash flow hedges		72	-244
Available-for-sale financial instruments			
Net changes in fair value	Fair value reserve	34	-97
Total available-for-sale financial instruments		34	-97
Total other comprehensive income		-7,340	13 739
<i>of which total income tax effects (see also Note C11)</i>		<i>-296</i>	<i>390</i>

The hedging reserve comprises gains and losses on derivatives hedging interest rate and foreign currency exposure, with a positive net effect in equity of SEK 72 million as of December 31, 2009. Future gains or losses will affect net income in 2010–2011, 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, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
SEK in millions	Goodwill		Other intangible assets	
Accumulated cost	86,137	84,847	33,143	33,553
Accumulated amortization	-	-	-17,728	-16,157
Accumulated impairment losses	-400	-416	-955	-861
Advances	-	-	42	2
Carrying value	85,737	84,431	14,502	16,537
<i>of which work in progress</i>	<i>-</i>	<i>-</i>	<i>1,215</i>	<i>1,380</i>
Carrying value, opening balance	84,431	71,172	16,537	12,737
Investments	1,776	6,882	1,923	4,195
<i>of which capitalized interest</i>	<i>-</i>	<i>-</i>	<i>50</i>	<i>29</i>
Sales and disposals	-11	-	-17	-22
Operations acquired	-	-	67	112
Operations divested	-	-	0	0
Grants received	-	-	-	-3
Reclassifications	201	-122	-139	255
Adjustments related to minority put options	38	-	-	-
Amortization for the year	-	-	-2,688	-2,450
Impairment losses for the year	-4	-	-109	-95
Advances	-	-	39	1
Exchange rate differences	-694	6,499	-1,111	1,807
Carrying value, closing balance	85,737	84,431	14,502	16,537

Apart from goodwill, there are currently no intangible assets with indefinite useful lives. No general changes of useful lives were made in 2009. 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, 2009	Dec 31, 2008
Business area Mobility Services	60,241	58,256
<i>of which Finland</i>	23,267	24,584
<i>of which Norway</i>	25,464	22,591
<i>of which Denmark</i>	5,154	5,427
Business area Broadband Services	13,769	13,477
<i>of which Finland</i>	9,270	9,792
Business area Eurasia	11,054	12,028
<i>of which Azerbaijan</i>	4,727	4,845
<i>of which Uzbekistan and Tajikistan</i>	2,365	2,818
<i>of which Nepal and Cambodia</i>	3,126	3,190
Other operations	673	670
Total goodwill	85,737	84,431

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

SEK in millions	Dec 31, 2009	Dec 31, 2008
Trade names	241	365
Licenses	5,812	5,764
Customer and vendor relationships, interconnect and roaming agreements	4,151	6,145
Capitalized development expenses	2,038	2,052
Patents, etc.	460	625
Leaseholds, etc.	543	204
Work in progress, advances	1,257	1,382
Total other intangible assets	14,502	16,537

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 minority interest 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 minority shareholders.

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 (%)	5.9	6.0	6.4	6.0	8.8	10.9	9.5	6.2
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 (%)	5.9	6.0	6.4	6.0	8.2	9.4	8.1	–
Terminal growth rate (%)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	–
Other operations								
Forecast period (years)	5	5	5	5	–	–	–	–
WACC rate (%)	5.9	6.0	6.4	6.0	–	–	–	–
Terminal growth rate (%)	1.0–2.0	1.0–2.0	2.0	2.0	–	–	–	–
Years/Percent	Kazakhstan	Azerbaijan	Uzbekistan	Tajikistan	Georgia	Moldova	Nepal	Cambodia
Business area Eurasia								
Forecast period (years)	5	10	10	5	5	5	10	10
WACC rate (%)	11.8	12.3	21.0	19.2	14.4	18.5	17.7	13.8
Terminal growth rate (%)	2.0	2.0	3.5	2.0	2.0	2.0	5.0	3.0

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

As of December 31, 2009, 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 unit Eurasia – Cambodia, with a carrying value for impairment testing purposes of SEK 1,015 million (of which goodwill SEK 365 million), the estimated recoverable value corresponded to the carrying value. The minority interest in Eurasia – Cambodia is 49 percent. The impairment test assumed, in addition to the post-tax WACC rate and the terminal growth rate stated above, the sales growth to range from 120 percent to 10 percent during the next 10 years and the EBITDA margin during the same period to range from -112 percent to 45 percent.

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 Eurasia – Cambodia to change by 10 percent, or by SEK 0.1 billion.

Sales growth in the 10-year period	+0.9 percentage points
EBITDA margin in the 10-year period and beyond	+2.4 percentage points
Terminal growth rate of free cash flow	+0.8 percentage points
Post-tax WACC rate	-0.5 percentage points

C14. Property, Plant and Equipment

The carrying value was distributed and changed as follows.

	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
			Plant and machinery				Equipment, tools and installations			
SEK in millions	Property		Mobile networks		Fixed networks				Total	
Accumulated cost	8,861	9,048	59,760	58,333	129,112	127,983	9,959	8,592	207,692	203,956
Accumulated depreciation	-4,050	-3,831	-36,708	-33,630	-85,769	-84,314	-7,209	-6,026	-133,736	-127,801
Accumulated impairment losses	-494	-509	-408	-405	-12,238	-13,544	-512	-257	-13,652	-14,715
Advances	-	-	918	506	-	-	-	-	918	506
Carrying value	4,317	4,708	23,562	24,804	31,105	30,125	2,238	2,309	61,222	61,946
<i>of which assets under construction</i>	-	-	4,018	3,753	1,583	1,792	-	-	5,601	5,545
Carrying value, opening balance	4,708	4,062	24,804	19,334	30,125	27,531	2,309	1,675	61,946	52,602
Investments	166	415	6,392	6,805	4,072	5,012	860	905	11,490	13,137
<i>of which capitalized interest</i>	2	1	16	10	24	17	1	1	43	29
Sales and disposals	-36	-18	-46	-116	-49	-3	-33	-18	-164	-155
Dismantling and restoration	-	-	9	2	1,045	418	-	-	1,054	420
Operations acquired	-	-	-	125	2	326	30	83	32	534
Operations divested	-	-	-	-	-	-2	-	-	-	-2
Grants received	-	-	-	-	0	-5	-	-	-	-5
Reclassifications	82	90	-922	-191	500	-235	133	492	-207	156
Depreciation for the year	-359	-324	-4,644	-4,178	-4,005	-4,035	-1,020	-889	-10,028	-9,426
Impairment losses for the year	-	-11	-40	-17	-61	-100	-2	-7	-103	-135
Advances	-	-24	412	20	-	-1	-	-1	412	-6
Exchange rate differences	-244	518	-2,403	3,020	-524	1,219	-39	69	-3,210	4,826
Carrying value, closing balance	4,317	4,708	23,562	24,804	31,105	30,125	2,238	2,309	61,222	61,946

No general changes of useful lives were made in 2009. 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 3,900 properties, mainly in Sweden and Finland. The substantial majority is used solely for technical facilities, like network installations, computer installations, research centers and service outlets. The total carrying value as of December 31, 2009 included non-depreciable land with SEK 487 million and buildings and other depreciable property with SEK 3,830 million.

Group property in Sweden has been assessed for tax purposes as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Buildings	307	308
Land and land improvements	70	70
Tax-assessed value	377	378

At property taxations in 2009, a number of properties were assessed for the first time, while others had their assessments adjusted. Some tax-assessed properties were sold or disposed of in 2009.

C15. Investments in Associated Companies and Joint Ventures

The carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Goodwill and similar assets on consolidation	7,195	7,925
Share of equity	35,323	31,618
Carrying value	42,518	39,543
Carrying value, opening balance	39,543	33,065
Shareholder contributions	250	–
Share of net income for the year	7,995	9,257
Amortization and write-downs of fair value adjustments	–121	–146
Dividends received	–2,153	–1,410
Repayment of long term loans classified as investments in associated companies	–170	–
Acquisitions and operations acquired	1	11
Divestments and operations divested	–31	–
Reclassifications	303	248
Exchange rate differences	–3,099	–1,482
Carrying value, closing balance	42,518	39,543

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	Participa- tion (%)	Number of shares	Equity participation in consolidated accounts		Carrying value in each parent company	
			2009	2008	2009	2008
			SEK in millions			
Parent company holdings						
Swedish companies						
Overseas Telecom AB, 556528-9138, Stockholm	65	1,180,575	333	325	198	198
Lokomo Systems AB, 556580-3326, Stockholm	44	734,241	0	1	0	0
Telefos AB, 556523-6865, Stockholm	26	2,560,439	10	1	0	0
SNPAC Swedish Number Portability Administrative Centre AB, 556595-2925, Stockholm	20	400	3	4	1	1
Other operating, dormant and divested companies			0	0	0	0
Companies outside Sweden						
OAo Telecominvest, St. Petersburg	26	4,262,165	3,842	3,423	700	700
Other operating, dormant and divested companies			0	0	0	0
Total parent company					899	899
Subsidiaries' holdings						
Swedish companies						
Svenska UMTS-nät AB, 556606-7996, Stockholm (joint venture)	50	501,000	334	84	750	500
Other operating, dormant and divested companies			0	22	0	18
Companies outside Sweden						
AS Sertifitseerimiskeskus, 10747013, Tallinn	50	16	7	6	5	6
SIA Lattelecom, 00030527, Riga	49	71,581,000	844	964	1,554	1,650
Kiinteistö Oy Pietarsaaren Isokatu 8, 0181832-2, Pietarsaari	48	12,851	3	3	7	7
Turkcell Holding A.S., 430991-378573, Istanbul	47	214,871,670	13,744	13,719	2,022	2,136
Turkcell İletişim Hizmetleri A.S., 304844-252426, Istanbul	13	292,485,209	7,357	7,466	1,298	1,371
OAo MegaFon, 7812014560, Moscow	36	2,207,234	16,021	13,492	451	470
AUCS Communications Services v.o.f., 34097149, Hoofddorp	33	—	9	21	0	0
Johtotieto Oy, 0875145-8, Helsinki	33	170	2	3	0	0
Operators Clearing House A/S, 18936909, Copenhagen	33	1,333	6	7	5	5
Voicecom OÜ, 10348566, Tallinn	26	—	1	1	1	1
Suomen Numerot NUMPAC Oy, 1829232-0, Helsinki	25	3,000	1	0	0	0
SCF Huolto Oy, 1892276-7, Loimaa	20	20	1	1	0	0
Other operating, dormant and divested companies			0	0	0	0
Total Group			42,518	39,543		

The share of voting power in Overseas Telecom AB is 42 per cent. OAo Telecominvest owns an additional 31 per cent of the shares in OAo MegaFon. Turkcell Holding A.S. owns 51 per cent of the shares in Turkcell İletişim Hizmetleri A.S.

The subsidiaries' holdings of Other Swedish operating, dormant and divested companies for the comparative year (Group carrying value SEK 22 million, carrying value in the parent company SEK 18 million) relate to SmartTrust AB, which was divested in 2009.

The market value of the Group's direct and indirect holdings in the publicly quoted Turkcell İletişim Hizmetleri A.S. was SEK 40,278 million and SEK 36,687 million as of December 31, 2009 and 2008, 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,	
	2009	2008
Net sales	93,166	96,302
Gross profit	62,492	66,450
Net income	25,571	30,992
Non-current assets	144,292	135,433
Current assets	56,919	56,096
Provisions and long-term liabilities	20,043	20,348
Current liabilities	25,896	23,691

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, 2009		Dec 31, 2008	
	Carrying value	Fair value	Carrying value	Fair value
Equity instruments available-for-sale	341	341	324	324
Equity instruments held-for-trading	57	57	73	73
Convertible bonds available-for-sale	4	4	–	–
Interest rate swaps designated as fair value hedges	957	957	691	691
Cross currency interest rate swaps designated as cash flow hedges	–	–	462	462
Interest rate swaps and cross currency interest rate swaps held-for-trading	1,576	1,576	3,173	3,173
Subtotal (see Fair value hierarchy levels – Note C26)	2,935	2,935	4,723	4,723
Government bonds and treasury bills held-to-maturity	81	81	99	99
Loans and receivables at amortized cost	2,145	2,145	3,171	3,171
Subtotal (see Categories – Note C26)	5,161	5,161	7,993	7,993
Finance lease receivables	838	838	938	938
Subtotal (see Credit risk – Note C27)/Total fair value	5,999	5,999	8,931	8,931
Equity instruments at cost	61		65	
Deferred expenses	593		190	
Total other non-current assets	6,653		9,186	
of which interest-bearing	5,130		6,866	
of which non-interest-bearing	1,523		2,320	

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, 2009, contractual cash flows for Government bonds and treasury bills and Loans and receivables represented the following expected maturities.

Expected maturity SEK in millions	2011	2012	2013	2014	Later years	Total
Government bonds and treasury bills	39	11	21	10	–	81
Loans and receivables	1,284	6	340	40	475	2,145

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	Participa- tion (%)	Number of shares	Carrying/fair value in consolidated accounts		Carrying value in each parent company	
			2009	2008	2009	2008
SEK in millions						
Parent company holdings						
Swedish companies						
Slottsbacken Fund Two KB, 969660-9875, Stockholm	18	–	4	7	4	7
Lindholmen Science Park AB, 556568-6366, Gothenburg	9	90	3	2	3	2
Ullna Golf AB, 556042-8095, Österåker	1	3,500	1	1	1	1
Other operating, dormant and divested companies			0	0	0	0
Companies outside Sweden						
Digital Telecommunications Phils., Inc., 000-449-918-000, Quezon City	9	600,000,000	127	96	127	96
ONSET VI, L.P., 4604207, Dover, DE	2	–	7	–	7	–
Birdstep Technology ASA, 977037093, Oslo	2	1,722,594	5	3	5	3
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					148	110
Subsidiaries' holdings						
Swedish companies						
Other operating, dormant and divested companies		0	0	0	0	0
Companies outside Sweden						
Eesti Lairiba Arenduse Sihtasutus, 90010094, Tallinn	13	–	1	–	1	–
Telecom Development Company Afghanistan B.V., 34183985, Amsterdam	12	1,225	209	225	209	225
Magma Venture Capital I Annex Fund, L.P., Cayman Islands	7	–	2	1	2	1
Magma Venture Capital I, L.P., Cayman Islands	7	–	11	24	11	24
Oy Merinova Ab, 0778620-2, Vaasa	6	800	1	1	1	1
Vierumäki Golf Village Oy, 1927979-3, Helsinki	5	0	15	15	15	15
Diamondhead Ventures, L.P., 3145188, Menlo Park, CA	4	–	10	0	10	0
Santapark Oy, 1095079-8, Rovaniemi	3	10,000	2	2	2	2
Helsinki Halli Oy, 1016235-3, Helsinki	1	42	5	5	5	5
Intellect Capital Ventures, L.L.C., 3173982, Los Angeles, CA	0	–	21	33	21	33
Digital Media & Communications II L.P., 3037042, Boston, MA	0	–	1	7	1	7
Asunto Oy Helsingin Oskar, 0881553-8, Helsinki	0	280	1	0	1	0
Holdings in other real estate and housing companies, Finland	–	–	28	29	28	29
Holdings in local phone companies, etc., Finland	–	–	4	9	4	9
Other operating, dormant and divested companies			0	1	0	1
Total Group			459	462		

The subsidiaries' holdings of Other non-Swedish operating, dormant and divested companies for the comparative year (Group carrying value SEK 1 million, carrying value in the parent company SEK 1 million) relate to Kiinteistö Oy Turun Monitoimihalli, which was divested in 2009.

C17. Inventories

After deductions for obsolescence amounting to SEK 13 million in 2009 and SEK 4 million in 2008, the total carrying value was distributed as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Goods for resale	1,111	1,171
Other inventories and expense incurred on construction contracts	440	502
Total	1,551	1,673

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 82 million in 2009 and SEK 101 million in 2008.

C18. Trade and Other Receivables

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

SEK in millions	Dec 31, 2009	Dec 31, 2008
Currency swaps, forward exchange contracts and currency options held-for-trading	135	1,072
Subtotal (see Fair value hierarchy levels – Note C26)	135	1,072
Accounts receivable at amortized cost	12,298	13,126
Loans and receivables at amortized cost	4,797	6,089
Subtotal (see Categories – Note C26 and Credit risk – Note C27)	17,230	20,287
Other current receivables	2,478	1,763
Deferred expenses	1,682	1,193
Total trade and other receivables	21,390	23,243

For Accounts receivable and Loans and receivables, 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, 2009	Dec 31, 2008
Geographical area		
Nordic countries	13,475	13,591
Baltic countries	1,311	1,484
Eurasia	833	1,716
Other countries	1,476	2,424
Total carrying value	17,095	19,215
Customer segment		
Residential customers	6,455	6,278
Business customers	6,330	6,325
Other operators	3,879	5,770
Distributors	431	842
Total carrying value	17,095	19,215

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, 2009	Dec 31, 2008
Accounts receivable invoiced	14,250	14,386
Allowance for doubtful accounts receivable	-1,952	-1,260
Total accounts receivable	12,298	13,126
Accounts receivable not due	8,544	8,504
Accounts receivable past due but not impaired	3,754	4,622
<i>of which less than 30 days</i>	1,753	2,414
<i>of which 30–180 days</i>	1,118	1,073
<i>of which more than 180 days</i>	883	1,135
Total accounts receivable	12,298	13,126

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

SEK in millions	Dec 31, 2009	Dec 31, 2008
Loans and receivables not due	3,357	4,196
Loans and receivables past due but not impaired	1,440	1,893
<i>of which less than 30 days</i>	1,283	1,665
<i>of which 30–180 days</i>	64	85
<i>of which more than 180 days</i>	93	143
Total loans and receivables	4,797	6,089

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 590 million in 2009 and SEK 433 million in 2008. Recovered accounts receivable in these years were SEK 79 million and SEK 29 million, respectively.

The allowance for doubtful accounts receivable changed as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Opening balance	1,260	964
Reclassifications	194	–
Provisions for receivables impaired	665	311
Receivables written-off as uncollectible	-95	-24
Unused amounts reversed	-16	-50
Exchange rate differences	-56	59
Closing balance	1,952	1,260

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, 2009	Dec 31, 2008
Interest rate swaps and cross currency interest rate swaps designated as cash flow hedges	329	–
Subtotal (see Fair value hierarchy levels – Note C26)	329	–
Short-term investments with maturities over 3 months	309	1,031
<i>of which bonds and commercial papers held-to-maturity</i>	302	564
<i>of which bank deposits at amortized cost</i>	7	467
Loans and receivables at amortized cost	737	921
Subtotal (see Categories – Note C26)	1,375	1,952
Finance lease receivables	351	195
Total (see Credit risk – Note C27)	1,726	2,147

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, 2009	Dec 31, 2008
Short-term investments with maturities up to and including 3 months	10,904	5,277
<i>of which commercial papers held-to-maturity</i>	12	244
<i>of which bank deposits at amortized cost</i>	10,892	5,033
Cash and bank	11,584	6,549
Total (see Categories – Note C26 and Credit risk – Note C27)	22,488	11,826

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	14,369,463,082	4,490,457,213	3.20
Issued share capital, December 31, 2008	14,369,463,082	4,490,457,213	3.20
Issued share capital, December 31, 2009	14,369,463,082	4,490,457,213	3.20

Treasury shares

No TeliaSonera shares are held by the company itself or by the company's 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.

Minority interests

Exchange rate differences in minority interests changed as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Opening balance	1,409	-266
Translation of foreign operations	-1,554	1,675
Closing balance	-145	1,409

Minority interests were distributed as follows (including intermediate holding companies, where applicable).

SEK in millions	Dec 31, 2009	Dec 31, 2008
DLG-debitel I/S, Denmark	62	66
TEO LT, AB, Lithuania	1,089	1,319
Latvijas Mobilais Telefons SIA, Latvia	686	864
AS Eesti Telekom, Estonia	34	2,203
Fintur Holdings B.V., the Netherlands	4,598	5,615
TeliaSonera UTA Holding B.V., the Netherlands	646	987
Other subsidiaries	12	7
Total minority interests in equity	7,127	11,061

AS Eesti Telekom became a wholly-owned subsidiary as of January 12, 2010.

Earnings per share and dividends

	Jan-Dec 2009	Jan-Dec 2008
Net income attributable to owners of the parent (SEK million)	18,854	19,011
Average number of outstanding shares, basic and diluted (thousands)	4,490,457	4,490,457
Earnings per outstanding share, basic and diluted (SEK)	4.20	4.23
Ordinary cash dividend (for 2009 as proposed by the Board)		
– Per share (SEK)	2.25	1.80
– Total (SEK million)	10,104	8,083

C21. Long-term and Short-term Borrowings

Open-market financing programs

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

		Dec 31, 2009				Dec 31, 2008	
		Limit currency	Interest rate type			Limit (in millions)	Utilized (in millions)
Program	Characteristics		Limit	Utilized	Floating (in millions)	Average maturity (years)	
TeliaSonera AB	Euro Medium Term Note (EMTN)	EUR	7,000	6,155	1,468	4,687	5.1
TeliaSonera AB	Euro Commercial Paper (ECP)	EUR	1,000	–	–	–	–
TeliaSonera AB	Flexible Term Note (FTN)	SEK	12,000	–	–	–	–
	Uncommitted International, Long-term						7,000
	Uncommitted International, Short-term						4,652
	Uncommitted Swedish domestic, Short-term and long-term						–
							12,000
							4,591

Borrowings

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

		Dec 31, 2009		Dec 31, 2008	
SEK in millions		Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings					
Open-market financing program borrowings in fair value hedge relationships		10,775	10,775	16,623	16,623
Interest rate swaps at fair value		416	416	375	375
<i>of which designated as hedging instruments</i>		328	328	288	288
<i>of which held-for-trading</i>		88	88	87	87
Cross currency interest rate swaps at fair value		172	172	20	20
<i>of which designated as hedging instruments</i>		–	–	20	20
<i>of which held-for-trading</i>		172	172	–	–
Subtotal (see Fair value hierarchy levels – Note C26)		11,363	11,363	17,018	17,018
Open-market financing program borrowings		48,111	50,934	33,211	35,100
<i>of which hedging net investments</i>		25,038	26,818	8,648	9,400
<i>of which at amortized cost</i>		23,073	24,116	24,563	25,700
Other borrowings at amortized cost		4,149	4,149	3,894	3,894
Subtotal (see Categories – Note C26)		63,623	66,446	54,123	56,012
Finance lease agreements		41	41	55	55
Total long-term borrowings		63,664	66,487	54,178	56,067
Short-term borrowings					
Utilized bank overdraft facilities at amortized cost		524	524	7	7
Open-market financing program borrowings at amortized cost		7,024	7,092	9,550	9,590
Other borrowings at amortized cost		593	593	2,030	2,031
Subtotal (see Categories – Note C26)		8,141	8,209	11,587	11,628
Finance lease agreements		28	28	34	34
Total short-term borrowings		8,169	8,237	11,621	11,662

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, 2009, long-term borrowings hedging net investments included borrowings also included in fair value hedge relationships. These loans have final maturities in 2014 (SEK 3,210 million) and after 2015 (SEK 4,760 million). TeliaSonera AB's portfolio of interest rate swaps and cross currency interest rate swaps as of December 31, 2009 and 2008 had a nominal value of approximately SEK 48,000 million and SEK 38,500 million, respectively. As of December 31, 2009, the portfolio included interest rate swaps with a nominal value of SEK 900 million related to the overall management of the funding portfolio structure and hence not included in hedge relationships.

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 provisions (assets) for pension obligations were as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Present value of pension obligations	23,503	22,814
Fair value of plan assets	-19,401	-18,068
Pension obligations less plan assets (funded status)	4,102	4,746
Unrecognized past service cost	-33	-19
Unrecognized actuarial gains (+)/losses (-)	-3,890	-5,035
Net provisions (+)/assets (-) for pension obligations	179	-308
of which recognized as provisions	680	22
of which recognized as assets	-501	-330

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 2009	Jan-Dec 2008
Current service cost	455	441
Interest cost	928	925
Expected return on plan assets	-857	-996
Amortization of past service cost	-15	-14
Amortization of actuarial gains (-)/losses (+)	206	52
Pension expenses, defined benefit pension plans	717	408
Settlement of pension obligations	-14	3
Termination benefits (excl. premiums and pension-related social charges)	212	408
Pension premiums, defined benefit/defined contribution pension plans and pay-as-you-go systems	679	690
Pension-related social charges and taxes, other pension expenses	243	206
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring charges	-280	-543
Total pension expenses	1,557	1,172
of which pension premiums paid to the ITP pension plan	112	92

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, 2009	Dec 31, 2008
Discount rate	4.1	4.2
Expected rate of compensation increase	3.2	3.2
Employee turnover rate	2.9	2.9
Average expected remaining working life, years	14.5	14.4
Increase in income base amount (only for Swedish entities)	2.8	2.8
Annual adjustments to pensions	2.0	2.1
Expected return on plan assets	4.9	4.7

Specifications to pension obligations and pension expenses

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

SEK in millions, except percentages	Dec 31, 2009	Dec 31, 2008
Present value of pension obligations		
Opening balance	22,814	20,807
Current service cost	455	441
Interest cost	928	925
Benefits paid	-1,217	-1,181
Benefits paid, early retirement	-16	-23
Termination benefits	212	408
Operations acquired/divested	-7	-22
Settlement of pension obligations	-18	-3
Actuarial gains (-)/losses (+)	488	1,104
Exchange rate differences	-136	358
Closing balance, present value of pension obligations	23,503	22,814
Fair value of plan assets		
Opening balance	18,068	19,265
Expected return on plan assets	857	996
Contribution to pension funds	131	645
Payment from pension funds	-915	-536
Operations acquired/divested	-11	-23
Actuarial gains (+)/losses (-)	1,413	-2,633
Exchange rate differences	-142	354
Closing balance, plan assets	19,401	18,068
Return on plan assets		
Expected return on plan assets	857	996
Actuarial gains (+)/losses (-)	1,413	-2,633
Actual return on plan assets	2,270	-1,637
Net assets/provisions for pension obligations		
Opening balance	-308	229
Pension expenses, defined benefit pension plans	717	408
Benefits paid	-1,217	-1,181
Benefits paid, early retirement	-16	-23
Contribution to pension funds	-131	-645
Payment from pension funds	915	536
Termination benefits	212	408
Operations acquired/divested, net	-6	-3
Exchange rate differences	13	-37
Closing balance, net assets (-)/provisions (+) for pension obligations	179	-308
Unrecognized actuarial gains/losses		
Opening balance, actuarial gains (+)/losses (-)	-5,035	-1,311
Actuarial gains (-)/losses (+) to be recognized	206	52
Actuarial gains (-)/losses (+), acquired/divested operations	2	2
Actuarial gains (+)/losses (-), pension obligations	-488	-1,104
Actuarial gains (+)/losses (-), plan assets	1,413	-2,633
Exchange rate differences	12	-41
Closing balance, unrecognized actuarial gains (+)/losses (-)	-3,890	-5,035
Operations divested		
Decrease in pension obligations	-7	-22
Decrease in plan assets	11	23
Change in unrecognized actuarial gains (-)/losses (+)	2	2
Net position, operations divested	6	3

Plan-asset allocation

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

Asset category	Dec 31, 2009		Dec 31, 2008	
	SEK in millions	Percent	SEK in millions	Percent
Fixed income instruments, liquidity	10,264	52.9	12,598	69.7
Shares and other investments	9,137	47.1	5,470	30.3
Total	19,401	100.0	18,068	100.0
<i>of which shares in TeliaSonera AB</i>	<i>113</i>	<i>0.6</i>	<i>68</i>	<i>0.4</i>

Trend information

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

SEK in millions, except percentages	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005
Plan liabilities	23,503	22,814	20,807	21,495	22,036
Plan assets	-19,401	-18,068	-19,265	-18,977	-18,480
Deficit (funded status)	4,102	4,746	1,542	2,518	3,556
Plan liabilities					
Experience adjustments arising on plan liabilities (%)	-1.0	-0.2	0.6	-0.3	0.4
Effects of changes in actuarial assumptions (%)	-1.1	-4.6	6.5	4.4	-13.8
Plan assets					
Experience adjustments arising on plan assets (%)	7.8	-13.6	-1.4	2.1	10.1
Actual return on plan assets (%)	12.5	-8.5	3.1	6.4	15.8

Future contributions

For companies in Sweden, the total pension liabilities are secured also by pension credit insurance. This means that, should the net provision for pension obligations increase, each company can choose if and when to contribute to the pension fund or otherwise to recognize a provision. To pension funds outside Sweden, TeliaSonera expects to contribute SEK 123 million in 2010.

C23. Other Provisions

Changes in other provisions were as follows.

SEK in millions	December 31, 2009					Total
	Restructuring provisions	Minority put options, etc.	Warranty provisions	Asset retirement obligations	Other provisions	
Opening balance	1,199	9,100	1,454	1,295	1,113	14,161
<i>of which financial liabilities at amortized cost</i>	–	–	12	–	–	12
Provisions for the period	1,575	144	76	1,066	69	2,930
Utilized provisions	-1,109	–	-876	-92	-524	-2,601
Reversals of provisions	-109	–	-1	-4	-215	-329
Reclassifications	-279	23	-139	-11	34	-372
Timing and interest-rate effects	13	123	–	45	14	195
Exchange rate differences	-16	-826	-101	-29	-31	-1,003
Closing balance	1,274	8,564	413	2,270	460	12,981
<i>of which non-current portion</i>	<i>502</i>	<i>8,564</i>	<i>226</i>	<i>2,264</i>	<i>179</i>	11,735
<i>of which current portion</i>	<i>772</i>	<i>–</i>	<i>187</i>	<i>6</i>	<i>281</i>	1,246
<i>of which financial liabilities at amortized cost (see Categories – Note C26)</i>	<i>–</i>	<i>–</i>	<i>9</i>	<i>–</i>	<i>–</i>	9

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, 2009, 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 2010	Apr–Jun 2010	Jul–Sep 2010	Oct–Dec 2010	2011–2014	Later years	Total	Carrying value
Financial liabilities	1	4	–	4	–	–	9	9

In 2008, certain minority put option liabilities were categorized as Financial liabilities at fair value through profit and loss, see also section "Change of accounting policy" in Note C1 "Basis of Presentation."

Restructuring provisions

Changes in restructuring provisions were as follows.

December 31, 2009 or January–December 2009					
SEK in millions	International carrier operations				Total
	Danish operations	Strategic refocusing	Post-merger integration	OPEX savings programs	
Carrying value, opening balance	57	201	168	773	1,199
Provisions for the period	–	–	–	1,575	1,575
Utilized provisions (cash outflow)	–7	–121	–91	–890	–1,109
Reversals of provisions	–22	–19	–28	–40	–109
Reclassification to pension liability	–	–	–	–279	–279
Timing and interest-rate effects	–	5	8	–	13
Exchange rate differences	–2	–5	–3	–6	–16
Carrying value, closing balance	26	61	54	1,133	1,274
<i>of which current portion</i>	<i>–</i>	<i>20</i>	<i>9</i>	<i>743</i>	<i>772</i>
Cash outflow during the year	–7	–121	–91	–890	–1,109
Cash outflow in prior years	–786	–2,237	–228	–1,630	–4,881
Total cash outflow	–793	–2,358	–319	–2,520	–5,990

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.

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, 2009 mainly relates to the phase-out of long-term lease contracts and is expected to be fully utilized by 2020.

International carrier operations within business area Broadband Services

Strategic refocusing

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

percent, mainly in 2002 and 2003. The remaining provision as of December 31, 2009 mainly relates to the phase-out of long-term lease contracts and is expected to be fully utilized by 2020.

Post-merger integration

To realize post-merger synergy gains, management in 2003 decided to integrate the international carrier operations previously run separately by Telia and Sonera. Overlapping operations were phased out and the traffic was moved over from leased capacity to the wholly owned network. Parts of Sonera's operations in the United Kingdom, the United States, Sweden and Germany were closed down. The remaining provision as of December 31, 2009 mainly relates to the phase-out of long-term lease contracts and is expected to be fully utilized by 2017.

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. The program was completed at year-end 2009. The remaining provision as of December 31, 2009 is expected to be fully utilized by 2012.

Minority put options, etc.

Provisions for minority put options, etc. relate to Xfera Móviles S.A. (Xfera), Azertel Telekomünikasyon Yatirim ve Dis Ticaret A.S. (Azertel) and TeliaSonera Uzbek Telecom Holding B.V. (Uzbek Holding).

For Xfera, which was acquired in 2006, the closing balance comprises in total SEK 1,459 million referring to contingent addi-

tional consideration to the selling shareholders based on an up to 20 year earn-out model and to a put option giving existing minority shareholders the right to sell their shares to TeliaSonera after 5 years, of which at least 2 consecutive years of net profit. The provisions represent the present value of management's best estimate of the amounts required to settle the liabilities. The estimate for the earn-out model has been made based on the Xfera 10-year business plan, using a post-tax discount rate (WACC) of 6.2 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 Azer-cell Telekom B.M. (Azercell) in Azerbaijan, the closing balance comprises SEK 5,131 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 minority shareholder 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 12.3 percent and a terminal growth rate of free cash flow of 2.0 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 1,974 million for a put option 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 gives the existing minority shareholder the right to sell the 26 percent interest in Uzbek Holding to TeliaSonera after December 31, 2009. The exercise price is dependent on the number of active subscribers in Coscom and on whether the option is exercised in 2010 or after December 31, 2010. In the latter case, 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 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 21.0 percent and a terminal growth rate of free cash flow of 3.5 percent. The provision may vary as a result of changes in Uzbek Holding's estimated fair value and the timing of the option exercise. On February 2, 2010, TeliaSonera increased its ownership in Uzbek Holding from 74 percent to 94 percent. TeliaSonera will pay approximately SEK 1,550 million (USD 220 million) for the shares.

Fair value estimates for the minority 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.

Warranty provisions

Warranty provisions include SEK 178 million related to a guarantee commitment on behalf of the minority held Ipse 2000 S.p.A. The provision originally represented TeliaSonera's share of the present value of Ipse's remaining UMTS license fees payable to the Italian government in 2006–2010. In early 2006, the Italian government revoked the license as Ipse had not met the license requirements. Ipse's position was that no further license fees should be payable, but TeliaSonera continued to carry a full provision since the outcome of Ipse's claim against the government was considered uncertain. TeliaSonera also gave cash collateral for the remaining license payments (see Note C30 "Contingencies, Other Contractual Obligations and Litigation"). At the end of 2008, following an unfavorable court decision and new legislation in Italy, Ipse decided to start paying installments. Installments due for 2006–2008 and for 2009 were paid in January and December 2009, respectively. The final installment will be paid in the end of 2010.

Asset retirement obligations and Other provisions

Asset retirement obligations mainly refer to dismantling and restoration of mobile and fixed network sites and to handling hazardous waste such as worn-out telephone poles impregnated with arsenic. The remaining provision as of December 31, 2009 is expected to be fully utilized by 2039. Other provisions comprise provisions for damages and court cases, for payroll taxes on future pension payments and for onerous and other loss-making contracts, and insurance provisions. Full utilization of these provisions is expected in the period 2010–2024. The provisions represent the present value of management's best estimate of the amounts required to settle the liabilities. The estimates may vary mostly as a result of changes in tax and other legislation, in the actual outcome of negotiations with counterparts and in actual customer behavior as well as the timing of such changes.

C24. Other Long-term Liabilities

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

SEK in millions	Dec 31, 2009	Dec 31, 2008
Long-term trade payables at amortized cost	2	175
Danish 3G license fee liability at amortized cost	–	193
Azercell share purchase consideration at amortized cost	–	541
Other liabilities at amortized cost	109	261
Liabilities at amortized cost (see Categories – Note C26)	111	1,170
Prepaid operating lease agreements	629	558
Other liabilities	849	837
Total other long-term liabilities	1,589	2,565

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, 2009, contractual undiscounted cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	2011	2012	2013	2014	Later years	Total	Carrying value
Liabilities at amortized cost	5	78	28	–	3	114	111

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, 2009	Dec 31, 2008
Opening balance	290	209
Additional gains	151	56
Recognized in net income	-18	-13
Exchange rate differences	-5	38
Closing balance	418	290
<i>of which current portion</i>	<i>189</i>	<i>98</i>

C25. Trade Payables and Other Current Liabilities

Trade payables and other current liabilities were distributed as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Currency swaps, forward exchange contracts and currency options held-for-trading	175	338
Subtotal (see Fair value hierarchy levels – Note C26)	175	338
Accounts payable at amortized cost	8,153	9,401
Current liabilities at amortized cost	4,558	5,603
Subtotal (see Categories – Note C26)	12,886	15,342
Other current liabilities	7,339	7,629
Deferred income	5,214	4,806
Total trade payables and other current liabilities	25,439	27,777

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, 2009, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2010	Apr–Jun 2010	Jul–Sep 2010	Oct–Dec 2010	Total
Liabilities at amortized cost	10,566	1,375	342	428	12,711

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, 2009	Dec 31, 2008
Financial assets			
Derivatives designated as hedging instruments	C16, C19	1,286	1,153
Financial assets at fair value through profit and loss		1,768	4,318
<i>of which derivatives not designated as hedging instruments</i>	<i>C16, C18</i>	<i>1,711</i>	<i>4,245</i>
<i>of which held-for-trading investments</i>	<i>C16</i>	<i>57</i>	<i>73</i>
Held-to-maturity investments	C16, C19	395	907
Loans and receivables	C16, C18, C19	42,460	35,356
Available-for-sale financial assets	C16	345	324
Total financial assets by category		46,254	42,058
Financial liabilities			
Derivatives designated as hedging instruments	C21	328	308
Derivatives not designated as hedging instruments	C21, C25	435	425
Borrowings in fair value hedge relationships	C21	10,775	16,623
Borrowings hedging net investments	C21	25,038	8,648
Financial liabilities measured at amortized cost	C21, C23, C24, C25	48,194	56,230
Total financial liabilities by category		84,770	82,234

In 2008, certain minority put option liabilities were categorized as Financial liabilities at fair value through profit and loss, see also section "Change of accounting policy" in Note C1 "Basis of Presentation."

Fair value hierarchy levels

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

		December 31, 2009				December 31, 2008			
SEK in millions	Note	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	341	132	–	209	324	99	–	225
Equity instruments held-for-trading	C16	57	–	–	57	73	–	–	73
Convertible bonds available-for-sale	C16	4	–	–	4	–	–	–	–
Derivatives designated as hedging instruments	C16, C19	1,286	–	1,286	–	1,153	–	1,153	–
Derivatives held-for-trading	C16, C18	1,711	–	1,711	–	4,245	–	4,245	–
Total financial assets at fair value by level		3,399	132	2,997	270	5,795	99	5,398	298
Financial liabilities at fair value									
Borrowings in fair value hedge relationships	C21	10,775	–	10,775	–	16,623	–	16,623	–
Derivatives designated as hedging instruments	C21	328	–	328	–	308	–	308	–
Derivatives held-for-trading	C21, C25	435	–	435	–	425	–	425	–
Total financial liabilities at fair value by level		11,538	–	11,538	–	17,356	–	17,356	–

There were no transfers between Level 1 and 2 in 2009 and 2008.

Level 3 financial assets changed as follows.

	December 31, 2009				December 31, 2008		
	Equity in- struments available- for-sale	Equity in- struments held-for- trading	Convertible bonds available- for-sale	Total	Equity in- struments available- for-sale	Equity in- struments held-for- trading	Total
SEK in millions							
Level 3, opening balance	225	73	–	298	187	50	237
Total gains/losses recognized	–	–21	–	–21	–	5	5
<i>of which in net income</i>	–	–21	–	–21	–	5	5
<i>of which related to assets held at reporting period-end</i>	–	–21	–	–21	–	5	5
Purchases/capital contributions	–	10	4	14	–	17	17
Exchange rate differences	–16	–5	–	–21	38	1	39
Level 3, closing balance	209	57	4	270	225	73	298

Gains or losses 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 Corporate Finance and Treasury (CFT) unit of TeliaSonera AB, which functions as TeliaSonera's internal bank and is responsible for the management of financing and financial risks.

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

Regarding foreign currency transaction exposure, CFT has a clearly defined deviation mandate which currently is capped at the equivalent of a nominal SEK +/-200 million, expressed as the long/short SEK counter-value amount that may be exposed to currency fluctuations. As of December 31, 2009, the deviation mandate was utilized by less than SEK 75 million.

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

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, 2009	Dec 31, 2008
Other non-current assets	C16	5,999	8,931
Trade and other receivables	C18	17,230	20,287
Interest-bearing receivables	C19	1,726	2,147
Cash and cash equivalents	C19	22,488	11,826
Total		47,443	43,191

When entering into financial transactions such as interest rate swaps, cross currency swaps and other transactions in derivatives, TeliaSonera AB accepts only creditworthy counterparties. 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 as follows. The first rating refers to Standard & Poor's and the second to Moody's. 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, 2009	Dec 31, 2008
Counterparty rating ≥ AA and/or Aa2	450	4,336
Counterparty rating AA- and/or Aa3	2,094	1,458
Counterparty rating A+ and/or A1	356	443
Counterparty rating ≥ A- and/or A3 but < A+ and/or A1	435	—
Total exposure to counterparties in derivatives	3,335	6,237

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, 2009	Dec 31, 2008
Group entity	Type	Characteristics	Final maturity	Currency	Limit	Limit
TeliaSonera AB	Revolving credit facility	Committed, syndicated	December 2011	EUR	1,000	1,000
TeliaSonera AB	Revolving credit facility	Committed, bilateral	September 2010	SEK	—	2,000
TeliaSonera AB	Revolving credit facility	Committed, bilateral	April 2013	SEK	1,400	1,400
TeliaSonera AB and subsidiaries	Bank overdraft facilities	Committed, bilateral	—	SEK (various)	1,853	1,204

As of December 31, 2009 and 2008, SEK 532 million and SEK 1,407 million, respectively, of the total facilities was utilized. In total, the available unutilized amount under committed bank credit facilities and overdraft facilities was SEK 13,074 million and SEK 14,133 million as of December 31, 2009 and 2008, respectively.

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 2009 and 0.4 percent in 2008.

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 10 business days, the exposure per bank is limited to SEK 1,000 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. 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, 2009 and 2008, the surplus liquidity (short-term investments and cash and bank) amounted to SEK 22,797 million and SEK 12,857 million, respectively. TeliaSonera AB's surplus liquidity is typically deposited in banks or invested in short-term interest-bearing instruments with good credit ratings. At year-end, TeliaSonera AB had no such investments in interest-bearing securities with maturities exceeding 3 months. The average yield on bank deposits and short-term investments as of the end of the reporting period was 0.4 percent in 2009 and 3.4 percent in 2008.

As of December 31, 2009, 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 instru-

ments 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 2010	Apr-Jun 2010	Jul-Sep 2010	Oct-Dec 2010	2011	2012	2013	2014	Later years	Total
Utilized bank overdraft facilities	243	123	121	39	7	—	—	—	—	533
Open-market financing program borrowings	3,517	2,507	2,707	513	6,529	8,369	8,052	10,805	34,945	77,944
Other borrowings	6	303	5	94	1,662	508	379	7	46	3,010
Finance lease agreements	9	7	8	7	21	9	6	4	4	75
Cross currency interest rate swaps and interest rate swaps										
Payables	299	180	2,529	177	1,987	5,341	4,307	475	9,318	24,613
Receivables	-329	-581	-2,629	-136	-2,451	-5,766	-5,009	-900	-10,473	-28,274
Currency swaps and forward exchange contracts										
Payables	37,122	130	—	72	—	—	—	—	—	37,324
Receivables	-37,159	-130	—	-73	—	—	—	—	—	-37,362
Total, net	3,708	2,539	2,741	693	7,755	8,461	7,735	10,391	33,840	77,863

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, 2009, 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-Jun 2010	Jul-Sep 2010	Oct-Dec 2010	2011	2012	2013	2014	Later years	Total
Cross currency interest rate swaps, received									
Buy EUR	—	2,664	—	—	4,713	4,183	—	8,571	20,131
Buy USD	—	—	—	1,172	—	—	—	—	1,172
Buy JPY	—	—	—	238	—	—	—	390	628
Buy NOK	—	—	—	—	—	—	—	480	480
Total, received	—	2,664	—	1,410	4,713	4,183	—	9,441	22,411
Cross currency interest rate swaps, paid	—	-2,301	—	-1,282	-4,625	-3,744	—	-8,714	-20,666
Net position	—	363	—	128	88	439	—	727	1,745

As of December 31, 2009, 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 2010	Apr-Jun 2010	Jul-Sep 2010	Oct-Dec 2010	2011-2014	Later years	Total
Sell USD	4,774	118	—	72	—	—	4,964
Sell EUR	1,980	—	—	—	—	—	1,980
Sell DKK	129	—	—	—	—	—	129
Sell NOK	92	—	—	—	—	—	92
Sell GBP	40	—	—	—	—	—	40
Sell other currencies	93	—	—	—	—	—	93
Sell foreign currencies total	7,108	118	—	72	—	—	7,298
Sell SEK	30,014	12	—	—	—	—	30,026
Sell total	37,122	130	—	72	—	—	37,324
Buy EUR	-27,440	-8	—	—	—	—	-27,448
Buy DKK	-2,534	—	—	—	—	—	-2,534
Buy NOK	-1,492	—	—	—	—	—	-1,492
Buy USD	-1,427	-4	—	—	—	—	-1,431
Buy GBP	-487	—	—	—	—	—	-487
Buy other currencies	-69	—	—	—	—	—	-69
Buy foreign currencies total	-33,449	-12	—	—	—	—	-33,461
Buy SEK	-3,710	-118	—	-73	—	—	-3,901
Buy total	-37,159	-130	—	-73	—	—	-37,362
Net position	-37	—	—	-1	—	—	-38

Conversion exposure relates to net investments in foreign operations. TeliaSonera does not normally hedge its conversion exposure.

TeliaSonera's net investments in foreign operations were distributed by currency as follows.

Currency	Dec 31, 2009		Dec 31, 2008	
	Amount in SEK million	Percent	Amount in SEK million	Percent
EUR	82,300	41.0	81,321	39.4
of which hedged through borrowings	17,900	8.9	6,149	3.0
NOK	34,560	17.2	32,142	15.6
TRY	20,896	10.4	26,704	12.9
RUB	18,247	9.1	16,946	8.2
DKK	14,247	7.1	15,700	7.6
LTL	6,948	3.5	8,098	3.9
EEK	6,135	3.1	5,438	2.6
USD	3,598	1.8	4,984	2.4
LVL	3,499	1.7	4,132	2.0
NPR	3,273	1.6	2,747	1.3
KZT	1,915	0.9	2,416	1.2
AZN	1,330	0.7	1,205	0.6
GEL	1,082	0.5	898	0.4
GBP	882	0.4	847	0.4
TJS	603	0.3	1,020	0.5
UZS	558	0.3	1,267	0.6
Other currencies	780	0.4	817	0.4
Total	200,853	100.0	206,682	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 290 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 2009, 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 270 million on a full-year basis, should the Euro, the Danish krone and the Baltic currencies 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 18.3 billion if the Swedish krona weakened by 10 percentage points against all conversion exposure currencies, based on the exposure as of December 31, 2009 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, 2009	Dec 31, 2008
Long-term borrowings	2.99	4.91
Short-term borrowings	3.91	5.30

As of December 31, 2009, 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–Jun 2010	Jul–Sep 2010	Oct–Dec 2010	2011	2012	2013	2014	Later years	Total
Interest received									
Fixed interest rate	–	1,626	–	1,649	5,492	432	3,474	15,747	28,420
Floating interest rate	–	1,696	–	641	4,713	4,818	708	10,719	23,295
Total received	–	3,322	–	2,290	10,205	5,250	4,182	26,466	51,715
Interest paid									
Fixed interest rate	–	–2,336	–	–1,253	–	–723	–785	–1,994	–7,091
Floating interest rate	–	–657	–	–897	–9,859	–4,171	–3,409	–23,358	–42,351
Total paid	–	–2,993	–	–2,150	–9,859	–4,894	–4,194	–25,352	–49,442
Net position	–	329	–	140	346	356	–12	1,114	2,273

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 2009, 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, 2009, TeliaSonera AB had interest-bearing debt of SEK 66.0 billion with duration of interest of approximately 2.4 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 40 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, 2010 at a one percentage point higher interest rate than the prevailing rate as per December 31, 2009, and remained at that new level during 12 months, the post-tax interest expense would increase by some SEK 295 million. Fair value of the loan portfolio would change by approximately SEK 1,700 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 2009.

TeliaSonera's financial policy provides guidelines for interest rates and the average maturity of borrowings. The Group aims at balancing the estimated running cost of borrowing and the risk of significant negative impact on earnings, should there be a sudden, major change in interest rates. The Group's policy is that the duration of interest of the debt portfolio should be from 6 months to 4 years.

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

point, and assuming the same volume of loans and a similar duration on those loans as per year-end 2009.

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, 2009, TeliaSonera AB borrowings had an average time to maturity of approximately 5.0 years.

TeliaSonera AB enjoys a strong credit rating with the rating agencies Moody's and Standard & Poor's. In 2009, Moody's confirmed its assigned credit rating on TeliaSonera AB at A3 for long-term borrowings and P-2 for short-term borrowings, with a "Stable" outlook. Standard & Poor's credit rating on TeliaSonera AB remained unchanged at A- for long-term borrowings and A-2 for short-term borrowings, 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 5 percent of the Group's total borrowing as of December 31, 2009. The open-market financing programs typically provide a cost-effective and flexible alternative to bank financing.

Pension obligation risk

As of December 31, 2009, the TeliaSonera Group had pension obligations which net present value amounted to SEK 23,503 million (see Note C22 "Provisions for Pensions and Employment Contracts"). To secure these obligations, the Group has pension funds, with plan assets of SEK 19,401 million based on market values as of December 31, 2009. The pension funds' assets are used as prime funding source for the pension obligations, and consisted of approximately 53 percent fixed income instruments and approximately 47 percent shares and other investments at year-end 2009. The expected average net return on the pension funds' plan assets is 4.9 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 2009, accumulated actuarial losses decreased from SEK 5,035 million to SEK 3,890 million. The actual net return on plan assets was 12.5 percent (negative 8.5 percent in 2008), mainly due to rising prices on equity instruments. However, lower discount rates increased the present value of pension obligations.

As of December 31, 2009, the strategic asset allocation decided by the board of the Swedish pension fund, which represents approximately 84 percent of total plan assets, was 60 percent fixed income, 32 percent equities and 8 percent other investments. Other investments include primarily hedge funds and private equity. Out of the total strategic assets, 40 percent are domestic index (inflation) linked government bonds and 20 percent refers to other domestic fixed income assets with low credit risk. Out of the equity holdings, domestic equities represent 10 percentage points and global equities 22 percentage points. The actual allocation may fluctuate from the strategic allocation in a range of +/-10 percent between fixed income and equities. All assets in the Swedish pension fund are managed by appointed external managers with specialist mandates.

Pension obligation risk sensitivity

The approximate impact on the pension obligations is SEK 4.1 billion, should the weighted average discount rate decrease by one percentage point from the 4.1 percent which is currently used. Such an increase in the obligations, were interest rates to fall, should be partly offset by a positive impact from the fixed income assets in the pension funds. Based on the existing asset structure and the duration of the pension funds' fixed income portfolios (including index-linked bonds) as of December 31, 2009, 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 0.9 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.

As of December 31, 2009, 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 2010	Apr-Jun 2010	Jul-Sep 2010	Oct-Dec 2010	2011	2012	2013	2014	Later years	Total
Future minimum leasing fees	9	7	7	8	21	8	6	5	4	75
Present value of future minimum lease payments	8	6	7	7	20	7	5	5	4	69

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.

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, 2009	Dec 31, 2008
Cost	104	623
Less accumulated depreciation and impairment losses	-35	-491
Net carrying value of finance lease agreements	69	132

A substantial portion of the leasing contracts expired in 2009. In 2009 and 2008, depreciation and impairment losses totaled SEK 107 million and SEK 135 million, respectively. Leasing fees paid in these years totaled SEK 37 million and SEK 63 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, 2009	Dec 31, 2008
Total future minimum leasing fees	75	114
Less interest charges	-6	-10
Present value of future minimum leasing fees	69	104

Future minimum leasing fees under operating lease agreements in effect as of December 31, 2009 that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	2010	2011	2012	2013	2014	Later years	Total
Future minimum leasing fees	2,002	1,655	1,329	1,086	920	1,932	8,924
Minimum sublease payments	21	9	4	2	–	–	36

In 2009 and 2008, total rent and leasing fees paid were SEK 2,627 million and SEK 2,592 million, respectively. In these years, revenue for subleased items totaled SEK 21 million and SEK 23 million, respectively.

At the end of 2009, office space and technical site leases covered approximately 761,000 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 mainly between 3 and 50 years with an average term of approximately 6 years. All leases have been entered into on conventional commercial terms. Certain contracts include renewal options for various periods of time.

TeliaSonera as lessor

Finance leases

The leasing portfolio of TeliaSonera's customer financing operations in Sweden, Finland, 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 2009 was 12 quarters. Of all contracts, 68 percent carry a fixed interest rate and 32 percent a floating inter-

est rate. Most contracts include renewal options. In Finland, TeliaSonera also under a finance lease agreement provides electricity meters with SIM cards for automated reading to a power company as part of TeliaSonera's service package. The term of the agreement is 15 years and carries a fixed interest rate.

As of the 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, 2009	Dec 31, 2008
Minimum lease payments receivable	1,373	1,344
Unguaranteed residual values accruing to the benefit of the lessor	–1	–1
Gross investment in finance lease contracts	1,372	1,343
Unearned finance income	–183	–210
Present value of future minimum lease payments receivable (net investment in finance lease contracts)	1,189	1,133

As of December 31, 2009, 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 2010	Apr–Jun 2010	Jul–Sep 2010	Oct–Dec 2010	2011	2012	2013	2014	Later years	Total
Gross investment	96	96	96	95	271	174	89	66	389	1,372
Present value of future minimum lease payments receivable	88	88	88	87	243	143	78	57	317	1,189

As of December 31, 2009 and 2008, the accumulated allowance for uncollectible minimum lease payments receivable totaled SEK 9 million and SEK 8 million, respectively. Credit losses on leasing receivables are reduced by gains from the sale of equipment returned.

Operating leases

The leasing portfolio refers mainly to the international carrier business and includes 20 agreements with other international operators and 85 other contracts. Contract periods range between 10 and 25 years, with an average term of 20 years. In addition, a number of operating lease agreements is related to TeliaSonera's product offerings to end customers in Sweden and Finland. Contract periods range between 3 and 5 or 6 years, with an average term of approximately 3 years and 4 years, respectively.

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

SEK in millions	Dec 31, 2009	Dec 31, 2008
Cost	4,417	4,013
Less accumulated depreciation and impairment losses	–2,902	–2,896
Gross carrying value	1,515	1,117
Plus prepaid sales costs	0	0
Less prepaid lease payments	–551	–449
Net value of operating lease agreements	964	668

Depreciation and impairment losses totaled SEK 329 million in 2009 and SEK 286 million in 2008.

Future minimum lease payment receivables under operating lease agreements in effect as of December 31, 2009 that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2010	Apr–Jun 2010	Jul–Sep 2010	Oct–Dec 2010	2011	2012	2013	2014	Later years	Total
Future minimum lease payment receivables	60	59	58	57	184	137	59	28	27	669

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 47 million in 2009 and SEK 46 million in 2008. 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 45 million in 2009 and SEK 47 million in 2008.

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 2009 and 2008, TeliaSonera paid EUR 2.0 million and EUR 2.0 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 2009 and 2008, TeliaSonera paid EUR 0.2 million and EUR 0.1 million, respectively, for data privacy supervision and EUR 0.9 million and EUR 0.8 million, respectively, as communications market fee, i.e. a general fee paid for the regulatory activities of the Finnish Communications Regulatory Authority (FICORA).

Associated companies and joint ventures

TeliaSonera sells and buys services and products to and from associated companies and joint ventures. These transactions are based on commercial terms. Sales to as well as purchases from these companies mainly related to 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,	
	2009	2008
Sales of goods and services		
Svenska UMTS-nät AB (joint venture)	320	357
Other	252	145
Total sales of goods and services	572	502
Purchases of goods and services		
Svenska UMTS-nät AB (joint venture)	725	550
Other	192	159
Total purchases of goods and services	917	709
Total trade and other receivables	52	61
Loans receivable		
OAQ MegaFon, Russia	–	362
Total loans receivable	–	362
Total trade and other payables	177	206

Pension and personnel funds

As of December 31, 2009, TeliaSonera's pension funds held 2,184,988 shares in TeliaSonera AB, or 0.05 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 1,163,035 shares in TeliaSonera AB, or 0.03 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 and collateral held

TeliaSonera has made certain commitments on behalf of group companies, associated companies and joint ventures and holds collateral in the form of shares in associated companies. See Note C30 "Contingencies, Other Contractual Obligations and Litigation" for further details.

Key management

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

C30. Contingencies, Other Contractual Obligations and Litigation

Contingent assets and financial guarantees

As of the end of the reporting period, TeliaSonera had no contingent assets, while financial guarantees reported as contingent liabilities were distributed as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Credit guarantee on behalf of Svenska UMTS-nät AB	2,025	2,275
Other credit and performance guarantees, etc.	33	39
Subtotal (see Liquidity risk – Note C27)	2,058	2,314
Guarantees for pension obligations	248	243
Total financial guarantees	2,306	2,557

As of December 31, 2009, credit and performance guarantees represented the following expected maturities.

Expected maturity SEK in millions	Jan-Mar 2010	Apr-Jun 2010	Jul-Sep 2010	Oct-Dec 2010	2011	2012	2013	2014	Later years	Total
Credit and performance guarantees	–	250	16	250	1,527	–	0	–	15	2,058

Some loan covenants agreed limit the scope for divesting or pledging certain assets. Some of TeliaSonera AB's more recent financing arrangements include change-of-control provisions which under certain conditions allow the lenders to call back the arrangement before scheduled maturity. Conditions required include a new owner taking control of TeliaSonera AB, inter alia also resulting in a lowering of TeliaSonera AB's official credit rating to a "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 totaling SEK 4,050 million, TeliaSonera and Tele2, the other shareholder of Svenska UMTS-nät, have each severally but not jointly issued credit guarantees of a maximum of SEK 2,025 million to the lenders and granted pledges of their shares in Svenska UMTS-nät. The indebtedness under the credit facility may become due on an accelerated basis, under certain circumstances, including if either TeliaSonera or Tele2 ceases to hold, directly or indirectly, 50 percent of the company, unless the lenders provide their advance consent. TeliaSonera is not contractually required to provide any further capital contributions to or financial guarantees in favor of Svenska UMTS-nät. As of December 31, 2009, Svenska UMTS-nät had, under the credit facility, borrowed SEK 3,490 million, of which TeliaSonera guaranteed 50 percent, or SEK 1,745 million.

Collateral held

OAo Telecominvest (TCI), 26.1 percent owned by TeliaSonera, owns 31.3 percent of the shares in TeliaSonera's associated company OAo MegaFon. TeliaSonera has signed agreements with TCI and a TCI shareholder in order to secure TeliaSonera's ownership in MegaFon, including an agreement under which TCI has pledged 8.2 percent of the shares in MegaFon to TeliaSonera. TCI has pledged its remaining shares in MegaFon, corresponding to a 23.1 percent ownership in MegaFon, in order to

guarantee a loan in favor of AF Telecom Holding which is one of the shareholders of TCI.

Collateral pledged

As of the end of the reporting period, collateral pledged was distributed as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
<i>For long-term borrowings:</i> Shares in Svenska UMTS-nät AB	334	84
<i>For pension obligations:</i> Real estate mortgages	21	23
<i>For pension obligations:</i> Current receivables	30	46
<i>For warranty provisions:</i> Blocked funds in bank accounts	269	1,158
<i>For other provisions:</i> Bonds and short-term investments	101	140
<i>For bank overdraft facilities:</i> Chattel mortgages	–	18
<i>For operating leases:</i> Real estate mortgages	3	3
<i>For operating leases:</i> Blocked funds in bank accounts	1	1
<i>For deposits from customers:</i> Blocked funds in bank accounts	63	119
<i>For investments in associated companies:</i> Blocked funds in bank accounts	–	37
<i>For court proceedings:</i> Blocked funds in bank accounts	–	225
Total collateral pledged	822	1,854

As of December 31, 2009, TeliaSonera had recognized all of its commitments on behalf of Ipse 2000 S.p.A. as a warranty provision. Ipse's UMTS license payments to the Italian government have been secured by bank guarantees. According to an agreement with the bank, Ipse and its shareholders, including TeliaSonera, have given cash collateral for the remaining license payments up until 2010. TeliaSonera's part of the cash collateral amounts to SEK 258 million (EUR 25 million). See Note C23 "Other Provisions" for additional information.

Other unrecognized contractual obligations

As of December 31, 2009, 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 2010	Apr-Jun 2010	Jul-Sep 2010	Oct-Dec 2010	2011	2012	2013	2014	Later years	Total
Intangible assets	47	1	0	5	9	14	1	1	1	79
Property, plant and equipment	398	218	24	25	–	–	–	–	–	665
Total (see Liquidity risk – Note C27)	445	219	24	30	9	14	1	1	1	744

Most of the obligations with respect to property, plant and equipment refer to contracted build-out of TeliaSonera's mobile and fixed networks in Sweden.

TeliaSonera's Spanish subsidiary Xfera Móviles S.A. 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 2010 is set to SEK 281 million (EUR 27 million).

In December 1998, TeliaSonera Finland Oyj (formerly Sonera Oyj) entered into a cross-border finance lease-leaseback agreement for mobile network equipment, with a zero carrying value as of December 31, 2009. The agreement term is 15 years, with an early buy-out option in January 2010. TeliaSonera deter-

mined that in substance the transactions were not leases and reported the amounts net in the statement of financial position. Both the lease receivables and the lease obligations were settled at the inception of the agreement and TeliaSonera received a net cash consideration of USD 11 million (EUR 9 million) which was reported as an advance payment received and has been recognized in financial income over the agreement term. In 2008, some amendments to the structure were initiated whereby TeliaSonera provided additional security to certain stakeholders under the agreement. TeliaSonera has defeased all obligations under the agreement but retains the ownership of the equipment. However, during the agreement period, TeliaSonera can not dispose of the equipment but may make replacements. In

January 2010, the early buy-out option was exercised which terminated the agreement, but during 2010, TeliaSonera has to fulfill some remaining payment obligations, for which assets are already set aside within the overall agreement structure and which are expected not to exceed USD 40 million.

Legal and administrative proceedings

In its normal course of business, TeliaSonera is involved in a number of legal proceedings. These proceedings primarily involve claims arising out of commercial law issues and matters relating to telecommunications regulations and competition law. In particular, TeliaSonera is involved in numerous proceedings related to interconnect fees, which affects future revenues. Except for the proceedings described below, TeliaSonera or its subsidiaries are not involved in any legal, arbitration or regulatory proceedings which management believes could have a material adverse effect on TeliaSonera's business, financial condition or results of operations.

During the second half of 2001, a number of operators filed complaints against TeliaSonera with the Swedish Competition Authority and the Authority initiated an investigation regarding TeliaSonera's pricing of ADSL services. The complaints suggest that the difference between TeliaSonera's wholesale prices and retail prices is too low to effectively enable competition in the retail market. In December 2004, the Competition Authority sued TeliaSonera at the Stockholm District Court claiming that TeliaSonera has abused its dominant position. The Authority demands a fee of SEK 144 million. TeliaSonera's position is that it has not engaged in any prohibited pricing activities. Following the Competition Authority's lawsuit, Tele2 has on April 1, 2005 and Spray Network on June 29, 2006, respectively, claimed substantial damages from TeliaSonera due to the alleged abuse of dominant market position. TeliaSonera will vigorously contest Tele2's and Spray Network's claims. The actions for damages have been stayed pending the case between TeliaSonera and the Competition Authority.

TeliaSonera is currently involved in court cases with Primav Construcoes e Comercio and Telmig, former shareholders of the Brazilian mobile operator Tess, relating to such shareholders' disposal of their investments in Tess as well as certain call options and subscription rights in Tess. Whilst TeliaSonera has sold its holding in Tess, it has entered into certain guarantees to compensate the buyer for certain losses in connection with the above-mentioned court cases. TeliaSonera will vigorously contest any claims in connection with the disputes. Even if TeliaSonera believes that losing the disputes is not probable, but given the anticipated duration of the court proceedings, TeliaSonera has recognized a provision for estimated future legal fees.

Geocell LLC, a subsidiary of TeliaSonera in Georgia, has received a decision from the local tax authority claiming a value added tax penalty in the amount of GEL 101 million (approximately SEK 450 million). On appeal, the claim has been remitted to the tax authority for a renewed assessment of the case. Geocell will vigorously contest the tax authority's claim.

C31. Cash Flow Information

Cash flow from operating activities under the direct method presentation

SEK in millions	Jan-Dec 2009	Jan-Dec 2008
Cash receipts from customers	109,903	103,143
Cash paid to employees and suppliers	-76,239	-71,793
Cash flow generated from operations	33,664	31,350
Dividends received	2,153	1,410
Interest received	371	787
Interest paid	-2,141	-2,569
Income taxes paid	-3,056	-3,892
Cash flow from operating activities	30,991	27,086

Non-cash transactions

Asset retirement obligations (AROs)

In 2009 and 2008, obligations regarding future dismantling and restoration of technical sites entailed non-cash investments of SEK 1,055 million and SEK 443 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 391 million in 2009 and SEK 141 million in 2008.

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 subsidiaries and the total cash flow from acquisitions were as follows.

SEK in millions	Jan-Dec 2009	Jan-Dec 2008
Intangible assets	-1,899	-5,132
Property, plant and equipment	-28	-464
Financial assets, accounts receivable, inventories etc.	-19	-268
Cash and cash equivalents	-3	-105
Equity adjustments related to transactions prior to the business combination	-	-8
Minority interests	-1,853	478
Provisions	-13	408
Non-current liabilities	-1,047	294
Current liabilities	21	612
Total purchase consideration	-4,841	-4,185
Less repayment of certain borrowings	-	-40
Less purchase consideration paid prior to the business combination	-	75
Less cash and cash equivalents in acquired group companies	3	105
Net cash outflow from acquired group companies	-4,838	-4,045
Purchase consideration for other acquisitions	-264	-34
Total cash outflow from acquisitions	-5,102	-4,079

In 2009, cash outflow was mainly related to the acquisition of additional shares in AS Eesti Telekom in Estonia and, in 2008, the acquisition of 51 percent of the shares in TeliaSonera Asia Holding B.V., with operations in Nepal and Cambodia.

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

SEK in millions	Jan-Dec 2009	Jan-Dec 2008
Financial assets, accounts receivable, inventories etc.	–	6
Assets held-for-sale	–	1
Liabilities related to assets held-for-sale	–	–1
Total sales consideration	–	6
Less cash and cash equivalents in divested group companies	–	–
Net cash inflow from divested group companies	–	6
Sales consideration for other divestitures	887	26
Total cash inflow from divestitures	887	32

Sales consideration for other divestitures in 2009 included SEK 724 million for certain pre-emptive rights sold in connection with the privatization of Azercell Telekom B.M. in Azerbaijan.

C32. Human Resources

Employees, salaries, and social security expenses

During 2009, the number of employees decreased by 2,437 to 29,734 at year-end (32,171 at year-end 2008), due to efficiency measures executed in the existing operations, primarily in Sweden and Finland. The four minor business combinations in 2009 added 35 employees.

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

Country	Jan-Dec 2009		Jan-Dec 2008	
	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	9,170	50.5	10,152	52.1
Finland	4,981	60.6	5,258	59.9
Norway	1,181	68.9	1,245	67.9
Denmark	1,759	64.1	1,736	65.5
Lithuania	3,605	49.9	3,694	51.6
Latvia	960	45.6	1,064	47.6
Estonia	2,094	55.6	2,310	58.8
Spain	84	71.4	79	70.9
Kazakhstan	1,368	40.7	1,483	40.6
Azerbaijan	692	62.0	622	43.1
Uzbekistan	744	62.6	806	64.0
Tajikistan	605	66.9	605	64.8
Georgia	304	43.2	275	49.1
Moldova	334	43.7	313	47.0
Nepal	471	75.4	92	54.0
Cambodia	179	64.8	44	67.6
Russian Federation	53	65.5	56	62.5
United Kingdom	48	64.6	45	64.4
Other countries	183	72.0	158	73.0
Total	28,815	54.5	30,037	55.9

In total, operations were conducted in 32 countries in 2009 as in 2008.

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, 2009		Dec 31, 2008	
	Boards of directors	Other Senior executives	Boards of directors	Other Senior executives
Women	27.1	36.3	19.2	32.1
Men	72.9	63.7	80.8	67.9
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 2009	Jan-Dec 2008
Salaries and other remuneration	11,152	11,011
Social security expenses		
Employer's social security contributions	1,995	2,134
Pension expenses	1,557	1,172
Total social security expenses	3,552	3,306
Capitalized work by employees	-598	-360
Other personnel expenses	700	1,099
Total personnel expenses recognized by nature	14,806	15,056

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 2009		Jan-Dec 2008	
	Senior executives (of which variable pay)	Other employees	Senior executives (of which variable pay)	Other employees
Salaries and other remuneration	179 (30)	10,973	155 (27)	10,856

Pension expenses for all Senior executives totaled SEK 33 million in 2009 and SEK 25 million in 2008.

In 2009 and 2008, employee profit-sharing costs in TeliaSonera's Finnish subsidiaries totaled SEK 40 million and SEK 66 million, respectively.

Remuneration to corporate officers

Board of Directors

As resolved by the 2009 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 1,000,000 to the chairman and SEK 425,000 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 40,000 to the chairman and SEK 20,000 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 AGM decided in April 2009 that the remuneration components for executive contracts post-April 2009 may consist of base salary, pension and other benefits. The remuneration components for executive contracts pre-April 2009 may consist of base salary, annual variable pay of a maximum of 50 percent of the base salary, pension and other benefits.

The guiding principle in "Remuneration Policy for Executive Management" hired post-April 2009 as decided by the 2009 AGM is that remuneration and other terms of employment for the executives shall be competitive in order to assure that TeliaSonera can attract and retain competent executives. The total remuneration shall consist of base salary, pension and other benefits. Benefits refer to non-monetary remuneration for work performed such as pension, company cars, housing allowance and other taxable benefits. The base salary level is set individually and shall be aligned with the salary levels in the market in which the executive in question is employed. Pension plans shall follow local market practice and if possible, the defined contribution system shall be used for newly appointed executives. The contract between the Company and the executive shall require a notice period of at least six months from the employee and maximum 12 months (6 months for the CEO) from the company.

Upon notice of termination by the Company, the executive shall be entitled to severance pay equal to the monthly base salary for a period of maximum 12 months (24 months for the CEO). Other benefits shall be competitive in the local market. The Board of Directors may allow minor deviations on an individual basis from this remuneration policy.

Remuneration to the Chief Executive Officer (CEO), the Executive Vice President (EVP) and other members of Group Management consists of base salary, annual variable pay, certain taxable benefits and pension benefits. As of December 31, 2009, TeliaSonera had no share-related incentive program. "Other members of Group Management" refers to the 8 individuals who are directly reporting to the CEO and which, along with the CEO and the EVP, constituted TeliaSonera Group Management on December 31, 2009. All 10 members of Group Management were hired pre-April 2009.

Annual variable pay to the CEO, EVP and to the other members of Group Management is capped at 50 percent of the base salary. Variable pay is based on the financial performance of the Group, financial performance in each officer's area of responsibility and individual performance objectives.

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	Variable pay	Other benefits	Pension expense	Total remuneration and benefits	Capital value of pension commitment
<i>Board of Directors</i>						
Tom von Weymarn, chairman	1,140,024	–	–	–	1,140,024	–
Maija-Liisa Friman	562,506	–	–	–	562,506	–
Conny Karlsson	505,011	–	–	–	505,011	–
Lars G Nordström	445,008	–	–	–	445,008	–
Timo Peltola	447,091	–	–	–	447,091	–
Lars Renström	333,756	–	–	–	333,756	–
Jon Risfelt	525,012	–	–	–	525,012	–
Caroline Sundewall	477,507	–	–	–	477,507	–
<i>Group Management</i>						
Lars Nyberg, CEO	8,404,800	3,235,848	347,334	8,424,096	20,412,078	–
Per-Arne Blomquist, EVP	4,738,008	1,824,130	549,841	1,821,852	8,933,831	–
Other members of Group Management (8 individuals)	22,854,566	8,404,233	3,198,275	10,825,118	45,282,192	38,557,980
Former CEOs and EVPs (7 individuals)	–	–	–	–	–	179,890,234
Total	40,433,289	13,464,211	4,095,450	21,071,066	79,064,016	218,448,214

Comments on the table:

- Board remuneration includes remuneration for Audit Committee and Remuneration Committee work. Remuneration is paid monthly.
- Variable pay was expensed in 2009, but will be disbursed in 2010. Actual variable pay for 2009 corresponds to 38.5 percent of the base salary for the CEO, to 38.5 percent for the EVP and for other members of Group Management to 33.7–38.5 percent of the base salary. Variable pay with respect to performance in 2008 was paid in 2009 to the CEO in an amount of SEK 3,100,800, to the EVP in an amount of SEK 766,667 and to other members of the current Group Management in an amount of SEK 7,595,961.
- Other benefits refer chiefly to company car but also to a number of other taxable benefits. One other member of Group Management is entitled to housing allowance. In the absence of a long-term variable pay scheme, the EVP and one other member of Group Management are compensated by way of an annual fixed amount, which is included in the total amount of Other benefits. The compensation will be discontinued if and when a potential award from a long-term variable pay scheme is introduced.
- Pension expense refers to the expense that affected earnings for the year. See further disclosures concerning the terms and conditions of pension benefits below.

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. As from July 2006, the defined benefit executive scheme is 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 a base-salary related contribution 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 50,900 for 2009. The second part is a fixed annual contribution of SEK 6,000,000. For the EVP, the pension agreement is the same as for the CEO apart from the fixed contribution. For the EVP, there is instead a 10 percent additional contribution 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 60 and the CEO may enter into early retirement on his own request not earlier than from age 60. 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. Three members are covered by defined benefit schemes and five members are covered by defined contribution schemes. Two of the members covered by defined benefit schemes have a retirement age of 62 and 60, respectively. The retirement age for the remaining six members is 65.

The defined benefit executive scheme for those two members with a retirement age lower than 65 is providing 70 percent of pensionable salary until age 65. For all members covered by the defined benefit executive scheme, the old age provision from age 65 life-long is according to the ITP plan Section 2 with an additional benefit of 32.5 percent on pensionable salaries above 20 income base amounts for two of the members and 32.5 percent on pensionable salary above 30 income base amounts for one member. The pensionable salary includes base salary and variable pay for those employed prior to July 1, 2002. For those employed after July 1, 2002, only the base salary is pensionable.

The ITP Section 2 provides 10 percent of pensionable salary up to 7.5 income base amounts, 65 percent of such salary between 7.5 and 20 income base amounts and 32.5 percent of such salary between 20 and 30 income base amounts. Salaries above 30 income base amounts are not pensionable. The benefits under the plan are vested immediately.

Five members have contributions in line with the ITP plan Section 1 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 based on the base salary. Three members have additional contributions of 20 percent of the base salary and one member has an additional contribution of 15 percent of such salary. All contributions to the schemes are vested immediately.

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 before the CEO has turned the age of 60, the CEO is entitled to a severance pay in the amount of two annual fixed salaries to be paid in 24 equal monthly installments. 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. Auditors' Fees and Services

The following remuneration was paid to 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 paid for independent advice, using Group auditors or other audit firms, in the fields of Tax/Law and Corporate Finance as well as other consulting services. Audit fees to other accounting firms refer to subsidiaries 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 re-elected for a 3-year term at the 2008 Annual General Meeting.

SEK in millions	Jan-Dec 2009	Jan-Dec 2008
PwC		
Audits	48	46
Audit-related services	5	2
Tax services	1	0
All other services	4	1
Total PwC	58	49
Ernst & Young (E&Y)		
Audits, audit-related services	—	—
Tax services	1	1
All other services	4	7
Total E&Y	5	8
KPMG		
Audits, audit-related services	—	—
Tax services	6	5
All other services	—	2
Total KPMG	6	7
Other audit firms		
Audits, audit-related services	2	2
Tax services and all other services	5	5
Total other audit firms	7	7
Total	76	71

In addition, fees for audit firm services capitalized as transaction costs in business combinations and similar transactions totaled SEK 1 million in 2009 (other non-audit services performed by E&Y) and SEK 5 million in 2008 (other non-audit services performed by KPMG amounting to SEK 1 million and by Other audit firms amounting to SEK 4 million).

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, etc.

Minor business combinations in 2009

For a number of minor business combinations in 2009, the aggregate cost of combination was SEK 153 million and the net cash outflow SEK 150 million. Goodwill totaled SEK 75 million, of which SEK 16 million was allocated to business area Mobility Services, SEK 54 million to business area Broadband Services and SEK 5 million to reportable segment Other operations.

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

Asia Holding purchase price allocation finalized

In the fourth quarter of 2009, TeliaSonera finalized the purchase price allocation for TeliaSonera Asia Holding B.V., the Dutch company with shareholdings in mobile operators in Nepal and Cambodia that was acquired in October 2008. A few adjustments were made, resulting in a decrease of the value of the mobile license and the related deferred tax liability, and higher net debt. Goodwill increased net by SEK 160 million.

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 and financial 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.

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 has 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 led to an increased customer churn and a decrease in customer growth rates as well as to declines in the prices TeliaSonera charges for its products and services and may have similar effects in the future.

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

Regulation

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

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

Emerging markets

TeliaSonera has made significant investments in telecom operators in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal, Cambodia, 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 receiving dividends or 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.

A large part of TeliaSonera's results is derived from emerging markets, and especially from associated companies in Russia and Turkey. In 2009, over 40 percent of operating income and approximately 40 percent of net income attributable to owners of the parent company was derived from investments in emerging markets. 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.

Allegations of possible health risks

Concerns have been expressed that the electromagnetic signals from mobile handsets and base stations, which serve as the platform for transmitting radio signals, may pose health risks and interfere with the operation of electronic equipment. These concerns may intensify with time and as new products are introduced. Actual or perceived risks of mobile handsets or base stations and related publicity or litigation could reduce the growth rate, customer base or average usage per customer of TeliaSonera's mobile communications services, may result in significant restrictions on the location and operation of base stations, or could subject TeliaSonera to claims for damages, any of which could have a negative impact on its business, financial position and 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, and other acquisitions, TeliaSonera has a significant amount of goodwill in its statement of financial position, amounting to approximately SEK 86 billion as of December 31, 2009, which is not amortized but annually tested for impairment.

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

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

In addition to affecting TeliaSonera's results of operations, such losses and charges may adversely affect TeliaSonera's ability to pay dividends. Any 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 telecom networks and 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 serve its customers, TeliaSonera may also engage in start-up operations, such as Xfera Móviles S.A. in Spain and Applifone Co. Ltd. in Cambodia, 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 operation.

Acquisitions, strategic alliances and business combinations

TeliaSonera may expand and grow its business through business combinations, strategic alliances, etc. A failure in such transactions could harm TeliaSonera's business and results of operations. For example, due to competition in the identification of acquisition opportunities or strategic partners, TeliaSonera may make an acquisition or enter into a strategic alliance on unfavorable terms. There are also the risks that TeliaSonera will not be able to successfully integrate and manage any acquired company or strategic alliance, the acquisition or strategic alliance will fail to achieve the strategic benefits or synergies sought, and that management's attention will be diverted away

from other ongoing business concerns. In addition, any potential acquisition could negatively affect TeliaSonera's financial position 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 minority shareholders 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 TeliaSonera's interests may effect 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 in 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.

Limited number of suppliers

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

Ability to recruit and retain skilled personnel

To remain competitive and implement its strategy, and to adapt to changing technologies, TeliaSonera will need to recruit, retain, and where necessary, retrain highly skilled employees with particular expertise. In particular, competition is intense for qualified telecommunications and information technology personnel. To a considerable extent, TeliaSonera's ability to recruit and retain skilled personnel for growth business areas and new technologies will depend on its ability to offer competitive remuneration packages. If TeliaSonera fails to recruit or retrain necessary highly skilled employees, its ability to develop high growth business areas and new business areas or remain competitive in the traditional business areas may be limited.

Risks related to associated companies and joint ventures

Limited influence in associated companies and joint ventures

TeliaSonera conducts some of its activities, particularly outside of the Nordic region, through associated companies in which TeliaSonera does not have a controlling interest, such as Turk-

cell İletişim 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.

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

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 2009	Jan–Dec 2008
Net sales	P2	15,135	16,132
Costs of production	P3	-12,015	-13,354
Gross income		3,120	2,778
Selling and marketing expenses	P3	-102	-154
Administrative expenses	P3	-740	-753
Research and development expenses	P3	-305	-439
Other operating income	P4	86	20,606
Other operating expenses	P4	-620	-341
Operating income		1,439	21,697
Financial income and expenses	P5	11,525	-3,417
Income after financial items		12,964	18,280
Appropriations	P6	-221	12,037
Income before taxes		12,743	30,317
Income taxes	P6	-479	-11
Net income		12,264	30,306

Parent Company Statements of Comprehensive Income

SEK in millions	Note	Jan-Dec 2009	Jan-Dec 2008
Net income		12,264	30,306
Cash flow hedges		65	-330
Available-for-sale financial instruments		34	-97
Income taxes relating to other comprehensive income		-17	87
Total other comprehensive income	P7	82	-340
Total comprehensive income		12,346	29,966

Parent Company Balance Sheets

SEK in millions	Note	Dec 31, 2009	Dec 31, 2008
Assets			
Goodwill and other intangible assets	P8	1,032	1,257
Property, plant and equipment	P9	4,749	5,090
Deferred tax assets	P6	289	311
Other financial assets	P10	165,090	164,194
Total non-current assets		171,160	170,852
Inventories	P11	3	6
Trade and other receivables	P12	34,712	34,038
Short-term investments	P13	8,787	4,730
Cash and bank	P13	8,175	1,472
Total current assets		51,677	40,246
Total assets		222,837	211,098
Shareholders' equity and liabilities			
<i>Restricted equity</i>			
Share capital		14,369	14,369
Other reserves		1,856	1,858
<i>Non-restricted equity</i>			
Retained earnings		50,791	28,484
Net income		12,264	30,306
Total shareholders' equity		79,280	75,017
Untaxed reserves	P6	8,245	8,024
Provisions for pensions and employment contracts	P15	533	551
Other provisions	P16	165	157
Total provisions		698	708
<i>Interest-bearing liabilities</i>			
Long-term borrowings	P17	61,849	52,629
Short-term borrowings	P17	69,365	70,335
<i>Non-interest-bearing liabilities</i>			
Long-term liabilities	P18	364	620
Current tax payables		382	–
Short-term provisions, trade payables and other current liabilities	P19	2,654	3,765
Total liabilities		134,614	127,349
Total shareholders' equity and liabilities		222,837	211,098
Contingent assets	P24	–	–
Guarantees	P24	5,030	5,743
Collateral pledged	P24	–	–

Parent Company Cash Flow Statements

SEK in millions	Note	Jan-Dec 2009	Jan-Dec 2008
Net income		12,264	30,306
Adjustments for:			
Amortization, depreciation and impairment losses		2,781	1,756
Capital gains/losses on sales/discards of non-current assets		-11	-21,221
Pensions and other provisions		-829	-499
Financial items		-1,394	1,357
Group contributions and appropriations		221	-12,037
Income taxes		387	-1,029
Cash flow before change in working capital		13,419	-1,367
Increase (-)/Decrease (+) in operating receivables		609	1,715
Increase (-)/Decrease (+) in inventories etc.		2	-5
Increase (+)/Decrease (-) in operating liabilities		-1,283	-2,062
Change in working capital		-672	-352
Cash flow from operating activities		12,747	-1,719
Intangible and tangible non-current assets acquired	P25	-1,121	-1,651
Equity instruments acquired	P25	-3,275	-3,591
Non-current assets divested, etc.		29	-
Loans granted and other similar investments		175	10,354
Compensation from pension fund		870	500
Net change in interest-bearing current receivables		-1	118
Cash flow from investing activities		-3,323	5,730
Cash flow before financing activities		9,424	4,011
Dividend to shareholders		-8,083	-17,962
Group contributions and dividends received		-521	2,148
Proceeds from long-term borrowings		18,706	11,430
Repayment of long-term borrowings		-2,775	-1,231
Change in short-term borrowings		-5,991	5,016
Cash flow from financing activities		1,336	-599
Change in cash and cash equivalents		10,760	3,412
Cash and cash equivalents, opening balance		6,202	2,790
Change in cash and cash equivalents		10,760	3,412
Cash and cash equivalents, closing balance	P13	16,962	6,202
Dividends received		11,768	231
Interest received		1,635	6,091
Interest paid		-3,689	-9,430
Income taxes paid		-92	-751

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, 2007		14,369	1,855	1,941	128	44,720	63,013
Dividend		–	–	–	–	-17,962	-17,962
Total comprehensive income		–	–	–	-340	30,306	29,966
Depreciation on and sales of tangible assets written-up	P14	–	–	-1,938	–	1,938	–
Closing balance, December 31, 2008		14,369	1,855	3	-212	59,002	75,017
Dividend		–	–	–	–	-8,083	-8,083
Total comprehensive income		–	–	–	82	12,264	12,346
Depreciation on tangible assets written-up	P14	–	–	-2	–	2	–
Closing balance, December 31, 2009		14,369	1,855	1	-130	63,185	79,280

Notes to Parent Company Financial Statements

P1. Basis of Preparation

General

The parent company TeliaSonera AB's financial statements have been prepared in accordance with the Swedish Annual Accounts Act, other Swedish legislation, and standard RFR 2.3 "Accounting for Legal Entities" and other statements issued by the Swedish Financial Reporting Board. As encouraged by the Financial Reporting Board, TeliaSonera has pre-adopted RFR 2.3. 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 2.3 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
Goodwill	P8	Goodwill is amortized systematically over a maximum of 5 years.
Group contributions/Untaxed reserves and appropriations	P5, P6	Group contributions net received are recognized as dividends from subsidiaries, while if net rendered are recognized directly in shareholders' equity, net of income tax. Untaxed reserves and appropriations are reported gross excluding deferred tax liabilities related to the temporary differences.
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	Investments in subsidiaries and associated companies are recognized at cost less any impairment. Dividends received are brought to income while return of an investment reduces the carrying value.
Provisions for pensions and employment contracts	P5, P15	Pension obligations and pension expenses are recognized in accordance with FAR SRS accounting recommendation No. 4 (RedR 4).
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 2009	Jan-Dec 2008
European Economic Area (EEA)	15,135	16,129
<i>of which European Union (EU) member states</i>	15,132	16,119
<i>of which Sweden</i>	15,088	16,051
Rest of Europe	—	3
Total	15,135	16,132

Net sales were broken down by product category as follows.

SEK in millions	Jan-Dec 2009	Jan-Dec 2008
Fixed telephony	8,614	9,263
Internet	3,206	3,183
Network capacity	2,053	2,204
Data communications	840	865
Other	422	617
Total	15,135	16,132

There was no invoiced advertising tax in the years 2009 and 2008, 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 2009	Jan-Dec 2008
Goods purchased	-26	-31
Interconnect and roaming expenses	-1,072	-1,388
Other network expenses	-7,447	-7,326
Change in inventories	-0	-10
Personnel expenses (see also Note P26)	-1,453	-2,064
Rent and leasing fees	-295	-273
Consultants' services	-80	-203
IT expenses	-765	-1,018
Other expenses	-372	-673
Amortization, depreciation and impairment losses	-1,652	-1,714
Total	-13,162	-14,700

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

SEK in millions, except proportions	Jan-Dec 2009	Jan-Dec 2008
Costs of production	-1,652	-1,645
Administrative expenses	-0	-69
Total	-1,652	-1,714

P4. Other Operating Income and Expenses

Other operating income and expenses were distributed as follows.

SEK in millions	Jan-Dec 2009	Jan-Dec 2008
Other operating income		
Capital gains	7	20,483
Exchange rate gains	78	116
Patents sold, commissions, etc.	0	0
Recovered accounts receivable, released accounts payable	0	0
Damages received	1	7
Total other operating income	86	20,606
Other operating expenses		
Capital losses	-7	-5
Exchange rate losses	-92	-90
Restructuring costs	-268	-181
Impairment charges	-	-32
Damages paid	-253	-33
Total other operating expenses	-620	-341
<i>of which amortization, depreciation and impairment losses</i>	<i>-</i>	<i>-32</i>
Net effect on income	-534	20,265
<i>of which net exchange rate losses/gains on derivative instruments held-for-trading</i>	<i>-7</i>	<i>40</i>

Capital gains in 2008 referred to assets transferred to the subsidiary TeliaSonera Skanova Access AB (see also Note P9 "Property, Plant and Equipment").

P5. Financial Income and Expenses

Financial income and expenses were distributed as follows.

SEK in millions	Jan-Dec 2009	Jan-Dec 2008
Income from shares in subsidiaries		
Dividends, etc.	11,768	231
Capital gains/losses, net	16	22
Impairment losses	-731	-4
Group contributions, net received	1,538	1,031
Total	12,591	1,280
Income from shares in associated companies		
Dividends, etc.	-	0
Capital gains/losses, net	-	2
Impairment losses	-1	-12
Total	-1	-10
Income from other financial investments		
Capital gains/losses, net	-4	1
Total	-4	1
Other financial income		
Interest from subsidiaries	506	1,432
Other interest income	127	649
Exchange rate gains	1,223	9
Total	1,856	2,090
Other financial expenses		
Interest to subsidiaries	-606	-2,622
Other interest expenses	-2,158	-3,073
Interest component of pension expenses (see also Note P15)	-21	-31
Exchange rate losses	-132	-1,052
Total	-2,917	-6,778
Net effect on income	11,525	-3,417

Other interest income in 2008 included received penalty interest of SEK 290 million related to court rulings on certain historical interconnect fees. Regarding Group contributions, refer to section "Untaxed reserves, appropriations and group contributions" in Note P6 "Income Taxes."

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

	Jan-Dec 2009	Jan-Dec 2008	Jan-Dec 2009	Jan-Dec 2008	Jan-Dec 2009	Jan-Dec 2008
	Other interest expenses		Net exchange rate gains and losses		Other interest income	
SEK in millions						
Fair value hedge derivatives	245	-173	-1,348	2,047	-	-
Cash flow hedge derivatives	-118	-211	-81	-75	-	-
Derivatives held-for-trading	97	-2	-366	3,857	-	-
Loans and receivables	-	-	599	-2,538	127	630
Borrowings in fair value hedge relationships	-988	-572	1,348	-2,047	-	-
Borrowings and other financial liabilities at amortized cost	-1,373	-2,083	939	-2,287	-	-
Other	-21	-32	-	-	-	19
Total	-2,158	-3,073	1,091	-1,043	127	649

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

P6. Income Taxes

Income tax expense

Pre-tax income was SEK 12,743 million in 2009 and SEK 30,317 million in 2008. Income tax expense was distributed as follows.

SEK in millions	Jan-Dec 2009	Jan-Dec 2008
Tax items recognized in net income		
Current tax expense relating to current year	-474	0
Underprovided or overprovided current tax expense in prior years	-	0
Deferred tax expense originated or reversed in current year	-5	-11
Total tax expense recognized in net income	-479	-11
Tax items recognized in other comprehensive income		
Deferred tax originated or reversed in current year	-17	87
Total tax recognized in other comprehensive income	-17	87

In 2008, the Swedish parliament passed changes to the tax legislation, including, among others, a reduction of the Swedish corporate income tax rate from 28 percent to 26.3 percent effective January 1, 2009. This triggered a recalculation of existing deferred tax assets, resulting in a net deferred tax expense of SEK 15 million in 2008.

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

Percent	Jan-Dec 2009	Jan-Dec 2008
Swedish income tax rate	26.3	28.0
Underprovided or overprovided current tax expense in prior years	0.0	0.0
Effect on deferred tax expense from change in tax rate	-	0.0
Non-deductible expenses	1.9	0.3
Tax-exempt income	-24.4	-28.3
Effective tax rate	3.8	0.0

In 2009, tax-exempt income consisted primarily of dividends received from subsidiaries. In 2008, tax-exempt income referred mainly to an asset transfer to the subsidiary TeliaSonera Skanova Access AB (Skanova Access), made at market value in exchange for new shares issued by Skanova Access. From a fiscal point of view, however, the assets were transferred at tax book value and the consideration was treated as tax-exempt income in TeliaSonera AB.

Deferred tax assets and liabilities

Deferred tax assets and liabilities changed as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Deferred tax assets		
Carrying value, opening balance	311	235
Comprehensive income period change	-22	76
Carrying value, closing balance	289	311
Deferred tax liabilities		
Carrying value, opening balance	-	-
Carrying value, closing balance	-	-

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

SEK in millions	Dec 31, 2009	Dec 31, 2008
Deferred tax assets		
Fair value adjustments for other financial assets	70	87
Delayed expenses for provisions	219	224
Total deferred tax assets	289	311
Total deferred tax liabilities	-	-
Net deferred tax assets	289	311

In 2009 and 2008, there were no accumulated non-expiring tax loss carry-forwards or unrecognized deferred tax assets. As of December 2009 and 2008, the unrecognized deferred tax liability in untaxed reserves amounted to SEK 2,168 million and SEK 2,110 million, respectively.

Untaxed reserves, appropriations and group contributions

Untaxed reserves in the balance sheet were distributed as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Profit equalization reserves	6,224	5,625
Accumulated excess amortization and depreciation	2,021	2,399
Total	8,245	8,024

Excess amortization and depreciation changed as follows.

SEK in millions	Dec 31, 2009		Dec 31, 2008	
	Intangible assets	Plant and machinery	Intangible assets	Plant and machinery
Opening balance	143	2,256	108	12,672
Reversals	-1	-377	35	-10,416
Closing balance	142	1,879	143	2,256

Appropriations brought to income were as follows.

SEK in millions	Jan-Dec 2009	Jan-Dec 2008
Change in profit equalization reserves	-599	1,656
Change in accumulated excess amortization and depreciation	378	10,381
Net effect on income	-221	12,037

Under certain conditions, it is possible to transfer profits through group contributions between Swedish companies in a group. Group contributions provided are normally a deductible expense for the contributor and taxable income for the recipient. Group contributions were as follows.

SEK in millions	Jan-Dec 2009	Jan-Dec 2008
Pre-tax group contributions, net received (recognized in net income)	1,538	1,031

P7. Other Comprehensive Income

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan-Dec 2009	Jan-Dec 2008
Cash flow hedges			
Net changes in fair value	Fair value reserve	-8	-348
Transferred to interest expenses in net income	Fair value reserve	73	18
Income tax effect	Fair value reserve	-17	87
Total cash flow hedges		48	-243
Available-for-sale financial instruments			
Net changes in fair value	Fair value reserve	34	-97
Total available-for-sale financial instruments		34	-97
Total other comprehensive income		82	-340
<i>of which total income tax effects (see also Note P6)</i>		<i>-17</i>	<i>87</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.

SEK in millions	Dec 31, 2009		Dec 31, 2008	
	Goodwill		Other intangible assets	
Accumulated cost	114	114	3,680	3,447
Accumulated amortization	-112	-103	-2,013	-1,665
Accumulated impairment losses	-	-	-637	-536
Carrying value	2	11	1,030	1,246
<i>of which work in progress</i>	<i>-</i>	<i>-</i>	<i>279</i>	<i>415</i>
Carrying value, opening balance	11	34	1,246	1,201
Investments and operations acquired	-	-	232	368
Grants received	-	-	-	-3
Reclassifications	-	-	1	64
Amortization for the year	-9	-23	-348	-306
Impairment losses for the year	-	-	-101	-78
Carrying value, closing balance	2	11	1,030	1,246

No general changes of useful lives were made in 2009. Goodwill is 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"). Other intangible assets were taken over from subsidiaries at gross carrying value.

The carrying value of other intangible assets was distributed as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Capitalized development expenses	751	825
Licenses, contractual agreements, patents, etc.	-	6
Work in progress	279	415
Total carrying value	1,030	1,246

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, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
SEK in millions	Property		Plant and machinery		Equipment, tools and installations		Total	
Accumulated cost	537	442	41,437	40,750	748	695	42,722	41,887
Accumulated depreciation	-226	-197	-36,546	-35,439	-636	-608	-37,408	-36,244
Accumulated impairment losses	-	-	-566	-551	-5	-5	-571	-556
Accumulated write-ups	-	-	6	3	-	-	6	3
Carrying value	311	245	4,331	4,763	107	82	4,749	5,090
<i>of which assets under construction</i>	-	-	681	851	-	-	681	851
Carrying value, opening balance	245	233	4,763	18,361	82	60	5,090	18,654
Investments and operations acquired	53	36	831	1,190	30	50	914	1,276
Sales and disposals	-	-	-36	-13,432	-	0	-36	-13,432
Grants received	-	-	-	-5	-	-	-	-5
Reclassifications	42	-	-69	-59	26	-5	-1	-64
Depreciation for the year	-29	-24	-1,158	-1,292	-31	-23	-1,218	-1,339
Carrying value, closing balance	311	245	4,331	4,763	107	82	4,749	5,090

No general changes of useful lives were made in 2009. 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 un-taxed reserves and appropriations (see this section in Note P6 "Income Taxes").

Property

As of December 31, 2009, no non-depreciable land was included in the total carrying value of property. No property owned by TeliaSonera AB was assigned tax-assessed values.

Plant and machinery

Plant and machinery includes switching systems and peripheral equipment, transmission systems, transmission media and other types of media in the Swedish fixed networks. Assets were transferred from subsidiaries at gross carrying value. In 2008, transfer of assets to the subsidiary TeliaSonera Skanova Access AB net reduced the carrying value by SEK 13,427 million (accumulated cost SEK 32,952 million, accumulated depreciation SEK 21,440 million, accumulated impairment losses SEK 12 million and accumulated write-ups SEK 1,927 million).

Equipment, tools, and installations

Assets were taken over from subsidiaries at gross carrying value.

P10. Other Financial Assets

The total carrying value changed as follows.

	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
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	974	110	204	163,185	121,167	164,194	122,345
New share issues and shareholder contributions	-	6	2	3	186	38,456	188	38,465
Additions	-	-	3	-	3,716	175	3,719	175
Divestitures	-	-	-	-	-83	-330	-83	-330
Impairment losses	-	-6	-	-	-2,494	-83	-2,494	-89
Reclassifications	-	-75	-	-	-467	75	-467	-
Changes in fair value	-	-	33	-97	-	3,725	33	3,628
Carrying value, closing balance	899	899	148	110	164,043	163,185	165,090	164,194

In 2008, new share issues and shareholder contributions included SEK 34,000 million that was provided in kind in exchange for new shares issued by the subsidiary TeliaSonera Skanova Access AB.

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

SEK in millions	Dec 31, 2009		Dec 31, 2008	
	Carrying value	Fair value	Carrying value	Fair value
Investments in other equity instruments available-for-sale	132	132	99	99
Investments in other equity instruments held-for-trading	12	12	8	8
Convertible bonds available-for-sale	4	4	–	–
Interest rate swaps designated as fair value hedges	957	957	691	691
Cross currency interest rate swaps designated as cash flow hedges	–	–	462	462
Interest rate and cross currency interest rate swaps held-for-trading	1,576	1,576	3,173	3,173
Subtotal (see Fair value hierarchy levels – Note P20)	2,681	2,681	4,433	4,433
Loans and receivables at amortized cost	0	0	1	1
Subtotal (see Categories – Note P20 and Credit risk – Note P21)/Total fair value	2,681	2,681	4,434	4,434
Investments in subsidiaries	161,395		158,858	
Receivables from subsidiaries	111		–	
Investments in associated companies	899		899	
Investments in other equity instruments at cost	4		3	
Total other financial assets	165,090		164,194	
of which interest-bearing	2,796		4,436	
of which non-interest-bearing	162,294		159,758	

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, 2009	Dec 31, 2008
Swedish companies				
TeliaSonera Skanova Access AB, 556446–3734, Stockholm	100	21,255,000	34,003	34,003
Telia Nättjänster Norden AB, 556459–3076, Stockholm	81	55,201	5,557	5,557
Baltic Tele AB, 556454–0085, Stockholm	100	100,000	3,096	3,096
TeliaSonera Sverige AB, 556430–0142, Stockholm	100	3,000,000	2,898	2,898
Amber Mobile Teleholding AB, 556554–7774, Stockholm	100	1,000	2,806	2,806
TeliaSonera Mobile Networks AB, 556025–7932, Nacka	100	550,000	2,698	2,698
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
Telia International Holdings AB, 556572–1486, Stockholm	100	1,000	508	508
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
IKT II Holding AB, 556635–7306, Stockholm	100	1,822,791	120	120
Telia Electronic Commerce AB, 556228–8976, Stockholm	100	27,500	45	45
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	3
TeliaSonera Network Sales AB, 556458–0040, Stockholm	100	10,000	3	3
Telia Fastigheter Telaris AB, 556343–6434, Stockholm	100	50,000,000	2	731
Telia Norge Holding AB, 556591–9759, Stockholm	100	1,000	0	0
Other operating, dormant and divested companies			0	83

Subsidiary, Corp. Reg. No., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions)	
			Dec 31, 2009	Dec 31, 2008
Companies outside Sweden				
TeliaSonera Finland Oyj, 1475607–9, Helsinki	100	1,417,360,375	75,448	75,448
Sergel Oy, 1571416–1, Helsinki	100	267,966,000	277	277
TeliaSonera International Carrier Finland Oy, 1649304–9, Helsinki	100	100	98	37
Telia NetCom Holding AS, 954393232, Oslo	100	100	4,596	4,596
NextGenTel AS, 981649141, Bergen	100	3,750,000,000	2,335	2,335
TeliaSonera Chess Holding AS, 980107760, Bergen	100	160,959,656	2,315	2,315
ComHouse AS, 988755656, Larvik	100	181,700,000	237	239
Telia Norge AS, 975961176, Oslo	100	2,000	189	189
TeliaSonera International Carrier Norway AS, 981946685, Oslo	100	32,666	80	80
TeliaSonera Danmark A/S, 18530740, Copenhagen	100	14,500	6,835	6,835
Amber Teleholding A/S, 20758694, Copenhagen	100	1,000	3,049	3,048
Holmbladsgade 140 A/S, 19670996, Copenhagen	100	200,000,000	1,344	1,344
TeliaSonera International Carrier Denmark A/S, 24210413, Copenhagen	100	1,000	172	172
TEO LT, AB, 121215434, Vilnius	4.9	39,895,616	218	–
UAB Sergel, 125026242, Vilnius	100	1,500	7	4
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	38.8	53,530,987	3,317	–
Xfera Móviles S.A., A82528548, Madrid	76.6	517,025,247	2,549	2,523
TeliaSonera Telekomünikasyon Hizmetleri L.S., 381395, Istanbul	99	79,193	10	10
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	0
TeliaSonera International Carrier Switzerland AG, 2171000547–8, Zurich	100	1,000	54	54
TeliaSonera International Carrier Netherlands B.V., 34128048, Amsterdam	100	910	60	60
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	0
ZAO TeliaSonera International Carrier Russia, 102780919732, Moscow	100	220,807,825	200	200
TOV TeliaSonera International Carrier Ukraine, 34716440, Kyiv	100	–	1	0
TeliaSonera International Carrier Poland Sp. z o.o., KRS00000186, Warsaw	100	52,500	58	63
TeliaSonera International Carrier Czech Republic a.s., 26207842, Prague	100	20,000	182	182
TeliaSonera International Carrier Slovakia, s.r.o., 36709913, Bratislava	100	–	7	7
TeliaSonera International Carrier Hungaria Távközlési Kft., 01–09–688192, Budapest	100	–	32	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 Telekomünikasyon L.S., 609188–556770, Istanbul	100	55,919	8	8
TeliaSonera International Carrier, Inc., 541837195, Herndon, VA	100	100	136	530
TeliaSonera International Carrier Singapore Pte. Ltd, 200005728N, Singapore	100	1,200,002	1	1
Telia Swedtel (Philippines), Inc., AS095–003695, Manila	100	124,995	0	2
Other operating, dormant and divested companies			0	0
Total			161.395	158.858

Telia Norge Holding AB and Telia NetCom Holding AS jointly own all shares in NetCom AS. A wholly-owned subsidiary holds the remaining 19 percent of the shares in Telia Nättjänster Norden AB. Telia Danmark is a branch of Telia Nättjänster Norden AB. Amber Teleholding A/S holds another 60 percent of the shares in TEO LT, AB. Amber Mobile Teleholding AB owns all shares in UAB Omnitel. Another 24.5 percent of the shares in Latvijas Mobilais Telefons SIA are owned by a subsidiary. TeliaSonera has a board majority on Latvijas Mobilais Telefons. As of January 12, 2010, following the completion of a squeeze-out process, the parent company's holding in AS Eesti Telekom is 39.9 percent. Baltic Tele AB owns the remaining 60.1 percent of the shares. Baltic Tele's shares were transferred to the parent company on February 25, 2010. 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, and TEO LT, AB, where TeliaSonera controls 68.1 percent of the votes considering the company's treasury shares.

Other operating and dormant companies do not control Group assets of significant value. Holdings of Other Swedish companies for the comparative year (SEK 83 million), refer to the liquidations of Sonera Sverige AB and Telia InfoMedia Interactive AB in 2009.

In addition to the companies mentioned above, TeliaSonera AB indirectly controls a number of operating and dormant subsidiaries of subsidiaries.

P11. Inventories

No deductions for inventory obsolescence were needed for the years 2009 and 2008, respectively. The carrying value referred to supplies and consumables and was SEK 3 million and SEK 6 million as of December 31, 2009 and 2008, respectively.

P12. Trade and Other Receivables

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

SEK in millions	Dec 31, 2009	Dec 31, 2008
Interest rate swaps and cross currency interest rate swaps designated as cash flow hedges	329	–
Currency swaps and forward exchange contracts held-for-trading	123	1,072
Subtotal (see Fair value hierarchy levels – Note P20)	452	1,072
Accounts receivable at amortized cost	138	689
Receivables from associated companies and joint ventures at amortized cost	4	3
Loans and receivables at amortized cost	31	81
Subtotal (see Categories – Note P20 and Credit risk – Note P21)	625	1,845
Receivables from subsidiaries	33,600	31,827
<i>of which cash-pool balances and short-term deposits</i>	<i>27,565</i>	<i>27,105</i>
<i>of which trade and other receivables</i>	<i>6,035</i>	<i>4,722</i>
Other current receivables	352	213
Deferred expenses	135	153
Total trade and other receivables	34,712	34,038
<i>of which interest-bearing</i>	<i>28,063</i>	<i>27,282</i>
<i>of which non-interest-bearing</i>	<i>6,649</i>	<i>6,756</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, 2009	Dec 31, 2008
Geographical area		
Sweden	172	766
Other countries	1	7
Total carrying value	173	773
Customer segment		
Other operators	134	576
Other customers	39	197
Total carrying value	173	773

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, 2009	Dec 31, 2008
Accounts receivable invoiced	583	889
Allowance for doubtful accounts receivable	–445	–200
Total accounts receivable	138	689
Accounts receivable not due	18	297
Accounts receivable past due but not impaired	120	392
<i>of which less than 30 days</i>	<i>0</i>	<i>145</i>
<i>of which 30–180 days</i>	<i>47</i>	<i>4</i>
<i>of which more than 180 days</i>	<i>73</i>	<i>243</i>
Total accounts receivable	138	689

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, 2009	Dec 31, 2008
Loans and receivables not due	26	16
Loans and receivables past due but not impaired	9	68
<i>of which less than 30 days</i>	<i>–</i>	<i>–</i>
<i>of which 30–180 days</i>	<i>–</i>	<i>–</i>
<i>of which more than 180 days</i>	<i>9</i>	<i>68</i>
Total loans and receivables	35	84

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. Balances past due more than 180 days mainly referred to settlements with other operators regarding traffic passed in transit through TeliaSonera's fixed network. See also "Notes to Consolidated Financial Statements" (section "Credit risk management" in Note C27) for information on mitigation of risks related to accounts receivable.

Total bad debt expenses were SEK – million in 2009 and SEK 34 million in 2008, while there was no recovered accounts receivable in these years. The allowance for doubtful accounts receivable changed as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Opening balance	200	209
Divested operations	–175	–
Reclassifications	194	–
Provisions for receivables impaired	226	34
Unused amounts reversed	–	–43
Closing balance	445	200

P13. Short-term Investments, Cash and Cash Equivalents

Short-term investments

No short-term investments as of December 31, 2009 or 2008 had maturities over 3 months.

Cash and cash equivalents

Short-term investments with maturities up to and including 3 months are combined with Cash and bank to produce the item Cash and cash equivalents, as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Short-term investments with maturities up to and including 3 months	8,787	4,730
<i>of which bank deposits at amortized cost</i>	<i>8,787</i>	<i>4,730</i>
Cash and bank	8,175	1,472
Total (see Categories – Note P20 and Credit risk – Note P21)	16,962	6,202

The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. For more information on financial instruments by category and exposed to credit risk, refer to Note P20 "Financial Assets and Liabilities by Category and Level" and section "Credit risk management" in Note P21 "Financial Risk Management," respectively, and to Note P24 "Contingencies, Other Contractual Obligations and Litigation" for information on blocked funds in bank accounts.

P14. Shareholders' Equity

Share capital and treasury shares

See "Notes to Consolidated Financial Statements" (corresponding sections in Note C20).

Revaluation reserve

The revaluation reserve changed as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Carrying value, opening balance	3	1,941
Sale of assets to the subsidiary TeliaSonera Skanova Access AB	–	–1,927
Depreciation	–2	–11
Carrying value, closing balance	1	3

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. As of January 1, 2007, a new defined contribution pension plan (the ITP1 plan) was introduced. This pension plan is applicable to all employees born in 1979 or later.

The pension obligations are secured by Telia Pension Fund. Certain commitments, chiefly the contractual right to retire at age 55, 60, or 63 for certain categories of personnel, are provided for by a taxed reserve in the balance sheet.

Pension obligations are calculated annually, as of the end of the reporting period, based on actuarial principles.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Opening balance, pension obligations covered by plan assets	10,051	10,281
Opening balance, pension obligations not covered by plan assets	551	538
Opening balance, total pension obligations	10,602	10,819
Current service cost	101	122
Interest cost, paid-up policy indexation	600	447
Benefits paid	–778	–816
Divested operations	–2	–69
Other changes in valuation of pension obligations	–91	47
Termination benefits	50	52
Closing balance, pension obligations covered by plan assets	9,949	10,051
Closing balance, pension obligations not covered by plan assets	533	551
Closing balance, total pension obligations	10,482	10,602
<i>of which FPG/PRI pensions</i>	<i>6,107</i>	<i>6,025</i>

The fair value of plan assets changed as follows.

SEK in millions, except percentages	Dec 31, 2009	Dec 31, 2008
Opening balance, plan assets	10,393	11,797
Actual return	1,252	–835
Divested operations	–	–69
Payment from pension fund	–870	–500
Closing balance, plan assets	10,775	10,393
<i>Actual return on plan assets (%)</i>	<i>12.0</i>	<i>–7.1</i>

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

SEK in millions	Dec 31, 2009	Dec 31, 2008
Present value of pension obligations	10,482	10,602
Fair value of plan assets	–10,775	–10,393
Surplus capital in pension fund	826	342
Provisions for pension obligations	533	551

Total pension income was (expenses were) distributed as follows.

SEK in millions	Jan–Dec 2009	Jan–Dec 2008
Current service cost	101	122
Interest cost, paid-up policy indexation	600	447
Less interest expenses recognized as financial expenses	–21	–31
Actual return on plan assets	–1,252	835
Other changes in valuation of pension obligation	–93	–22
Termination benefits	50	52
Pension expenses, defined benefit pension plans	–615	1,403
Pension premiums, defined benefit/defined contribution pension plans and other pension costs	102	81
Changes in estimates	–3	4
Pension-related social charges and taxes	–	69
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring cost	–66	–73
Pension income (–)/expenses (+)	–582	1,484
Decrease (–)/Increase (+) of surplus capital in pension fund	484	–1,105
Recognized pension income (–)/expenses (+)	–98	379
<i>of which pension premiums paid to the ITP pension plan</i>	<i>35</i>	<i>28</i>

Principal actuarial assumptions

The actuarial calculation of pension obligations and pension expenses is based on principles set by FPG/PRI 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 yield tax on pension plan assets, was 2.9 percent in 2009 and 3.0 percent in 2008. Obligations were calculated based on the salary levels prevailing at December 31, 2009 and 2008, respectively.

Plan-asset allocation

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

Asset category	December 31, 2009		December 31, 2008	
	SEK in millions	Percent	SEK in millions	Percent
Fixed income instruments, liquidity	5,495	51.0	7,158	68.9
Shares and other investments	5,280	49.0	3,235	31.1
Total	10,775	100.0	10,393	100.0
<i>of which shares in TeliaSonera AB</i>	<i>62</i>	<i>0.6</i>	<i>37</i>	<i>0.4</i>

Future contributions and pension payments

As of December 31, 2009, the fair value of plan assets exceeded the present value of pension obligations. Unless the fair value of plan assets during 2010 should fall short of the present value of

pension obligations, TeliaSonera AB has no intention to make any contribution to the pension fund.

In 2010, pension payments from the defined benefit plans are expected to be SEK 760 million.

P16. Other Provisions

Changes in other provisions were as follows.

December 31, 2009						
SEK in millions	Payroll taxes on future pension payments	Restructuring provisions	Warranty provisions	Damages and court cases	Insurance provisions	Total
Opening balance	63	98	12	240	51	464
<i>of which financial liabilities at amortized cost</i>	–	–	12	–	–	12
Provisions for the period	6	269	–	–	–	275
Utilized provisions	–10	–130	–2	–	–3	–145
Reversals of provisions	–	–	–1	–	–	–1
Reclassifications	–	–66	–	–	–	–66
Closing balance	59	171	9	240	48	527
<i>of which non-current portion</i>	59	58	–	–	48	165
<i>of which current portion</i>	–	113	9	240	–	362
<i>of which financial liabilities at amortized cost (see Categories – Note P20)</i>	–	–	9	–	–	9

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, 2009, 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 2010	Apr–Jun 2010	Jul–Sep 2010	Oct–Dec 2010	2011–2014	Later years	Total	Carrying value
Financial liabilities	1	4	–	4	–	–	9	9

Restructuring provisions mainly refer to staff redundancy costs related to cost savings programs in the Swedish operations, launched by management in 2005 and in 2008. The remaining provision as of December 31, 2009 is expected to be fully utilized by 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 2010–2024.

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 counter-parts 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, 2009		Dec 31, 2008	
	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	18,745	18,745	16,623	16,623
Interest rate swaps at fair value	416	416	375	375
<i>of which designated as hedging instruments</i>	328	328	288	288
<i>of which held-for-trading</i>	88	88	87	87
Cross currency interest rate swaps at fair value	172	172	20	20
<i>of which designated as hedging instruments</i>	—	—	20	20
<i>of which held-for-trading</i>	172	172	—	—
Subtotal (see Fair value hierarchy levels – Note P20)	19,333	19,333	17,018	17,018
Open-market financing program borrowings at amortized cost	40,140	42,964	33,211	35,100
Other borrowings at amortized cost	2,376	2,391	2,400	2,400
Total long-term borrowings (see Categories – Note P20)	61,849	64,688	52,629	54,518
Short-term borrowings				
Open-market financing program borrowings at amortized cost	7,024	7,092	7,323	7,333
Other borrowings at amortized cost	—	—	1,419	1,420
Subtotal (see Categories – Note P20)/Total fair value	7,024	7,092	8,742	8,753
Borrowings from subsidiaries	62,341		61,593	
Total short-term borrowings	69,365		70,335	

As of December 31, 2009 and 2008, fully unutilized bank over-draft facilities had a total limit of SEK 1,077 million and SEK 1,067 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 short-term deposits.

P18. Long-term Liabilities

The carrying value of long-term liabilities was distributed as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Liabilities to subsidiaries	2	38
Prepaid contracts for broadband build-out	353	573
Other liabilities	9	9
Total long-term liabilities	364	620

For the years 2009 and 2008, SEK 46 million and SEK 71 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, 2009	Dec 31, 2008
Currency swaps, forward exchange contracts and currency options held-for-trading	175	338
Subtotal (see Fair value hierarchy levels – Note P20)	175	338
Accounts payable at amortized cost	860	1,223
Current liabilities to associated companies and joint ventures at amortized cost	—	31
Current liabilities at amortized cost	227	762
Subtotal (see Categories – Note P20)	1,262	2,354
Liabilities to subsidiaries	553	680
Other current liabilities	730	244
Deferred income	109	487
Total short-term provisions, trade payables and other current liabilities	2,654	3,765

For Accounts payable and Current liabilities (including liabilities to associated companies and joint ventures), 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, 2009, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan-Mar 2010	Apr-Jun 2010	Jul-Sep 2010	Oct-Dec 2010	Total
Liabilities at amortized cost	1,074	6	3	4	1,087

Corresponding information for currency derivatives held-for-trading are presented in section "Liquidity risk management" to Note P21 "Financial Risk Management."

The main components of Current liabilities are accrued payables to suppliers and accrued interconnect and roaming charges, while Other current liabilities mainly entail value-added tax, advances from customers and accruals of payroll expenses and social security contributions. Deferred income chiefly relate to charges for network capacity. Conventional commercial terms apply for trading with subsidiaries.

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, 2009	Dec 31, 2008
Financial assets			
Derivatives designated as hedging instruments	P10, P12	1,286	1,153
Financial assets at fair value through profit and loss		1,711	4,253
<i>Derivatives not designated as hedging instruments</i>	<i>P10, P12</i>	<i>1,699</i>	<i>4,245</i>
<i>Held-for-trading investments</i>	<i>P10</i>	<i>12</i>	<i>8</i>
Loans and receivables	P12, P13	17,135	6,976
Available-for-sale financial assets	P10	136	99
Total financial assets by category		20,268	12,481
Financial liabilities			
Derivatives designated as hedging instruments	P17	328	308
Derivatives not designated as hedging instruments	P17, P19	435	425
Borrowings in fair value hedge relationships	P17	18,745	16,623
Financial liabilities measured at amortized cost	P16, P17, P19	50,636	46,381
Total financial liabilities by category		70,144	63,737

Fair value hierarchy levels

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

		Dec 31, 2009				Dec 31, 2008			
		Fair	of which			Fair	of which		
SEK in millions	Note	value	Level 1	Level 2	Level 3	value	Level 1	Level 2	Level 3
Financial assets at fair value									
Investments in other equity instruments available-for-sale	P10	132	132	–	–	99	99	–	–
Investments in other equity instruments held-for-trading	P10	12	–	–	12	8	–	–	8
Convertible bonds available-for-sale	P10	4	–	–	4	–	–	–	–
Derivatives designated as hedging instruments	P10, P12	1,286	–	1,286	–	1,153	–	1,153	–
Derivatives held-for-trading	P10, P12	1,699	–	1,699	–	4,245	–	4,245	–
Total financial assets at fair value by level		3,133	132	2,985	16	5,505	99	5,398	8
Financial liabilities at fair value									
Borrowings in fair value hedge relationships	P17	18,745	–	18,745	–	16,623	–	16,623	–
Derivatives designated as hedging instruments	P17	328	–	328	–	308	–	308	–
Derivatives held-for-trading	P17, P19	435	–	435	–	425	–	425	–
Total financial liabilities at fair value by level		19,508	–	19,508	–	17,356	–	17,356	–

Level 3 financial assets changed as follows.

	Dec 31, 2009			Dec 31, 2008	
SEK in millions	Investments in other equity instruments held-for-trading	Convertible bonds available-for-sale	Total	Investments in other equity instruments held-for-trading	Total
Level 3, opening balance	8	–	8	7	7
Total gains/losses recognized	–4	–	–4	1	1
of which in net income	–4	–	–4	1	1
of which related to assets held at reporting period-end	–4	–	–4	1	1
Purchases	8	4	12	–	–
Level 3, closing balance	12	4	16	8	8

Gains or losses 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, 2009	Dec 31, 2008
Other financial assets	P10	2,681	4,434
Trade and other receivables	P12	625	1,845
Short-term investments, cash and cash equivalents	P13	16,962	6,202
Total		20,268	12,481

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, 2009, 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 2010	Apr–Jun 2010	Jul–Sep 2010	Oct–Dec 2010	2011	2012	2013	2014	Later years	Total
Open-market financing program borrowings	3,517	2,507	2,707	513	6,529	8,369	8,052	10,805	34,945	77,944
Other borrowings	4	5	4	4	1,510	503	376	–	–	2,406
Cross currency interest rate swaps and interest rate swaps										
Payables	299	180	2,529	177	1,987	5,341	4,307	475	9,318	24,613
Receivables	–329	–581	–2,629	–136	–2,451	–5,766	–5,009	–900	–10,473	–28,274
Currency swaps and forward exchange contracts										
Payables	37,122	130	–	72	–	–	–	–	–	37,324
Receivables	–37,159	–130	–	–73	–	–	–	–	–	–37,362
Total, net	3,454	2,111	2,611	557	7,575	8,447	7,726	10,380	33,790	76,651

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 premises and land. 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, 2009 that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	2010	2011	2012	2013	2014	Later years	Total
Future minimum leasing fees	450	428	246	192	111	95	1,522

In 2009 and 2008, total rent and leasing fees paid were SEK 502 million and SEK 455 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 2009 and 2008, sales to subsidiaries totaled SEK 12,058 million and SEK 12,644 million, respectively, while purchases from subsidiaries totaled SEK 7,222 million and SEK 7,383 million, respectively.

Pension fund

As of December 31, 2009, Telia Pension Fund held 1,826,173 TeliaSonera shares, or 0.04 percent of the voting rights. TeliaSonera AB's share of the fund's assets is 66 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

At the end of the reporting period, TeliaSonera AB had no contingent assets or collateral pledged, while financial guarantees reported as contingent liabilities were distributed as follows.

SEK in millions	Dec 31, 2009	Dec 31, 2008
Credit guarantee on behalf of Svenska UMTS-nät AB	2,025	2,275
Subtotal (see Liquidity risk – Note P21)	2,025	2,275
Guarantees on behalf of subsidiaries	2,872	3,336
Guarantees for pension obligations	133	132
Total financial guarantees	5,030	5,743

As of December 31, 2009, credit and performance guarantees represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2010	Apr–Jun 2010	Jul–Sep 2010	Oct–Dec 2010	2011	2012– 2014	Later years	Total
Credit and performance guarantees	–	250	–	250	1,525	–	–	2,025

Some loan covenants agreed limit the scope for divesting or pledging certain assets. For information on change-of-control provisions in some of TeliaSonera AB's more recent financing arrangements, see "Notes to Consolidated Financial Statements" (corresponding section in Note 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 1,446 million (EUR 140 million) related to Xfera Móviles S.A., of which a counter guarantee of EUR 89 million as TeliaSonera's share on

behalf of Xfera's performance requirements in relation to its UMTS license and a counter guarantee of EUR 43 million as TeliaSonera's share to cover payment to a former Xfera shareholder, should the outcome of a legal dispute concerning Xfera's spectrum fee for 2001 be favorable. Guarantees on behalf of subsidiaries also include SEK 508 million related to Swedish pension obligations and SEK 198 million related to the Danish 3G license.

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.

Other unrecognized contractual obligations

As of December 31, 2009, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2010	Apr–Jun 2010	Jul–Sep 2010	Oct–Dec 2010	2011	2012	2013– 2014	Later years	Total
Other intangible assets	13	0	0	4	8	14	–	–	39
Total (see Liquidity risk – Note P21)	13	0	0	4	8	14	–	–	39

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 2009 and 2008, claims on subsidiaries totaling SEK 67 million and SEK 25 million, respectively, were converted to equity in the companies.

In 2008, a capital contribution of SEK 34,000 million was provided in kind in exchange for new shares issued by the subsidiary TeliaSonera Skanova Access AB (see also Note P9 "Property, Plant and Equipment," section "Plant and machinery" for information on this non-cash asset transfer).

P26. Human Resources

The number of employees decreased to 1,937 at December 31, 2009 (2,160 at year-end 2008), mainly due to efficiency measures executed during the year. The average number of full-time employees was as follows.

Country	Jan-Dec 2009		Jan-Dec 2008	
	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	1,843	66.6	2,117	68.4
Total	1,843	66.6	2,117	68.4

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 (2008: 6 members) of Group Management employed by the parent company.

Percent	Dec 31, 2009		Dec 31, 2008	
	Board of Directors	Other Corporate Officers	Board of Directors	Other Corporate Officers
Women	27.3	20.0	40.0	25.0
Men	72.7	80.0	60.0	75.0
Total	100.0	100.0	100.0	100.0

Absence due to illness, as a percentage of ordinary work-hours excluding leave time and vacation, was distributed as follows.

Percent	Jan-Dec 2009	Jan-Dec 2008
Total absence due to illness	1.7	2.1
Absence due to illness for a period of 60 consecutive days or longer	0.7	1.0
Total absence due to illness, men	1.4	1.6
Total absence due to illness, women	2.3	3.2
Total absence due to illness, employees 29 years of age and younger	2.3	1.9
Total absence due to illness, employees 30-49 years of age	1.4	2.0
Total absence due to illness, employees 50 years of age and older	2.0	2.3

Total personnel expenses were distributed by nature as follows.

SEK in millions	Jan-Dec 2009	Jan-Dec 2008
Salaries and other remuneration	1,143	1,215
Social security expenses		
Employer's social security contributions	359	398
Pension expenses	-98	379
Total social security expenses	261	777
Other personnel expenses	49	72
Total personnel expenses recognized by nature	1,453	2,064

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

Country	Jan-Dec 2009		Jan-Dec 2008	
	Corporate Officers (of which variable pay)	Other employees	Corporate Officers (of which variable pay)	Other employees
Sweden	56 (13)	1,087	41 (9)	1,174
Total	56 (13)	1,087	41 (9)	1,174

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 (2008: 6 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,	
	2009	2008
Pension expenses	20	15
Outstanding pension commitments	171	168

For additional information, see section "Remuneration to corporate officers" in "Notes to Consolidated Financial Statements" (Note C32).

P27. Auditors' Fees and Services

Remuneration paid was as follows. See also additional information in "Notes to Consolidated Financial Statements" (Note C33).

SEK in millions	Jan-Dec 2009	Jan-Dec 2008
PricewaterhouseCoopers AB (PwC)		
Audits	8	9
Audit-related services	1	0
Tax services, all other services	0	0
Total PwC	9	9
Ernst & Young AB (E&Y)		
Tax services, all other services	1	4
Total E&Y	1	4
KPMG Bohlins AB (KPMG)		
Tax services, all other services	2	5
Total KPMG	2	5
Other audit firms		
Tax services, all other services	2	3
Total other audit firms	2	3
Total	14	21

In 2009 and 2008, no audit firm fees were capitalized as transaction costs in business combinations and similar transactions.

Proposed Appropriation of Earnings

At the disposal of the Annual General Meeting:

	SEK
Retained earnings	50,791,246,266
Net income	12,263,648,341
Total	63,054,894,607

The Board proposes that this sum be appropriated as follows:

	SEK
SEK 2.25 per share ordinary dividend to the shareholders	10,103,528,729
To be carried forward to 2010	52,951,365,878
Total	63,054,894,607

The Board of Directors and the President and CEO certify that the consolidated financial statements have been prepared in accordance with IFRS's 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 9, 2010

Tom von Weymarn
Chairman

Agneta Ahlström

Magnus Brattström

Stefan Carlsson

Majja-Liisa Friman

Conny Karlsson

Lars G Nordström

Timo Peltola

Lars Renström

Jon Risfelt

Caroline Sundewall

Lars Nyberg
President and CEO

Our auditors' report was rendered March 10, 2010

PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Auditor in charge

Håkan Malmström
Authorized Public Accountant

Auditors' Report

To the Annual Meeting of the shareholders of TeliaSonera AB (publ)
Corporate Reg. No. 556103-4249

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the managing director of TeliaSonera AB (publ) for the year 2009. The company's annual accounts and consolidated accounts are included in the printed version on pages 7–89. The Board of Directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRS's as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the managing director and significant estimates made by the Board of Directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory report of the directors is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheet of the parent company as well as the statement of comprehensive income and the statement of financial position of the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the 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 10, 2010

PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Auditor in charge

Håkan Malmström
Authorized Public Accountant

Ten-Year Summary Financial Data

TeliaSonera Group Financial Data (IFRS)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Income (SEK in millions)										
Net sales	109,161	103,585	96,344	91,060	87,661	81,937	82,425	59,483	57,196	54,064
Operating income	30,324	28,648	26,155	25,489	17,549	18,793	14,710	-10,895	5,460	12,006
Income after financial items	27,614	26,411	25,251	25,226	17,019	17,448	13,899	-11,616	4,808	11,717
Net income	21,280	21,442	20,298	19,283	13,694	14,264	10,049	-7,997	1,891	10,270
of which attributable to owners of the parent	18,854	19,011	17,674	16,987	11,697	12,964	9,080	-8,067	1,869	10,278
EBITDA excluding non-recurring items	36,666	32,954	31,021	32,266	29,411	30,196	30,700	15,692	12,915	13,087
EBITDA	35,241	31,658	30,333	31,113	27,508	30,841	32,035	9,421	13,299	21,425
Amortization, depreciation and impairment losses	12,932	12,106	11,875	11,203	13,188	15,596	17,707	20,844	13,975	8,222
Financial position (SEK in millions)										
Goodwill and other intangible assets	100,239	100,968	83,909	74,172	74,367	69,534	61,820	68,106	26,816	25,198
Property, plant and equipment	61,222	61,946	52,602	48,195	48,201	47,212	49,161	56,172	47,314	43,807
Financial assets	60,849	62,265	48,633	41,826	40,526	35,353	42,061	48,534	20,784	22,335
Current assets and non-current assets held-for-sale	47,360	39,107	31,558	35,199	40,681	39,873	37,018	33,844	33,277	31,375
Total assets	269,670	264,286	216,702	199,392	203,775	191,972	190,060	206,656	128,191	122,715
Total equity	142,499	141,448	127,057	127,717	135,694	128,067	115,834	113,949	60,089	56,308
of which attributable to owners of the parent	135,372	130,387	117,274	119,217	127,049	121,133	112,393	108,829	59,885	55,988
Provisions	25,625	24,594	16,748	15,471	15,564	13,402	15,297	18,406	13,107	11,351
Interest-bearing liabilities	71,833	65,799	43,579	27,729	26,735	24,675	30,554	44,732	29,124	34,042
Non-interest-bearing liabilities	29,713	32,445	29,318	28,475	25,782	25,828	28,375	29,569	25,871	21,014
Total equity and liabilities	269,670	264,286	216,702	199,392	203,775	191,972	190,060	206,656	128,191	122,715
Capital employed	204,908	199,186	153,090	127,195	146,712	147,132	142,235	157,035	90,971	92,374
Operating capital	175,063	178,017	140,925	110,163	125,299	126,198	120,006	137,113	70,150	75,042
Net debt	46,175	48,614	34,155	14,892	7,879	6,580	17,648	38,075	20,004	32,512
Net interest-bearing liability	42,668	44,652	31,830	10,736	5,320	3,741	8,847	25,034	10,661	20,235
Cash flows (SEK in millions)										
Cash flow from operating activities	30,991	27,086	26,529	27,501	26,990	24,403	26,443	12,449	10,416	10,152
Cash flow from investing activities	-17,627	-19,634	-15,705	-13,084	-12,236	-7,991	-3,443	-5,553	3,632	-37,121
Cash flow before financing activities	-13,364	7,452	10,824	14,417	14,754	16,412	23,000	6,896	14,048	-26,969
Cash flow from financing activities	-2,568	-4,359	-14,726	-19,382	-15,653	-11,102	-16,412	-10,344	-6,608	26,818
Cash flow for the year	10,796	3,093	-3,902	-4,965	-899	5,310	6,588	-3,448	7,440	-151
Free cash flow	17,024	11,328	13,004	16,596	15,594	14,118	17,351	3,877	-6,506	-5,845
Investments (SEK in millions)										
CAPEX	14,007	15,795	13,531	11,101	11,583	10,331	9,267	14,345	17,713	16,580
Acquisitions and other investments	2,842	9,060	7,171	3,951	2,732	9,099	2,851	40,093	3,022	31,162
Total investments	16,849	24,855	20,702	15,052	14,315	19,430	12,118	54,438	20,735	47,742
Business ratios										
EBITDA margin (%)	33.6	31.8	32.2	35.4	33.6	36.9	37.2	26.4	22.6	24.2
Operating margin (%)	27.8	27.7	27.1	28.0	20.0	22.9	17.8	-18.3	9.5	22.2
Return on sales (%)	19.5	20.7	21.1	21.2	15.6	17.4	12.2	-13.4	3.3	19.0
Amortization, depreciation and impairment losses as a percentage of net sales	11.8	11.7	12.3	12.3	15.0	19.0	21.5	35.0	24.4	15.2
CAPEX-to-sales ratio (%)	12.8	15.2	14.0	12.2	13.2	12.6	11.2	24.1	31.0	30.7
Total asset turnover (multiple)	0.41	0.43	0.46	0.45	0.44	0.43	0.42	0.36	0.46	0.54
Turnover of capital employed (multiple)	0.54	0.59	0.69	0.67	0.60	0.57	0.55	0.48	0.62	0.75
Return on assets (%)	11.8	12.7	13.1	13.2	9.4	10.5	8.7	-5.7	5.7	13.6
Return on capital employed (%)	15.5	17.3	19.4	19.5	12.6	13.9	11.6	-7.7	7.8	18.9
Return on equity (%)	15.2	17.2	18.6	17.2	10.3	11.6	8.5	-9.7	3.3	23.9
Equity/assets ratio (%)	49.1	50.5	50.3	49.9	58.9	63.8	58.5	54.2	46.4	44.7
Net debt/equity ratio (%)	34.9	36.5	31.3	15.0	6.6	5.4	15.9	34.0	33.6	59.3
Interest coverage ratio (multiple)	8.3	7.6	14.2	18.1	11.7	7.6	5.1	-4.7	3.0	7.3
Self-financing rate (multiple)	1.85	1.09	1.28	1.83	1.89	1.26	2.18	0.23	0.50	0.21
Share data										
Number of outstanding shares (millions)										
– at the end of the period	4,490.5	4,490.5	4,490.5	4,490.5	4,490.5	4,675.2	4,675.2	4,605.8	3,001.2	3,001.2
– average, basic ¹	4,490.5	4,490.5	4,490.5	4,490.5	4,574.0	4,675.2	4,667.6	3,124.3	3,001.2	2,932.8
– average, diluted ¹	4,490.5	4,490.5	4,490.5	4,490.5	4,574.0	4,675.2	4,668.4	3,125.3	3,001.2	2,932.8
Basic and diluted earnings/loss per share (SEK)	4.20	4.23	3.94	3.78	2.56	2.77	1.95	-2.58	0.62	3.50
Cash dividend per share (SEK) ^{2, 3}	2.25	1.80	4.00	6.30	3.50	1.20	1.00	0.40	0.20	0.50
Total cash dividend (SEK in millions) ^{2, 3}	10,104	8,083	17,962	28,290	15,717	5,610	4,675	1,870	600	1,501
Pay-out ratio (%)	53.6	42.5	101.6	166.5	136.9	43.3	51.4	n/a	32.1	14.3
Equity per share (SEK)	30.15	29.04	26.12	26.55	28.29	25.91	24.04	23.63	19.95	18.66

¹ Adjusted for a 324-to-1 share split in 2000.

² For 2009 as proposed by the Board of Directors.

³ 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	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Mobility Services										
Total subscriptions (thousands)	16,963	15,900	14,501	13,434	13,000	11,545	9,519	9,202	4,936	4,519
of which Sweden										
Mobile telephony, total subscriptions (thousands)	5,666	5,334	4,807	4,603	4,387	4,243	3,838	3,604	3,439	3,257
Mobile telephony, total GSM/UMTS (thousands)	5,666	5,334	4,807	4,489	4,267	4,117	3,706	3,467	3,295	3,076
Mobile telephony, total NMT (thousands)	—	—	—	114	120	126	132	137	144	181
Mobile telephony, outgoing traffic (millions of minutes)	8,493	7,849	6,635	5,335	4,456	3,814	3,313	3,201	3,016	2,591
Mobile telephony, incoming traffic (millions of minutes)	3,983	3,815	3,474	3,058	2,750	2,573	2,400	2,272	2,067	1,766
Mobile telephony, MoU (minutes)	189	191	178	157	139	131	128	131	127	123
Mobile telephony, blended churn (%)	13	14	15	17	15	11	13	n/a	n/a	n/a
Mobile telephony, ARPU (SEK)	182	189	194	204	213	227	252	262	285	308
of which Finland										
Mobile telephony, total subscriptions (thousands)	2,874	2,676	2,449	2,407	2,507	2,297	2,428	2,790	239	149
Mobile telephony, outgoing traffic (millions of minutes)	5,604	5,618	5,473	5,936	5,642	4,820	4,743	n/a	n/a	n/a
Mobile telephony, incoming traffic (millions of minutes)	2,831	2,911	2,656	2,554	2,405	2,147	2,090	n/a	n/a	n/a
Mobile telephony, MoU (minutes)	255	276	284	285	277	253	232	n/a	n/a	n/a
Mobile telephony, blended churn (%)	22	17	16	19	24	28	17	n/a	n/a	n/a
Mobile telephony, ARPU (EUR)	24	26	29	29	30	38	38	n/a	n/a	n/a
of which Norway										
Mobile telephony, total subscriptions (thousands)	1,658	1,581	1,577	1,641	1,651	1,308	1,195	1,089	970	850
Mobile telephony, MoU (minutes)	250	247	236	218	192	175	164	156	133	130
Mobile telephony, ARPU (NOK)	298	330	348	352	333	339	342	330	310	308
of which Denmark										
Mobile telephony, total subscriptions (thousands)	1,460	1,493	1,449	1,123	1,154	1,115	472	421	288	263
of which Baltic countries										
Mobile telephony, subscriptions, Lithuania (thousands)	1,991	2,012	2,012	2,074	1,889	1,338	1,052	851	—	—
Mobile telephony, subscriptions, Latvia (thousands)	1,042	1,056	1,015	803	735	649	534	447	—	—
Mobile telephony, subscriptions, Estonia (thousands)	766	778	765	759	677	595	—	—	—	—
of which Spain										
Mobile telephony, subscriptions (thousands)	1,506	970	427	24	—	—	—	—	—	—
Broadband Services										
Broadband, total subscriptions (thousands)	2,348	2,284	2,164	1,828	1,278	897	571	411	194	27
Fixed telephony, total subscriptions (thousands)	5,212	5,806	6,218	6,497	7,064	8,312	8,087	8,296	6,585	6,621
of which Sweden										
Broadband, subscriptions (thousands)	1,125	1,122	1,061	915	711	526	394	317	194	27
Fixed telephony, total subscriptions (thousands)	3,604	4,000	4,295	4,586	5,036	6,115	6,283	6,415	6,585	6,621
of which Finland										
Broadband, subscriptions (thousands)	458	478	473	412	350	243	150	82	—	—
Fixed telephony, total subscriptions (thousands)	324	420	497	580	647	740	804	722	—	—
of which Norway										
Broadband, subscriptions (thousands)	223	176	177	172	—	—	—	—	—	—
of which Denmark										
Broadband, subscriptions (thousands)	47	34	31	7	5	1	2	1	—	—
Fixed telephony, prefix and contract customers (thousands)	205	226	251	165	195	212	172	223	n/a	n/a
of which Baltic countries										
Broadband, subscriptions, Lithuania (thousands)	313	298	259	181	105	50	25	11	—	—
Fixed telephony, subscriptions, Lithuania (thousands)	722	769	789	785	798	819	828	936	—	—
Broadband, subscriptions, Estonia (thousands)	182	176	163	141	107	77	—	—	—	—
Fixed telephony, subscriptions, Estonia (thousands)	357	391	386	381	388	426	—	—	—	—
Eurasia										
Mobile telephony, total subscriptions (thousands)	22,558	18,416	12,147	7,352	6,146	3,866	2,385	1,614	—	—
Mobile telephony, subscriptions, Kazakhstan (thousands)	7,165	7,083	6,017	3,539	3,320	1,795	990	615	—	—
Mobile telephony, subscriptions, Azerbaijan (thousands)	3,847	3,471	3,029	2,333	1,741	1,291	912	669	—	—
Mobile telephony, subscriptions, Uzbekistan (thousands)	5,074	2,683	690	—	—	—	—	—	—	—
Mobile telephony, subscriptions, Tajikistan (thousands)	1,523	1,154	611	—	—	—	—	—	—	—
Mobile telephony, subscriptions, Georgia (thousands)	1,892	1,582	1,296	1,032	715	481	307	198	—	—
Mobile telephony, subscriptions, Moldova (thousands)	660	550	504	448	370	299	176	132	—	—
Mobile telephony, subscriptions, Nepal (thousands)	2,202	1,749	—	—	—	—	—	—	—	—
Mobile telephony, subscriptions, Cambodia (thousands)	195	144	—	—	—	—	—	—	—	—
Human Resources										
Number of employees as of December 31	29,734	32,171	31,292	28,528	28,175	29,082	26,694	29,173	17,149	29,868
Average number of full-time employees during the year	28,815	30,037	28,561	26,969	27,403	25,381	26,188	17,277	24,979	30,307
of whom, in Sweden	9,170	10,152	10,002	10,427	11,061	10,948	11,321	12,593	20,922	25,383
of whom, in Finland	4,981	5,258	5,697	5,936	6,369	6,750	6,408	1,142	775	999
of whom, in other countries	14,664	14,627	12,862	10,606	9,973	7,683	8,459	3,542	3,282	3,925
of whom, women	13,111	13,251	12,571	12,164	11,934	11,427	10,936	7,546	9,196	11,521
of whom, men	15,704	16,786	15,990	14,805	15,469	13,954	15,252	9,731	15,783	18,786
Salaries and remuneration (SEK in millions)	11,152	11,011	9,632	8,918	9,023	8,674	8,460	6,732	8,852	9,543
Employer's social security contributions (SEK in millions)	1,995	2,134	1,971	1,903	1,970	1,902	1,950	1,804	2,614	3,055
Salaries and employer's social security contributions as a percentage of operating costs	15.3	15.8	14.8	15.2	15.5	16.4	14.9	14.9	19.4	25.5
Net sales per employee (SEK in thousands)	3,788	3,449	3,373	3,376	3,199	3,228	3,147	3,443	2,290	1,784
Operating income per employee (SEK in thousands)	1,052	954	916	945	640	740	562	—631	219	396
Change in labor productivity (%)	10.7	7.8	7.1	11.2	8.3	10.8	—4.9	53.5	31.9	8.3
Net income per employee (SEK in thousands)	738	714	711	715	500	511	347	—467	75	339

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 deferred and current tax items, respectively, and liabilities exclude the (proposed) dividend.

Net interest-bearing liability

Interest-bearing liabilities and provisions less interest-bearing assets but including investments in associated companies and joint ventures.

Net 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.

Free cash flow

Cash flow from operating activities less cash CAPEX.

CAPEX

An abbreviation of "Capital Expenditure." Investments in intangible and tangible non-current assets but excluding goodwill, fair-value adjustments and asset retirement obligations.

Acquisitions and other investments

Investments in goodwill and fair-value adjustments, shares and participations, and asset retirement obligations.

EBITDA margin

EBITDA excluding non-recurring items expressed as a percentage of net sales.

Operating margin (EBIT margin)

Operating income expressed as a percentage of net sales.

Return on sales

Net income 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 minority interests expressed as a percentage of total assets.

Net debt/equity ratio

Net debt expressed as a percentage of adjusted equity and minority interests.

Interest coverage ratio

Operating income plus financial revenues divided by financial expenses.

Self-financing rate

Cash flow from operating activities divided by gross investments.

Earnings and equity per share

Earnings per share are based on the weighted average number of shares before and after dilution with potential ordinary shares, while equity per share is based on the number of shares at the end of the period. Earnings equal net income attributable to owners of the parent and equity is equity attributable to owners of the parent.

Pay-out ratio

Dividend per share divided by basic earnings per share.

MoU

Minutes of usage per subscription and month.

Blended churn

The number of lost subscriptions (postpaid and prepaid) expressed as a percentage of the average number of subscriptions (postpaid and prepaid).

ARPU

Average monthly revenue per user.

Labor productivity

Year-on-year percentage change in the ratio: net sales at fixed prices to average number of full-time employees.

Notation conventions

In conformity with international standards, this report applies the following currency notations:

SEK	Swedish krona	GEL	Georgian lari	NPR	Nepalese rupee
AZN	Azerbaijan manat	JPY	Japanese yen	RUB	Russian ruble
DKK	Danish krone	KZT	Kazakhstan tenge	TJS	Tajikistan somoni
EEK	Estonian kroon	LTL	Lithuanian litas	TRY	Turkish lira
EUR	European euro	LVN	Latvian lats	USD	U.S. dollar
GBP	Pound sterling	NOK	Norwegian krone	UZS	Uzbekistan som

Corporate Governance Report

Introduction

This Corporate Governance report has been adopted by the Board of Directors at its meeting on 9 March 2010 and presents an overview of TeliaSonera's corporate governance model and includes the board's description of internal controls and risk management regarding financial reporting.

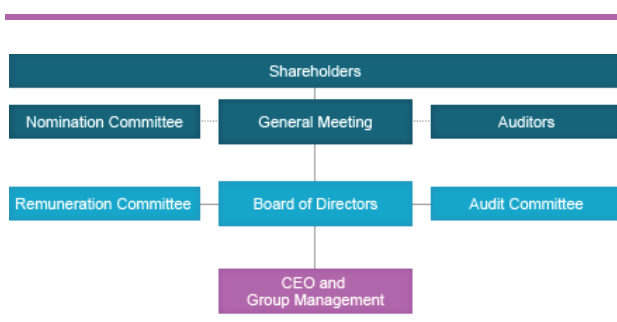
It is the opinion of the Board of Directors that TeliaSonera has followed the Swedish Code of Corporate Governance during 2009 without any deviations.

This report does not form part of the official annual report and has not been audited.

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 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. TeliaSonera had 635,799 shareholders at year-end 2009.

The AGM 2009 was held on April 1, 2009, in Stockholm. A shareholders' information meeting was held in Helsinki two days earlier which was attended by parts of the company's management and Board.

The entire Board of Directors, members of the Group Management and the auditor attended the AGM 2009. After nomination by the Nomination Committee, attorney Axel Calissendorff was elected chairman of the AGM 2009. Mikael Wiberg, representing Alecta Pensionsförsäkring, and Mats

Andersson, representing Fjärde AP-fonden, were appointed to approve the minutes. None of them were members of the Board or employees of the company.

The AGM 2009 decided upon, i.e., the composition of the board, distribution of profits, remuneration policy for the executive management and authorization for the board to decide upon acquisitions of the company's shares within certain limits.

The AGM was held in Swedish and simultaneously interpreted into Finnish and English due to the company's international ownership. Material for the meeting was available in Swedish, Finnish and English.

TeliaSonera also provided shareholders who could not attend the AGM with the possibility to follow the meeting via the internet. The shareholders attending the AGM were given the opportunity to ask questions, comment and make proposals for decisions.

The minutes from the meeting are available on the company's website in Swedish, Finnish and English.

External auditors

At the AGM 2008 PricewaterhouseCoopers AB was re-elected as auditor until the end of the AGM 2011. Göran Tidström (born 1946) is the auditor in charge.

PricewaterhouseCoopers AB is engaged by the company's largest shareholder, the Swedish State, for both audit and advisory services. Current audit assignments include Svenska Spel and Samhall.

Göran Tidström is also an auditor of Meda, Trelleborg and Volvo. He is deputy president of the International Federation of Accountants, IFAC.

Nomination Committee

After the AGM 2009, TeliaSonera's Nomination Committee consists of representatives of the company's four largest shareholders at the time of the notice of the AGM and the Chairman of the Board. The AGM decided that the Nomination Committee should consist of Viktoria Aastrup, (the Swedish State), Kari Järvinen (the Finnish State through Solidium Oy), KG Lindvall (Swedbank Robur Funds), Lennart Ribohn (SEB Funds) and the Chairman of the Board Tom von Weymarn.

The Nomination Committee shall in accordance with its instruction:

- Nominate the Chairman and other members of the Board
- Propose the Board remuneration that is divided among the Chairman and other members and remuneration for serving on committees
- Nominate the Chairman of the AGM
- Nominate the external auditors

The Nomination Committee has received information from the chairman of the board and the CEO of 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 to the company that the Committee is following the guidelines in the Swedish Code of Corporate Governance and that it intends to report its activities at the AGM and on the company's website. Shareholders are welcome to send nomination proposals to the Nomination Committee. Proposals can be sent by email to "forslagstillstyrelseledamot@teliasonera.com".

The Nomination Committee's proposals shall in accordance with the instruction be made public at the latest in connection with the notice of the AGM.

Board of Directors

Responsibilities and committees

The Board of Directors is responsible for the governance, choice of strategic direction as well as substance of external communication of the group. In that role the board makes decisions on i.a.:

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

As of the AGM 2009, TeliaSonera's Board of Directors consists of eight members elected by the AGM, serving one-year terms, and three employee representatives from the Swedish operations. An additional Finnish employee representative is present at Board meetings, but without voting rights. The AGM 2009 re-elected Tom von Weymarn to serve as Chairman of the Board. A more detailed presentation of the members of the Board of Directors can be found on page 101–102.

In accordance with the guidelines of the Swedish Code of Corporate Governance, all members elected by the AGM in 2009 are considered to be independent in relation to the company and the shareholders. The guidelines for the work of the Board of Directors are set down in standing orders. The standing orders contain rules regarding the number of ordinary board meetings, the agenda items for ordinary board meetings, responsibilities within the Board, including the tasks of the Chairman of the Board, the division of responsibilities between the Board and the CEO and how work is to be carried out in committees.

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

Remuneration Committee

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.

Tom von Weymarn is chairman of the Remuneration Committee. During 2009 the Committee held seven meetings and had extended focus on remuneration structure for the executive management and key employees.

Audit Committee

The Audit Committee reviews the company's external financial reporting, auditing, accounting and internal financial reporting processes, including reviewing of accounting principles that are important for the company. The Audit committee also reviews

the environment of internal control over financial reporting as well as over business operations. The Audit Committee further reviews the independence of the company's auditors including provision of non-audit services. The Audit Committee – and in some cases its chairman – has the right to make decisions regarding the purchase of services from the company's auditors within the framework decided by the Board.

Maija-Liisa Friman is chairman of the Audit Committee and during 2009 the Committee held six meetings. During 2009, the Committee clarified the roles and responsibilities within the internal control environment, further developed its work in large operational risk areas such as the Eurasian operations, sourcing, large projects, acquisitions and improvement of financial processes.

Work of the Board of Directors during 2009

The Board of Directors held eight ordinary meetings during 2009 as well as three extra meetings. In addition to following up on the day-to-day business of the group, the Board of Directors paid special attention to:

- Value-creating strategic options
- Target definition for the operations
- Remuneration structure for the executive management and key employees
- Continuous evaluation of the performance of the CEO
- Investments in Eurasia, including Russia and Turkey
- Funding and debt structure
- Human Resources issues, including performance management and succession planning
- Corporate governance, in particular the group strategy process and internal control over business operations and financial reporting
- Revision of the group's Code of ethics and conduct
- Follow-up on decided focus areas

The Board of Directors applied a systematic and structured evaluation of its internal work, also with the assistance of external consultants – Bain & Company. The result of this evaluation was reported to the Nomination Committee.

TeliaSonera's General Counsel Jan Henrik Ahnells served as secretary at the Board's and its committees' meetings.

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 guidelines and instructions of the Board of Directors.

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

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

Group-wide governance framework

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

Governance platform

In order to provide a general guidance to all employees in the group the Board of Directors has issued the following governance documents to serve as a platform for the group's activities.

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 achieving a best-in-class cost structure.

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

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 in a responsible way, based on a firm set of values and business principles.

Our services form a major part of people's daily lives – for business, education and pleasure.

Thereby, we contribute to a world with better opportunities.

Shared values

Our shared values, "Add value," "Show respect" and "Make it happen," focus on the behavior we want to promote.

Code of ethics and conduct

Our Code of ethics and conduct sets out the ethical standards within which we act.

Common direction

The Board of Directors has decided a strategy for the group and has set targets for the group's activities.

Corporate strategy

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

Our focus areas are:

- To build a world class service company
- To secure high quality in our networks
- To create a best-in-class cost efficiency

Capital structure

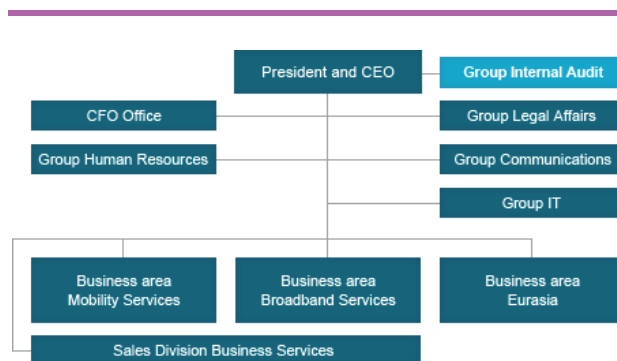
TeliaSonera targets a solid investment grade long-term credit rating (A– to BBB+ from Standard & Poor's). The ordinary dividend shall be at least 50 percent of net income attributable to shareholders of the parent company. In addition, excess capital shall be returned to shareholders.

Business targets

Yearly targets are set for the group as a whole and for each business area and business unit.

Governance model

The Board of Directors has set up a model for the governance of the group, which i.a. includes an organizational structure, a structure for policy setting and a performance management system.



TeliaSonera's 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 (49 percent), Estonia and international carrier operations.

Business area Eurasia

The business area comprises mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal and Cambodia and a shareholding of 12 percent in Afghanistan's largest operator Roshan. The business area is also responsible for developing TeliaSonera's shareholding in Russian MegaFon and Turkish Turkcell.

Head office

The head office assists the CEO in setting the framework for the activities of the business areas and provides 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.

The delegation is decided by the CEO, within limits set by the Board of Directors.

Policies issued by group functions

The heads of group functions shall secure that necessary group policies, instructions and guidelines are issued within their area of responsibility.

- Group policies are relatively short, mainly principles based and binding for all wholly-owned companies. Group policies are approved by the Board.
- Group instructions are normally more detailed and operational. They shall be in line with group policies and they are binding for all wholly-owned companies. Group instructions are approved by the CEO.
- Group guidelines are non-binding recommendations and should be in line with group policies and instructions. They are approved by the heads of group functions.

TeliaSonera strives to implement certain group policies, instructions and guidelines also in partly owned companies.

Documents issued within TeliaSonera's group-wide governance framework are reviewed and updated on an annual basis.

Performance Management Model

In order to beat the 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 four 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 performance management process – Make it Happen – will help TeliaSonera to increase and optimize performance and progress. It will create motivation and offer opportunities for employees to develop and grow, and thereby move the organization forward. Working with performance management in a structured way will help all leaders ensure that every employee learns to understand how he/she can contribute to business success.

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

In order to establish shared principles and expectations on competences and behaviors TeliaSonera's shared values is 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.

The competency framework offers support to leaders when providing feedback to individuals on performance and on what competences that they could further develop.

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. This means that performance has an impact on compensation as well as career- and development opportunities.

Internal control over financial reporting and business operations

In accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for internal control environment. The Board continually reviews the performance of internal controls and initiates activities for the continuous improvement of internal controls in order for it to be stable and capable of meeting changing external requirements.

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

- Safeguard the group's assets and shareholder value
- 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 the financial reporting in TeliaSonera is, as defined by the Board of Directors that it should be in line with the highest professional standards and 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, issued by the Committee of Sponsoring Organizations of the Treadway Commission. It thus consists of five interrelated areas, which are: control environment, risk management, control activities, information and communication and monitoring, as described below.

Control environment

The Board of Directors has implemented a management system that is based on three elements:

- Common direction and shared values, including Code of ethics and conduct – providing one common direction for the TeliaSonera group.
- Delegation of obligations and authority – defining the powers and responsibilities of the Group management.
- Management model including group policies, instructions and guidelines – documenting the company's organization and mode of operations.

The Code of ethics and conduct is subject for review by the Board of Directors once a year. The purpose of the code is, among other things, to further promote honest and ethical conduct, clear communication, compliance with applicable governmental rules, the prompt internal reporting of violations of the code, and accountability for adherence to the code.

The CEO sets goals for the operations based on the guidelines from 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 rolling seven-quarter 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, forecast period, risks and operations performance metrics on network quality and customer service levels. At the business area review meetings, the CEO, CFO, Group controller and selected members of Group management attend in addition to the business area management.

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 function is responsible for ensuring that the monthly and quarterly financial reporting follows TeliaSonera policies and that the reports are delivered on time, sufficient internal controls exist and are performed, required reconciliations are properly done and larger business and financial risks are identified and reported.

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.

An integral part of TeliaSonera's control environment is the establishment of a financial shared services unit, which takes care of the standardized financial accounting processes across all large wholly-owned units.

Risk management

Risk management is an integral part of the group's business control and monitoring. Risks that may pose a threat to achieving business objectives are identified, and controls to mitigate these risks are designed, implemented and monitored.

A process exists to regularly identify 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 the quarterly business review meetings. The Board of Directors receives a summary report, identifying the main risks, each quarter as part of the review of the external financial reports.

The group's security organization works with preventative security measures and crisis management in order to protect the group's assets, IT systems, information, personnel and to safeguard telecom networks, services and customers from infringements and fraud.

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. For further details see Note C35 to the consolidated financial statements. 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 application of accounting policies.

The major business units across TeliaSonera have dedicated controller functions which take part in the financial planning and analysis of the respective unit's performance. These analyses of the financial results cover revenues, costs of goods sold, operating expenses, assets and working capital and form an important element, together with the analysis of consolidated statements at group level, in ensuring that the financial reporting is materially correct.

Management has decided to include internal controls over business operations in the internal control environment. The purpose of internal controls over business operations is to ensure that the quality of delivered services and products meet or exceed customer expectations and thus enable TeliaSonera to reach its objective to secure high quality in the networks and become a world class service company.

The monitoring of business operations performance metrics is based on defined metric measurements, which focuses on removing mistakes, waste and defects from operations by the means of statistical analysis. One guiding principle of metrics management is to identify the root cause of a problem, and not just its symptoms, thus ensuring that the proper corrective measures are taken and that the problem will not occur again.

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 of 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.

The Board of Directors has established a process which enables employees to anonymously report violations in accounting, reporting, internal controls or auditing matters, as well as compliance to the group's Code of ethics and conduct, a so called whistle blower process.

Monitoring of control activities

The Board of Directors actively monitors the environment and effectiveness of internal control over financial reporting, specifically through the Audit Committee.

The Board of Directors receives monthly financial reports from the CEO.

The Board of Directors and its Audit Committee review all external financial 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 meetings of the committee. At least once a year, the entire Board of Directors meets with the external auditors, in part without the presence of management.

The Board of Directors regularly receives risk reports compiled by management. On a case by case basis the Audit Committee also reviews functional units such as e.g. Corporate Business Control and Corporate Finance and Treasury. The purpose of these evaluations is to increase the Board's understanding of major issues related to TeliaSonera's risk management and internal control environment. Business operations performance metrics are reported monthly to the Group Management and quarterly to the Board of Directors.

Audit Committee monitors the financial reporting, but also the effectiveness of the internal control. 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 review of selected topics, such as acquisitions, major internal projects, status in associated companies and the Eurasia region, sourcing and financial processes. In addition the Audit Committee reviews the performance of the auditors and the yearly audit plans.

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.

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.

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.



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, or MIC-, meetings are held at business unit and business area level on a regular basis and at group level when needed. At these meetings the performance of internal controls is reviewed and assessed and corrective actions are decided, if necessary. The group level MIC-meetings are chaired by the CFO and attendees are summoned according to issue to be dealt with, but would typically include one or more of the business area finance managers, representatives from corporate control, internal audit and group IT. The group level meetings are also attended by the external auditors.

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 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 optimize value for money. The result of the testing is communicated to all relevant business units, where corrective or improvement actions are initiated and performed, and at least once a year a joint TeliaSonera/Auditors report is presented for the Audit Committee.

The CFO regularly reports to the Audit Committee on the monitoring of internal controls. Both the Audit Committee and the Board of Directors have reviewed and discussed management's assessment of the company's internal controls, and have actively followed up the related improvement measures by management.

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 controls environments, and efficiency in processes and systems. Through operational reviews a systematic, disciplined approach to evaluate and improve the effectiveness of governance are achieved. In order to obtain integrity in the metric measurements over business operations the group internal audit function performs assurance of underlying data.

The Head of Group Internal Audit unit 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.

Remuneration structure in TeliaSonera

The remuneration structure in TeliaSonera is based on the principles of:

- Rewarding for performance
- Being competitive and internally fair
- Considering the affordability to the business

The "Remuneration Policy for Executive Management" is designed to reflect these principles providing the possibility to create a balanced remuneration package supporting the TeliaSonera business objectives. This remuneration policy is subject to shareholder approval at the Annual General Meeting (AGM).

The AGM decided in April 2009 that the remuneration components for executive contracts post-April 2009 may consist of base salary, pension and other benefits. The remuneration components for executive contracts pre-April 2009 may consist of base salary, annual variable pay of a maximum of 50 percent of the base salary, pension and other benefits.

Base salaries should be competitive in the relevant market factoring in the balance of total remuneration. The absolute level of the base salary is determined by the size and complexity of the position and the year-to-year performance of the individual. An annual variable pay component should reward performance and ensure long term sustainability of the company.

There are currently no share or share price-related incentive programs at TeliaSonera.

Information on remuneration in TeliaSonera is further developed in Note C32 to the consolidated financial statements.

Board of Directors Including Remuneration



Tom von Weymarn (Born 1944)

Chairman of the Board. Elected to the Board of Directors in 2002. He is the Chairman of the Remuneration Committee of TeliaSonera and also a member of the Audit Committee of TeliaSonera. In addition, Mr. von Weymarn is the Chairman of the Board of Directors of Lännen Tehtaat Plc, Turku Science Park Oy and Sibelius Academy, a board member of Pohjola Bank Plc, Hydrios Biotechnology Oy, Hartwall Capital, a Senior Advisor and member of the Supervisory Board of IndustriKapital and partner of Boardman Oy. Mr. von Weymarn served as President and CEO of Oy Rettig Ab between 1997 and 2004, and as Executive Vice President of Cultor Plc between 1991 and 1997. He was a Director of Oy Karl Fazer Ab between 1983 and 1991, the last two years as President and CEO. Mr. von Weymarn holds a Master of Science in Chemical Engineering.

Shares in TeliaSonera: 30,316.



Maija-Liisa Friman (Born 1952)

Elected to the Board of Directors in 2007. She is the Chairman of the Audit Committee of TeliaSonera since April 1, 2009 of which she was a member earlier. She is Chairman of Ekokem, a member of the Boards of Directors of Metso 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.



Conny Karlsson (Born 1955)

Elected to the Board of Directors in 2007. From April 1, 2009, he is a member of the Audit Committee of TeliaSonera and before that date he was a member of the Remuneration Committee of TeliaSonera. In addition, he is the Chairman of the Board of Swedish Match 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 G Nordström (Born 1943)

Elected to the Board of Directors in 2007. Mr. Nordström is also a member of the Remuneration Committee of TeliaSonera. In addition, he is President and CEO of the Swedish Danish postal administration Posten Norden AB and he is a board member of Nordea Bank AB, of which he was President and CEO between 2002 and 2007. He is the Chairman of the Finnish-Swedish Chamber of Commerce and also a member of the boards of the Swedish American Chamber of Commerce and Viking Line Abp. Mr. Nordström studied law at Uppsala University.

Shares in TeliaSonera: 4,000.



Timo Peltola (Born 1946)

Elected to the Board of Directors in 2004. 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 Nordea Bank AB, SAS AB and AW-Energy Oy. He is also a member of the Advisory Boards of CVC Capital Partners and Sveafastigheter AB and advisor to CapMan Public Market Fund. Mr. Peltola served as President and CEO of Huhtamäki Oyj between 1989 and 2004. Mr. Peltola holds a Doctor degree in Economics hc.

Shares in TeliaSonera: 3,000.



Lars Renström (Born 1951)

Elected to the Board of Directors in 2009. He is a member of the Remuneration Committee of TeliaSonera since April 1, 2009. Mr. Renström is since 2004 President and CEO of Alfa Laval. He has previously served as President and CEO of Seco Tools and has held several senior managerial positions within Atlas Copco, Ericsson and ABB. Lars Renström is a board member of ASSA ABLOY and Alfa Laval. 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 Ortivus AB, Maxwell Oy and C3 Technologies AB and holds board assignments at Enea Data AB, Bilis AB, Karo Bio AB and ÅF AB. He has earlier served as CEO of Europolitan AB, Nyman & Schultz AB and Gambro Renal. He has held various managerial positions within the American Express Group, Scandinavian Airlines and Ericsson. Mr. Risfelt holds a Master of Science in Chemical Engineering.

Shares in TeliaSonera: 5,750.

**Caroline Sundewall (Born 1958)**

Elected to the Board of Directors in 2001. Since April 1, 2009, Caroline Sundewall is a member of the Remuneration Committee of TeliaSonera. Earlier she was the Chairman of the Audit Committee of TeliaSonera. In addition, Ms. Sundewall is Chairman of the Board of Streber Cup Foundation and a board member of Electrolux AB, Haldex AB, Lifco AB, Svolder AB, Trade-doubler AB, Pägengruppen AB, Aktiemarknads-bolagens Förening, Mertzig Förvaltnings AB and Ahlsell AB. Ms. Sundewall has previously served as business editor for Finanstidningen and business commentator and business editor for Sydsvenska Dagbladet. She has also held the position of business controller of Ratos AB. Ms. Sundewall holds a Bachelor of Science in Economics.

Shares in TeliaSonera: 4,000.

**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 attendance see below.

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

Name	Elected year	Position	Committee	Presence board meetings	Presence committee meetings	Total remuneration and benefits (SEK)	Shares in TeliaSonera
Tom von Weymarn	2002	Chairman of the Board and Chairman of the Remuneration Committee	Remuneration Audit	100%	100%	1,140,024	30,316
Majja-Liisa Friman ¹	2007	Director and Chairman of the Audit Committee	Audit	100%	100%	562,506	5,597
Conny Karlsson ²	2007	Director	Audit	100%	100%	505,011	10,000
Lars G Nordström	2007	Director	Remuneration	82%	86%	445,008	4,000
Timo Peltola	2004	Director	Remuneration	100%	100%	447,091	3,000
Lars Renström ³	2009	Director	Remuneration	86%	100%	333,756	10,000
Jon Risfelt	2007	Director	Audit	100%	100%	525,012	5,750
Caroline Sundewall ⁴	2001	Director	Remuneration	100%	100%	477,507	4,000
Agneta Ahlström	2007	Employee Representative		82%			200
Magnus Brattström	2009	Employee Representative		100%			20
Stefan Carlsson	2009	Employee Representative		100%			650
Elof Isaksson ⁵	2000	Employee Representative		100%			1,750
Berith Westman ⁶	1993	Employee Representative		90%			1,000

See also Note C32 to the consolidated financial statements.

¹ Chairman of the Audit Committee since April 1, 2009.

² Member of the Remuneration Committee until April 1, 2009. Since that date member of the Audit Committee.

³ Member of the Remuneration Committee since April 1, 2009.

⁴ Chairman of the Audit Committee until April 1, 2009. Since that date member of the Remuneration Committee.

⁵ Elof Isaksson was replaced by Magnus Brattström in May, 2009.

⁶ Berith Westman was replaced by Stefan Carlsson in November, 2009.

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

Group Management Including Remuneration



Lars Nyberg (Born 1951)

President and Chief Executive Officer since 2007. Mr. Nyberg is also Chairman of DataCard Corp. and board member of Autoliv Inc. Between 1995 and 2003 he was Chairman and CEO of NCR Corp., where he continued as Chairman until 2005. Previously, Mr. Nyberg held several managerial positions in Philips, and was a member of Philips Group Management Committee. Mr. Nyberg holds a Bachelor of Science in Business Administration.

Shares in TeliaSonera: 250,000¹.



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 in 1989 and holds a Bachelor of Science in Business Administration and Economics.

Shares in TeliaSonera: 20,300.



Jan Henrik Ahnrell (Born 1959)

Senior Vice President, General Counsel and Head of Group Legal Affairs since 1999. Mr. Ahnrell has been employed by TeliaSonera since 1989. Prior to his service as General Counsel, Mr. Ahnrell was the head of various legal departments within the TeliaSonera Group and served as corporate counsel in various TeliaSonera companies. Mr. Ahnrell holds a Master of Law.

Shares in TeliaSonera: 8,500.



Håkan Dahlström (Born 1962)

President of business area Mobility Services as of February 2010. Mr. Dahlström was most recently Head of Broadband Services, since November 2008, and has held a number of managerial positions within TeliaSonera, including 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: 10,000.



Cecilia Edström (Born 1966)

Senior Vice President and Head of Group Communications since May 2008. Previously, Ms. Edström was Senior Vice President and Head of Corporate Relations at Scania AB, where she held a number of senior positions since 1995. 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: 300.



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. She holds a Bachelor of Science in Human Resource Development and Labour Relations.

Shares in TeliaSonera: 2,100.



Malin Frenning (Born 1967)

Appointed deputy Head of Broadband Services in February 2010, with the aim of succeeding Anders Gylder when he retires at the end of 2010. She 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.

Shares in TeliaSonera: 400.



Anders Gylder (Born 1950)

Appointed Head of Broadband Services in February 2010. Mr. Gylder has had a long career in the Group and was earlier member of Group Management, with responsibility for, among other things, the Customer Care Unit and the large corporate customer segment. Mr. Gylder holds a Master Science in Engineering.

Shares in TeliaSonera: 1,694.

**Sverker Hannervall (Born 1960)**

Senior Vice President and Head of sales division Business Services in Sweden and Finland since August 1, 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.

**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 and Fintur Holdings B.V. Mr. Kivisaari has also been the CFO of SmartTrust AB. Before that he held the position of Vice President of Sonera Corporation's International Operations. Mr. Kivisaari holds 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

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	Variable pay	Other benefits	Pension expense	Total remuneration and benefits	Capital value of pension commitment
Lars Nyberg, CEO	8,404,800	3,235,848	347,334	8,424,096	20,412,078	–
Per-Arne Blomquist, EVP	4,738,008	1,824,130	549,841	1,821,852	8,933,831	–
Other members of Group Management (8 individuals ¹)	22,854,566	8,404,233	3,198,275	10,825,118	45,282,192	38,557,980

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

¹ Constituted TeliaSonera Group Management on December 31, 2009.

Annual General Meeting 2010

TeliaSonera's Annual General Meeting (AGM) will be held on Wednesday, April 7, 2010, at 14.00 CET at Cirkus, Djurgårdsslätten 43–45, Stockholm. The complete notification was published on TeliaSonera's website, www.teliasonera.com at the beginning of March. 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 Tuesday, March 30, 2010, kept by Swedish central securities depository Euroclear Sweden AB and
- give notice of attendance to the Company no later than 16.00 CET on Tuesday, March 30, 2010.

Notice to the Company

Notice of attendance can be made

- in writing to TeliaSonera AB, Box 7842, SE-103 98 Stockholm, Sweden,
- by telephone +46-8-402 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 30, 2010, 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 30, 2010 to be able to participate in the meeting.

Nominee

Shareholders who are represented by proxy shall issue a power of attorney for the representative. Forms for power of attorneys are available at the Company's website www.teliasonera.com. To a power of attorney issued by a legal entity a copy of the certificate of registration (and should such certificate not exist, a corresponding document of authority) of the legal entity shall be attached. The documents must not be older than one year. In order to facilitate the registration at the meeting, powers of attorney in original, certificates of registration and other documents of authority should be sent to the Company at the address above at the latest by Wednesday, March 31, 2010.

Decisions to be made by the AGM

The AGM determines, among other matters, the appropriation of the Company's profits and whether to discharge the Board of Directors and President from liability. The AGM also appoints the Board of Directors and makes decisions regarding remuneration to the Board. The Board of Directors proposes that a dividend of SEK 2.25 per share be distributed to the shareholders, and that April 12, 2010 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 15, 2010.

Other information

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

Contact TeliaSonera

Contact TeliaSonera

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