
TeliaSonera

Annual Report 2010



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TeliaSonera in Brief

TeliaSonera is a global telecom pioneer. We provide network access and telecommunication services that help people and companies to communicate in an easy, efficient and environmentally friendly way.

Our 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.

Our products and services are delivered in a cost-effective and sustainable manner, based on a deep understanding of customer needs. Through sustainable and improved profitability and cash flows, we secure shareholder value.

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

World-class Service Company

Our focus areas are:

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

A global telecom pioneer

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



Our Operations

TeliaSonera's operations are organized in three business areas: Mobility Services, Broadband Services and Eurasia.

Mobility Services



Broadband Services



Eurasia



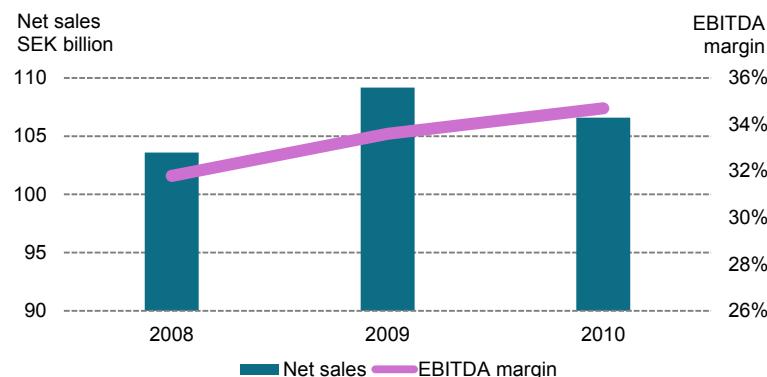
The Year in Brief

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

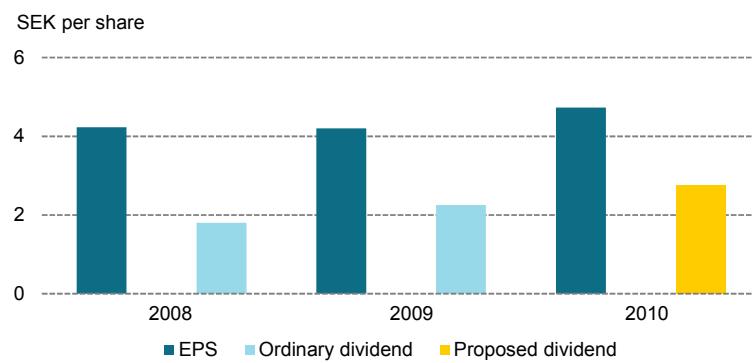
Financial Highlights

SEK in millions except key ratios, per share data and margins	2010	2009	2008
Net sales	106,582	109,161	103,585
EBITDA, excluding non-recurring items	36,977	36,666	32,954
Margin (%)	34.7	33.6	31.8
Operating income	32,083	30,324	28,648
Operating income, excluding non-recurring items	32,015	31,679	30,041
Net income	23,562	21,280	21,442
of which attributable to owners of the parent company	21,257	18,854	19,011
Earnings per share (SEK)	4.73	4.20	4.23
Return on equity (%, rolling 12 months)	17.8	15.2	17.2
CAPEX-to-sales (%)	14.0	12.8	15.2
Free cash flow	12,901	16,643	9,333

Net sales and EBITDA margin, excluding non-recurring items, 2008–2010



EPS and Dividends, 2008–2010



Highlights and achievements

Strong financial performance

The organic revenue growth improved throughout the year and earnings per share increased 13 percent to a record-high SEK 4.73 per share.

TeliaSonera - a pioneer in the industry

During the year, we were the first operator to launch commercial 4G services also in Finland, Denmark and Estonia. 4G services were launched as early as in December 2009 in Sweden and Norway and the roll-out continues in 2011.

Growth continued in Eurasia

Strong subscription intake and an improved macroeconomic situation led to an organic revenue growth of 16 percent. In line with our strategy, we increased our ownership in Ncell in Nepal and in UCell in Uzbekistan during the year.

Gaining market share in Spain

Our Spanish mobile operator Yoigo reached the EBITDA breakeven target in the fourth quarter of 2010, only four years after the launch in 2006. Yoigo has now reached a market share of four percent.

On-demand services gaining momentum

Services such as films are gaining momentum and we rented out more than 2 million films through our video on demand TV service in Sweden during the year.

Letter from the CEO

Dear Shareholders,

TeliaSonera continues to grow and pioneer the telecommunications industry, by being at the forefront of introducing new technology and offering new services to customers in all our markets.



In 2010, we continued the roll-out of 4G services, which started in late 2009, to customers in Sweden and Norway and we were also the first operator to launch commercial 4G services in Finland, Denmark and Estonia. We increased our investments in fiber transmission and fixed access networks in the Nordic markets. In Eurasia, we started rolling out 3G networks in Uzbekistan and Nepal and acquired a long sought after 3G license in Kazakhstan.

By introducing new services and investing in high quality networks with improved capacity and coverage, we continue to cater to people's steadily increasing need for bandwidth and connectivity.

Market drivers

We can divide our markets in mature markets, where basically everyone has a mobile phone and most of the growth comes from value added services, such as fixed and mobile internet access. In the growth markets, we are still building coverage and capacity, as a smaller part of the populations have a mobile phone or access to the internet.

In Northern Europe, the demand for smartphones is growing at an exceptional rate. In 2010, seven out of ten new mobile phones sold in our Swedish stores were smartphones. These handsets are more and more used to access the internet to enjoy a variety of services, in addition to calling, sending text

and email messages. Moreover, the demand for on-demand services, such as films, is growing steadily and we rented out more than 2 million films through our TV service in Sweden last year.

In Eurasia, populations are larger and younger than in Europe, mobile penetration is lower and fixed networks are limited. We help customers in these markets leapfrog the development, and jump right to the forefront of mobile telecommunications, by offering new services at affordable rates. The speed of development is impressive.

TeliaSonera has a strong track record in Eurasia. Already in the early 1990s we were founding partners in some of the operations. By combining local expertise and international experience we, together with our local partners, are developing our business to become the leading telecom operator in each market where the combined population is more than 380 million, including Russia and Turkey. The demand for mobile services has grown dramatically during recent years due to limited fixed networks, more comprehensive network coverage, more developed international roaming, sought after value added services and attractive pricing.

Growing in the region is a top priority for TeliaSonera and the growth potential lies in expanding the customer base and increasing mobile voice and data usage.

"Wherever we operate we have the same ambition: to be number one or two in the market based on providing the best customer experience, high quality networks and cost efficient operations."

Lars Nyberg, President and CEO, TeliaSonera

Our asset portfolio

We also aim to grow by increasing ownership in core holdings and we will continue to look for new opportunities within or neighbouring our existing footprint.

In the first quarter of 2010, we increased our ownership in UCell in Uzbekistan, a market we entered in 2007, and in the fourth quarter, we increased our ownership in Ncell in Nepal. Both these countries have showcased very strong growth, with increasing penetration, and we grew the customer base by 35 and 85 percent, respectively, compared to the year before.

We are constantly reviewing our asset portfolio and during the year we divested Telia Stofa in Denmark, as it was not regarded as a core asset.

In the fourth quarter, our Spanish mobile operator Yoigo, reached the EBITDA breakeven target we set out in 2006, only four years after the launch. Yoigo is well positioned as the challenger in Spain and has reached a market share of four percent. To maximize shareholder value, we will now continue to develop the business and the next milestone is to become cash flow positive by the end of 2011.

Focus areas

Wherever we operate we have the same ambition: to be number one or two in the market based on providing the best customer experience, high quality networks and cost-efficient operations.

In 2010, we continued to roll out high-quality fixed and mobile networks, with improved capacity and coverage. We also made progress in working in a more integrated way throughout the company. Within Mobility and Broadband Services, a common operating model was put in place in every country to serve our customers' needs in a better way and to extract cost and scale advantages. In Eurasia, all operations except UCell in Uzbekistan have now been rebranded which further emphasizes their integration into the group.

Acting locally, based on a global strategy

TeliaSonera has transformed into an international group with a global strategy. At the same time, we act as local operators in each market. By combining these aspects, we can build on our common strengths when introducing new technologies and services. We can rely on synergies and best practice throughout our footprint to bring the best to each customer in each market in terms of competence and know-how. By acting locally, we stay close to our customers to ensure that offerings, sales and marketing are tailored to their specific needs, whether it is to introduce a new price plan in Spain, a TV-offer in Estonia or a cloud service solution to a Swedish public or private enterprise. This strategy provides a solid foundation to the future development of our business.

A successful year

2010 was a successful year for TeliaSonera. The organic revenue growth improved throughout the year and earnings per share increased by as much as 13 percent. Add to that a strong financial position, and the Board of Directors was able to propose a 22 percent increase in ordinary dividend. In addition, they have decided to execute the authorization from the Annual General Meeting to repurchase shares. TeliaSonera will repurchase outstanding shares for a total value of around SEK 10 billion.

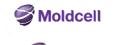
One of our focus areas is to run cost-efficient operations to safeguard our competitiveness. During the first half of 2010, we had tailwind from previous cost savings. During the second half, the organization identified further savings to be implemented during 2011. We foresee that the common operating model and cross border organization within Mobility and Broadband Services will result in synergies, but there is also a need to recruit new competence.

Looking ahead, we believe revenue growth in local currencies will be around 4 percent in 2011, mainly driven by mobile data in the Nordic region, increased market share in Spain and higher mobile penetration in Eurasia.

Stockholm March 8, 2011

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	5,869	1	41	Tel2, Telenor, "3"	 
	Telia	100	Broadband	1,129	1	44	Telenor, Com Hem	
	Telia	100	Fixed Voice incl. VoIP	3,491	1	65	Tel2, Telenor, Com Hem	
	Telia	100	TV	450	4	10	Com Hem, Boxer, Telenor, Tel2	
Finland	Sonera, TeleFinland	100	Mobile	3,237	2	37	Elisa, DNA	 
	Sonera	100	Broadband	476	2	30	Elisa, DNA	
	Sonera	100	Fixed Voice incl. VoIP	278	2	24	Elisa, Finnnet, DNA	
	Sonera	100	TV	218	4	12	DNA, PlusTV, Elisa	
Norway	NetCom, Chess	100	Mobile	1,680	2	27	Telenor, Tel2	 
	NextGenTel	100	Broadband	195	2	14	Telenor, Get, Ventelo	
	NextGenTel	100	Fixed Voice (VoIP)	36	5	1	Telenor, Ventelo, Telio	
	NextGenTel	100	TV	6	10	<1	Telenor, Get, RiksTV, Viasat	
Denmark	Telia, Call me	100	Mobile	1,450	3	18	TDC, Telenor, "3"	 
	Telia, DLG Tele ²	100	Broadband	67	4	3	TDC, Telenor, Stofa	
	Telia, Call me, DLG Tele ²	100	Fixed Voice incl. VoIP	181	3	5	TDC, Telenor	
	Telia	100	TV	5	10	<1	TDC, Stofa, Viasat, Telenor	
Lithuania	Omnitel, Ezys	100	Mobile	2,000	1	40	Bité GSM, Tel2	 
	TEO	68.1	Broadband	345	1	50	Dokeda, Viginta, Penkiu	
	TEO	68.1	Fixed Voice incl. VoIP	690	1	94	Baltinetos komunikacijos, Eurocom SIP	
	TEO	68.1	TV	131	1	19	Viasat, Vinita, Balticum TV	
Latvia	LMT, Okarte, Amigo	60.3	Mobile	1,068	1	44	Tele2, Bité Latvia	  
Estonia	EMT, DiiL	100	Mobile	797	1	47	Tel2, Elisa	 
	Elion	100	Broadband	190	1	52	Starman, STV	
	Elion	100	Fixed Voice incl. VoIP	364	1	80	Starman, Elisa	
	Elion	100	TV	125	2	30	Starman, STV, Viasat	
Spain	Yoigo	76.6	Mobile	2,283	4	4	Telefónica, Vodafone, Orange	
Kazakhstan ³	Kcell	51	Mobile	8,921	1	50	VimpelCom, Tel2	
Azerbaijan ³	Azercell	51.3	Mobile	3,994	1	55	Bakcell, Azerfon	
Uzbekistan	UCell	94	Mobile	6,832	2	32	MTS, VimpelCom	
Tajikistan	Tcell ⁴	60 59.4	Mobile	1,723	1	36	Babilon Mobile, VimpelCom	
Georgia ³	Geocell	100	Mobile	2,044	1	44	Magicom, VimpelCom	
Moldova ³	Moldcell	100	Mobile	907	2	32	Orange	
Nepal ⁵	Ncell	80	Mobile	4,084	2	42	NTC	

Associated companies

Latvia	Lattelecom	49	Broadband	227	1	50	Balticom, Izzi	
	Lattelecom	49	Fixed Voice incl. VoIP	548	1	75	Balticom, Izzi	
	Lattelecom	49	TV	170	1	25	BaltkomTV, Izzi, Viasat	
Russia	MegaFon	43.8	Mobile	57,200	2	26	MTS, VimpelCom	
Turkey	Turkcell	38.0	Mobile	33,900	1	55	Vodafone, Avea	
Ukraine ⁶	Life		Mobile	9,800	3	17	Kyivstar, MTS	
Belarus ⁶	Life		Mobile	1,200	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. For TV market share is based on the number of pay-TV subscriptions of cable TV, satellite TV, terrestrial TV and IPTV.

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 the ownership percent indicates TeliaSonera Asia Holding B.V.'s ownership. TeliaSonera holds 75.45 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), Human Resources, Internal Audit, IT and Legal.

Vision and Strategy

Mission – to provide network access and telecommunication services

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 an efficient cost structure.

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

Vision – a world-class service company and an industry leader

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 – a platform for everyday work

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.

TeliaSonera's three focus areas

TeliaSonera has identified three focus areas that apply to all business areas. They are:

- **World class service company**

It is all about customers. All our discussions must start from customer needs and our value proposition in relation to our competitors.

- **Quality in our networks**

TeliaSonera's business and brand is built on reliability. It is fundamental that we have a high quality in our networks in all of our markets. Every failure will have negative impact on our brand. Demand for capacity is virtually unlimited and requires network upgrades to support new value-added services. Capital expenditure was SEK 14.9 billion in 2010 and included investments in increased network capacity and upgrades to support new value-added services. Good quality does not cost more than poor quality - in fact, it costs less.

- **Cost efficiency**

TeliaSonera cannot be a world class service company if it has structurally higher costs than its competitors. Continued efficiency improvement is crucial for TeliaSonera to be able to adjust its cost base to reflect the shift from traditional to new, value-added services. This is the only way TeliaSonera can be a good employer in the long-term and to be attractive to its customers.

Overall strategy

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

To create shareholder value through sustainable and improved profitability and cash flows, TeliaSonera will deliver 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 or better, 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.

TeliaSonera's 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 grow organically as well as 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 rely on mobile networks. This creates a great potential for TeliaSonera.

TeliaSonera's 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 profitability
- 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

TeliaSonera's strategy is built upon the assumption that data and voice traffic increases more than the number of 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, financial reporting and corporate responsibility. 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 Statement. Further information on risks related to Corporate Responsibility is described in the Corporate Responsibility Report.

Development in 2010

During 2010 net sales in local currencies and excluding acquisitions increased 3.5 percent. In reported currency, net sales decreased 2.4 percent to SEK 106.6 billion. In the beginning of 2010, the outlook given by the company was that net sales in local currencies and excluding acquisitions was expected to be somewhat higher in 2010 compared to 2009. Over the year, the growth in net sales in local currencies and excluding acquisitions increased. The growth was driven by the positive development in mobile data, Yoigo in Spain and Eurasia.

Net sales in local currencies and excluding acquisitions	Q1	Q2	Q3	Q4	2010
	2010	2010	2010	2010	
Quarterly growth %, Y/Y	2.5	3.3	4.3	4.2	3.5

EBITDA, excluding non-recurring items was the highest ever reported at SEK 37.0 billion (36.7). Net income attributable to the owners of the parent company was SEK 21.3 billion (18.9) and earnings per share SEK 4.73 (4.20). Free cash flow decreased to SEK 12.9 billion (16.6), due to higher paid taxes of SEK 2.9 billion and higher cash CAPEX of SEK 0.6 billion.

For the business units in the Baltic countries the economic recession had a severe negative impact on net sales. However the revenue trend has stabilized during the year meanwhile margins have been defended in all markets.

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.

TeliaSonera was the first operator in Finland, Denmark and Estonia to launch 4G services commercially, during the fourth quarter of 2010. Today the services are offered in Finland to customers in Turku and Helsinki, in Denmark in Copenhagen, Aarhus, Odense and Aalborg and in Estonia the services are offered in the city centers of Tallinn, Tartu, Kohila, and at IT College of Tallinn University of Technology. The network rollout continues during 2011.

In October, Ncell in Nepal launched mobile data services in the world's highest location, when they introduced 3G services in the Mount Everest area.

On May 11, 2010, TeliaSonera was awarded a 4G license in Denmark. The license was for 2 * 20 MHz paired spectrum and 10 MHz unpaired spectrum in the 2.5 GHz frequency band. The license is valid for 20 years.

On September 23, 2010, TeliaSonera AB issued a 15 year Eurobond of EUR 500 million under its existing EUR 9 billion EMTN (Euro Medium Term Note) program. The Re-offer yield was set at 3.928 percent p.a. equivalent to Euro Mid-swaps + 100 bp for a 15 year deal maturing in October 2025.

TeliaSonera conducted a SEK 678 million write-down of the carrying value of its Cambodian operations in the third quarter of 2010. In 2008, TeliaSonera acquired Applifone in Cambodia (brand name Star-Cell) as part of the acquisition of Spice Nepal in Nepal. In general, the market is characterized by fierce competition and high churn rates. In the first quarter of 2010, it was clear that TeliaSonera's ambition related to the Cambodian market had to be reviewed and the segment responsibility was transferred from business area Eurasia to TeliaSonera Holding within Other operations. The market position and the value of Applifone were reassessed during the third quarter of 2010. In the fourth quarter Applifone combined its operations with the other local operator Latelz Co. Ltd. (brand name Smart Mobile) to become a stronger operator in the Cambodian market. See section Acquisitions and Divestitures for further information.

On December 2, 2010, TeliaSonera's Board of Directors extended the employment contract for Lars Nyberg, President and CEO, until December 2013.

On December 20, 2010, TeliaSonera signed a new EUR 1,000 million Revolving Credit Facility with a 7 year maturity.

On December 25, 2010, TeliaSonera's subsidiary Kcell in Kazakhstan received a permanent 3G license replacing the temporary 3G license awarded in December, when 3G services were launched in the two cities Almaty and Astana.

SEK in millions, except earnings per share and margins	2010	2009	Change, %
Net sales	106,582	109,161	-2
Addressable cost base ¹	-31,700	-33,241	-5
EBITDA ² excluding non-recurring items ³	36,977	36,666	1
Margin (%)	34.7	33.6	
Depreciation, amortization and impairment losses	-13,479	-12,932	4
Income from associated companies and joint ventures	7,821	8,015	-2
Non-recurring items ³ , within EBITDA	764	-1,425	
Operating income	32,083	30,324	6
Financial income and expenses, net	-2,147	-2,710	-21
Income taxes	-6,374	-6,334	1
Net income	23,562	21,280	11
Attributable to:			
Shareholders of the parent company	21,257	18,854	13
Non-controlling interests	2,305	2,426	-5
Earnings per share (SEK)	4.73	4.20	13
Operating income excluding non-recurring items ³	32,015	31,679	1
Margin (%)	30.0	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	2010	2009	Change, SEK million	Change, %
Mobility Services	50,597	50,671	-74	-0
Broadband Services	39,875	43,326	-3,451	-8
Eurasia	16,043	14,836	+1,207	8
Other operations	5,181	5,706	-525	-9
Eliminations of internal sales	-5,114	-5,378	+264	5
Group	106,582	109,161	-2,579	-2

Net sales decreased 2.4 percent to SEK 106,582 million (109,161). Net sales in local currencies and excluding acquisitions increased 3.5 percent. The negative effect of disposals was 0.4 percent and the negative effect of exchange rate fluctuations was 5.5 percent.

Net sales in local currencies and excluding acquisitions	2010
Change (%), Mobility Services	6.2
Change (%), Broadband Services	-4.6
Change (%), Eurasia	16.4
Change (%), Other operations	7.2
Change (%), Group	3.5

In Mobility Services, net sales fell 0.1 percent to SEK 50,597 million (50,671). Net sales in local currencies and excluding acquisitions increased 6.2 percent. The negative effect of exchange rate fluctuations was 6.3 percent.

In Broadband Services, net sales decreased 8.0 percent to SEK 39,875 million (43,326). Net sales in local currencies and excluding acquisitions decreased 4.6 percent. The positive effect of acquisitions was 0.4 percent and the negative effect of exchange rate fluctuations was 3.8 percent.

In Eurasia, net sales rose 8.1 percent to SEK 16,043 million (14,836). Net sales in local currencies and excluding acquisitions increased 16.4 percent. The negative effect of exchange rate fluctuations was 8.3 percent.

The number of subscriptions rose by 10.1 million to 157.1 million. The number of subscriptions in the majority-owned operations rose to 55.3 million and in the associated companies to 101.8 million.

Expenses

Cost of goods sold¹ was SEK 38.4 billion and decreased 2.8 percent compared to 2009 which was in line with net sales development and the gross margin was stable between 2009 and 2010.

Addressable costs in local currencies and excluding acquisitions rose 1.3 percent compared to last year, with increases in Mobility Services and Eurasia being partly offset by cost reductions in Broadband Services and Head Office.

Personnel expenses decreased compared to 2009. While personnel costs increased in Eurasia, where TeliaSonera is growing, the costs were unchanged in Mobility Services (in local currencies) and decreased in Broadband Services and Corporate functions.

Marketing expenses increased as a combination of the effects from sales activities and marketing activities. A temporary delay in marketing activities in certain business units in 2009 affected the increase between the years as well.

Other costs, such as facility costs, IT, travel and consultants, 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 4.2 percent to SEK 13,479 million (12,932), including write-downs of SEK 678 million related to the operations in Cambodia. Depreciation excluding non-recurring items decreased to SEK 12,787 million (12,861) due to changes in currency rates.

Other operating income and expenses, net, was positive at SEK 578 million in 2010. Positive effects from capital gains from the sales of the Danish subsidiary Telia Stofa and dissolution of a Dutch holding company structure were only partly offset by restructuring costs in 2010.

Expenses SEK in millions	2010	2009	Change, SEK million	Change, %
Goods and services purchased	-17,015	-16,744	-271	2
Interconnect and roaming expenses	-15,630	-17,308	+1,678	-10
Network capacity expenses	-5,378	-5,245	-133	3
Change in inventories	-384	-213	-171	
Addressable cost base	-31,700	-33,241	+1,541	-5
Personnel expenses	-13,685	-14,806	+1,122	-8
Marketing expenses	-7,318	-6,880	-438	6
Other expenses	-10,697	-11,555	+857	-7
Total excluding depreciation, amortization and impairment losses	-70,107	-72,751	+2,644	-4
Depreciation, amortization and impairment losses	-13,479	-12,932	-547	4
Other operating income and expenses	578	-1,169	+1,747	-149
Total expenses	-83,008	-86,852	+3,844	-4

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

Non-recurring items

Non-recurring items affecting operating income were SEK 68 million (-1,355), including a capital gain of SEK 830 million from the sale of Telia Stofa in Denmark, a positive non-cash exchange rate effect of SEK 347 million in Other operations related to final dissolution of a Dutch holding company structure, charges of SEK 373 million related to efficiency measures and impairment charges of SEK 678 million related to the operations in Cambodia.

The following table presents non-recurring items for 2010 and 2009. 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 Telia-Sonera and for each of the business areas.

SEK in millions	2010	2009
Within EBITDA	764	-1,425
Restructuring charges, synergy implementation costs, etc.:		
Mobility Services	-26	-452
Broadband Services	-142	-1,158
Eurasia	-47	282
Other operations	-144	-97
of which TeliaSonera Holding	-37	-33
Capital gains/losses		
Telia Stofa	830	-
Other entities	293	-
Within Depreciation, amortization and impairment losses	-692	-71
Impairment losses, accelerated depreciation:		
Broadband Services	-14	-71
Other operations	-678	-
Within Income from associated companies and joint ventures	-4	141
Capital gains	-4	141
Within Financial net	-	-
Total	68	-1,355

Earnings

EBITDA, excluding non-recurring items, increased 0.8 percent to SEK 36,977 million (36,666). The increase in local currencies and excluding acquisitions was 6.1 percent. The EBITDA increase was driven by the strong top line growth in Mobility Services and Eurasia as well as margin improvements in Eurasia. The margin rose to 34.7 percent (33.6).

EBITDA excluding non-recurring items, SEK in millions	2010	2009	Change, SEK Change, million	%
Mobility Services	14,928	14,916	+12	-0
Broadband Services	13,035	13,903	-868	-6
Eurasia	8,348	7,536	+812	11
Other operations	640	310	+330	106
Eliminations	26	1	+25	
Group	36,977	36,666	+311	1

Operating income, excluding non-recurring items, rose to SEK 32,015 million (31,679) mainly due to higher EBITDA. Income from associated companies decreased 2.4 percent to SEK 7,821 million (8,015), mainly driven by currency fluctuations, -1.9 percent, and lower contribution from Turkcell of SEK 500 million. Although a positive development in MegaFon, it could not fully compensate for the decline.

Operating income excluding non-recurring items, SEK in millions	Change, SEK Change, million		%
	2010	2009	
Mobility Services	10,776	10,543	+233
Broadband Services	7,969	8,622	-653
Eurasia	13,314	12,963	+351
Other operations	-74	-468	+394
Eliminations	30	19	+11
Group	32,015	31,679	+336
			1

Financial net, taxes and minority interest

Financial items totaled SEK -2,147 million (-2,710), of which SEK -1,863 million (-2,346) related to net interest expenses.

Income taxes amounted to SEK -6,374 million (-6,334). The effective tax rate was lower than last year at 21.3 percent (22.9). The main differences relate to less dividends from Eesti Telekom in Estonia and consequently reduced distribution taxes and a one-off positive effect related to the tax exempt disposal of Telia Stofa partly offset by non tax-deductible impairment charges in the Cambodian operations.

Recognized deferred tax assets decreased to SEK 9,048 million (11,177) due to utilization but also from currency effects.

Non-controlling interests in subsidiaries were SEK 2,305 million (2,426), of which SEK 2,237 million (1,994) related to operations in Eurasia, SEK 302 million (424) to operations in Latvia and Lithuania. In addition, operating losses in and the write-down of the Cambodian operation totaled SEK -279 million.

Net income attributable to owners of the parent company increased to SEK 21,257 million (18,854) and earnings per share to SEK 4.73 (4.20) mainly due to higher EBITDA, lower non-recurring items and improved net financial income and expenses.

Financial Position, Capital Resources and Liquidity

Financial Position

SEK in millions	Change, SEK Change, million			%
	2010	2009	Change, SEK Change, million	
Assets				
Goodwill and other intangible assets	90,531	100,239	-9,708	-10
Property, plant and equipment	58,353	61,222	-2,869	-5
Investments in associated companies and joint ventures, deferred tax assets and other financial assets	62,458	60,849	1,609	3
Total non-current assets	211,342	222,310	-10,968	-5
Current assets (except cash and cash equivalents)	23,865	24,872	-1,007	-4
Cash and cash equivalents	15,344	22,488	-7,144	-32
Total current assets	39,209	47,360	-8,151	-17
Non-current assets held-for-sale	-	0		
Total assets	250,551	269,670	-19,119	-7

Equity and liabilities

Shareholders' equity	125,907	135,372	-9,465	-7
Non-controlling interests	6,758	7,127	-369	-5
Total equity	132,665	142,499	-9,834	-7
Long-term borrowings	60,563	63,664	-3,101	-5
Other long-term liabilities	24,823	27,214	-2,391	-9
Total non-current liabilities	85,386	90,878	-5,492	-6
Short-term borrowings	4,873	8,169	-3,296	-40
Other current liabilities	27,627	28,124	-497	-2
Total current liabilities	32,500	36,293	-3,793	-10
Total equity and liabilities	250,551	269,670	-19,119	-7

The financial position remained stable year-on-year. Goodwill and other intangible assets decreased in 2010. The currency effects had a negative impact of SEK 8.7 billion. Property, plant

and equipment increased through capital expenditures (CAPEX) of SEK 11.8 billion and decreased due to negative exchange rate differences of SEK 4.1 billion (-3.2). Depreciation and impairment losses were SEK 10.3 billion. The carrying value of associated companies and joint ventures was SEK 46.5 billion (42.5). The value increased due to income from these companies (SEK 7.8 billion), and was partly offset by dividends received from associated companies, mainly Turkcell, (SEK 1.7 billion) and by negative exchange rate differences (SEK 3.5 billion).

Deferred tax assets as well as deferred tax liabilities decreased due to currency effects. Utilized tax losses further reduced deferred tax assets and deferred tax liabilities decreased due to reversal of accelerated depreciation and temporary differences mainly related to the Swedish operations. In total, the net deferred tax liability of SEK 2.0 billion in 2009 increased to a net deferred tax liability of SEK 3.5 billion at year-end 2010.

Net working capital (inventories and non-interest-bearing receivables, less non-interest-bearing liabilities) remained negative at SEK -3.2 billion (-2.6).

Shareholders' equity decreased to SEK 125.9 billion (135.4), due to net income attributable to shareholders of SEK 21.3 billion (18.9) and negative exchange rate differences of SEK -19.5 billion (-5.9), and dividends of SEK 10.1 billion paid to shareholders in April 2010. The equity/assets ratio, adjusted for proposed dividends, remained stable at 48.0 percent (49.1).

Net debt increased from SEK 46.2 billion to SEK 47.3 billion. Dividend payments had a negative impact of SEK 13.0 billion. The net debt/EBITDA ratio increased to 1.28 (1.26) and the net debt/equity ratio increased to 39.3 percent (34.9).

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

Credit facilities

TeliaSonera believes that its bank credit facilities and open-market financing programs are sufficient for the present liquidity requirements. TeliaSonera's cash and short-term investments totaled SEK 16.4 billion at the end of the year (22.8). In addition, the total available unutilized amount under committed bank credit facilities and overdraft facilities was SEK 11.9 billion at year-end (13.1).

TeliaSonera's credit ratings remained unchanged during 2010. 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 2010 TeliaSonera AB issued some SEK 7.3 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 5.6 years (5 years at the end of 2009).

At the end of 2010 TeliaSonera AB had no Commercial Papers outstanding.

Cash Flow

SEK in millions	Change, SEK million		
	2010	2009	%
Cash from operating activities	27,434	30,610	-3,176
Cash used in capital expenditure	-14,533	-13,967	-566
Free cash flow	12,901	16,643	-3,742
Cash used in other investing activities	-1,943	-3,660	+1,717
Cash flow before financing activities	10,958	12,983	-2,025
Cash used in financing activities	-17,736	-2,187	-15,549
Cash and cash equivalents, opening balance	22,488	11,826	+10,662
Net cash flow for the period	-6,778	10,796	-17,754
Exchange rate differences	-366	-134	-232
Cash and cash equivalents, closing balance	15,344	22,488	-7,144

Cash flow from operating activities decreased 10 percent in 2010 to SEK 27.4 billion. The cash flow was positively affected by higher EBITDA and lower payment for restructuring provisions. Higher cash payments for taxes (SEK 2.9 billion), lower dividends from associates (SEK 0.4 billion) and change in working capital (SEK -1.4 billion) had a negative impact on cash flow. Cash used in capital expenditure (cash CAPEX) increased by SEK 0.6 billion or 4 percent. As a result, free cash flow (cash flow from operating activities less capital expenditure) decreased 22 percent in 2010 to a total of SEK 12.9 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 3.2 billion (5.1), and net cash used for granting loans was SEK 0.8 billion (0.4).

Net cash used in financing activities in 2010 includes dividends of SEK 13.0 billion, of which paid to shareholders of the parent company SEK 10.1 billion (8.1) and to the minority shareholders SEK 2.9 billion (3.1). Net new borrowings were SEK -0.8 billion (8.6).

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

Outlook for 2011

The growth in net sales in local currencies and excluding acquisitions is expected to be around 4 percent. Currency fluctuations may have a material impact on reported figures in Swedish krona.

We expect the growth in the addressable cost base in 2011 to be below the growth in net sales, in local currencies and excluding acquisitions. The EBITDA margin, excluding non-recurring items, in 2011 is expected to improve compared with 2010.

Capital expenditures will be driven by investments in broadband and mobile capacity as well as in network expansion in Eurasia. The CAPEX-to-sales ratio is expected to be approximately 13-14 percent in 2011, excluding license and spectrum fees.

Ordinary Dividend to Shareholders

For 2010, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 2.75 (2.25) per share, totaling SEK 12.3 billion, or 58 percent of net income attributable to owners of the parent company (pay-out ratio).

Dividend	2010 ¹	2009	Change, %
Dividend per share (SEK)	2.75	2.25	22
Total dividend (SEK billion)	12.3	10.1	22
Pay-out ratio (%)	58.0	53.6	

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 6, 2011 and that the first day of trading in shares excluding rights to dividend be set for April 7, 2011. The recommended record date at Euroclear Sweden for the right to receive dividend will be April 11, 2011. If the Annual General Meeting votes to approve the Board's proposals, the dividend is expected to be distributed by Euroclear Sweden on April 14, 2011.

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.
- 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".

Repurchase program

On February 18, 2011, the Board of Directors of TeliaSonera resolved, based on the authorization granted by the Annual General Meeting 2010, to repurchase a maximum of 160,373,471 shares, equivalent to a maximum of 3.6 percent of all shares issued by the company, through a repurchase offer directed to TeliaSonera's shareholders. The shareholders of TeliaSonera were offered to sell every 28th share to TeliaSonera for a cash payment of SEK 62 per share, which corresponded to a premium of approximately 15.5 percent compared to the volume-weighted average price paid on NASDAQ OMX Stockholm during the period January 19 – February 17, 2011.

Approximately SEK 10 billion will be transferred to the shareholders of TeliaSonera in exchange for the repurchased shares.

The Board of Directors of TeliaSonera has evaluated expected future cash flows and balance sheet projections. Strong cash flows and the possible acquisitions foreseeable allow the company to grant the repurchase offer to the shareholders this year in addition to the proposed ordinary dividend.

The shares that may be repurchased carry voting rights at the Annual General Meeting 2011 and right to dividend for the financial year 2010.

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 resolve to authorize the Board of Directors to repurchase a maximum of 10 percent of the company's total number of outstanding shares, with the intention of cancelling repurchased shares.

Business Areas – Development 2010

Mobility Services

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

The economic development stabilized in 2010 and growth improved in all Nordic and Baltic markets. The strong demand for mobile broadband and data services as well as devices, such as smartphones, continued. The iPhone 4 was the best selling smartphone during 2010, but the sale of smartphones based on Android is gaining momentum. Mobile data traffic increased by close to 100 percent and the number of broadband subscriptions rose by 44 percent during 2010.

In December 2009, TeliaSonera opened up the world's first commercial 4G networks in the city centers of Stockholm and Oslo. During 2010 the 4G development continued and commercial services have been launched in the four Nordic countries and Estonia.

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.

TeliaSonera's Spanish mobile operator, Yoigo, reached its target to become EBITDA positive in the fourth quarter of 2010, only four years after launch. During 2010, Yoigo was the clear winner in mobile number portability and its market share reached 4 percent at year-end.

SEK in millions, except margins, operational data and changes	2010	2009	Change, %
Net sales	50,597	50,671	-0
EBITDA excl. non-recurring items	14,928	14,916	0
Margin (%)	29.5	29.4	
Operating income	10,750	10,091	7
Operating income excl. non-recurring items	10,776	10,543	2
CAPEX	3,879	3,819	2
MoU	216	209	3
ARPU, blended (SEK)	199	222	-10
Churn, blended (%)	28	27	
Subscriptions, period-end (thousands)	18,384	16,963	8
Employees, period-end	7,488	7,465	0

Additional segment information available at www.teliasonera.com.

See also information regarding restated financial information at the end of this report.

Net sales

Net sales in local currencies and excluding acquisitions increased 6.2 percent. In reported currency, net sales were unchanged at SEK 50,597 million (50,671). The negative effect from exchange rate fluctuations was 6.3 percent. Overall subscription growth, higher usage of mobile broadband and data services as well as equipment sales drove sales higher. Growth was offset by price competition and regulatory interventions, including interconnect and roaming pricing. The non-voice share of service revenues increased to 22.8 percent in 2010 (19.7).

The businesses in Sweden, Finland and Spain grew during the year. In Sweden, growth came from continued increase in voice and mobile broadband subscriptions as well as increased usage and equipment sales. The high share of smartphone sales in Sweden resulted in an increased non-voice share of service revenues, which accounted for 26.2 percent in 2010 (21.0).

Strong net intake of 777,000 subscriptions, an increase in the subscriber base of 51.6 percent, generated growth in Spain. In Finland growth was generated by mobile broadband revenues and equipment sales. Operations in other markets declined in 2010, but to a less extent than in 2009 since the economic development stabilized.

In Norway and Denmark, growth in data and equipment sales did not compensate for the decline in voice revenues.

The decline in the Baltic countries continued, but at a lower rate than previously. On average the Baltic operations declined by 10.8 percent in 2010 (21.6).

Earnings

EBITDA, excluding non-recurring items, increased 4.8 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items was flat at SEK 14,928 million (14,916) and the margin was unchanged at 29.5 percent (29.4). The growth in EBITDA, excluding non-recurring items was driven by Sweden and Spain. In Sweden, top line growth in combination with improved gross margin and limited growth in other OPEX grew EBITDA, excluding non-recurring items. In Spain, Yoigo became EBITDA positive in the fourth quarter and the loss for the full year was less than half of the loss in 2009. The earnings improvement in Spain was achieved through improved gross margin, as a result of more traffic on the own network, and balanced growth for personnel and marketing expenses. The sales decrease in other markets put pressure on the margins, as did growth in equipment sales.

Operating income improved to SEK 10,750 million (10,091). Depreciation was slightly lower than previous year, partly due to changes in exchange rates and partly due to reduced CAPEX during previous years. Operating income was further helped by increased income from associates.

Non-recurring costs which amounted to SEK 25 million (452), was a main contributor to the improvement. The costs were primarily related to restructuring charges.

CAPEX

CAPEX increased to SEK 3,879 million (3,819). Investments during 2010 included a one-off payment of DKK 336 million for the acquisition of a 4G license in Denmark in the second quarter of 2010. CAPEX included continued investments in network coverage and capacity, mainly for 3G (UMTS) networks. 4G (LTE) networks build-out continued in 2010 while investments in 2G (GSM) networks declined further in the year. The CAPEX-to-sales ratio was 7.7 percent (7.5).

SEK in millions, except margins and changes	2010	2009	Change, %
Net sales	50,597	50,671	-0
of which Sweden	15,218	14,114	8
of which Finland	9,652	10,280	-6
of which Norway	8,657	8,977	-4
of which Denmark	6,353	7,278	-13
of which Lithuania	1,671	2,220	-25
of which Latvia	1,817	2,286	-21
of which Estonia	1,670	1,934	-14
of which Spain	5,979	4,086	46
EBITDA excl. non-recurring items	14,928	14,916	
Margin (%), total	29.5	29.4	
Margin (%), Sweden	40.7	39.2	
Margin (%), Finland	30.9	32.4	
Margin (%), Norway	35.3	35.2	
Margin (%), Denmark	19.0	19.6	
Margin (%), Lithuania	33.2	34.6	
Margin (%), Latvia	39.6	40.9	
Margin (%), Estonia	39.0	39.3	
Margin (%), Spain	neg	neg	

Net sales in local currencies and excluding acquisitions	2010
Change (%), total	6
Change (%), Sweden	8
Change (%), Finland	4
Change (%), Norway	-2
Change (%), Denmark	-3
Change (%), Lithuania	-16
Change (%), Latvia	-11
Change (%), Estonia	-4
Change (%), Spain	63

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.

During 2010 the loss of fixed-voice subscriptions continued but was partly compensated for by a strong demand for bundled offerings including IPTV and VoIP subscriptions. In Sweden, 40 percent of the broadband customers also have TV services from TeliaSonera and during 2010 more than 2 million Video on Demand rentals were sold compared with 1.2 million for 2009. DSL services grew during the year but growth was negatively affected by the market saturation, competition and the promotion of mobile broadband.

Customer satisfaction improved during the year and TeliaSonera was ranked as the best telecom operator in both fixed voice and in the broadband segment in Sweden.

Investments were directed to the backbone and transmission networks and broadband access networks, including fiber, to support services that require higher bandwidth, such as IPTV and broadband.

SEK in millions, except margins, operational data and changes	2010	2009	Change, %
Net sales	39,875	43,326	-8
EBITDA excl. non-recurring items	13,035	13,903	-6
Margin (%)	32.7	32.1	
Operating income	7,813	7,393	6
Operating income excl. non-recurring items	7,969	8,622	-8
CAPEX	4,928	4,953	-1
Broadband ARPU (SEK)	308	312	-1
Subscriptions, period-end (thousands)			
Broadband	2,402	2,348	2
Fixed voice	5,040	5,440	-7
Associated company, total	935	798	17
Employees, period-end	13,901	13,645	2

Additional segment information available at www.teliasonera.com.

See also information regarding restated financial information at the end of this report.

Net sales

Net sales in local currencies and excluding acquisitions decreased 4.6 percent. In reported currency, net sales decreased 8.0 percent to SEK 39,875 million (43,326). The positive effect from acquisitions was 0.4 percent and the negative effect from exchange rate fluctuations was 3.8 percent.

The number of broadband subscriptions rose to 2.4 million, an increase of 54,000 during the year and the number of TV subscriptions increased by 137,000 to 0.9 million while fixed-voice subscriptions decreased by 546,000 to 4.7 million.

IP services made up at 37 percent of total sales in 2010 (34). Net sales in most markets continued to suffer from the decline for traditional fixed line services which was only partly compensated for by growth in IP-based services.

In Norway the decline in local currency and excluding acquisitions was related to churn in the broadband subscription base. Focus has been on developing attractive broadband offerings and the network to support high bandwidth services.

During the latter part of 2010 the efforts to improve customer loyalty were visible and the subscription intake was positive due to accelerated intake of broadband, VoIP and IPTV subscriptions. In the fourth quarter of 2010 the new number of VoIP subscriptions compensated for more than 50 percent of the decline in PSTN subscriptions.

Earnings

EBITDA, excluding non-recurring items, decreased 2.8 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 6.2 percent to SEK 13,035 million (13,903) and the margin was 32.7 percent (32.1). The decline in earnings was the result of the decreased sales which were not fully compensated for by cost reductions in several markets.

In Sweden earnings grew 5.0 percent as the result of the cost savings programs implemented in 2009 and continued efforts to improve efficiency in network maintenance. In Finland earnings decreased due to the decline in net sales and increased costs for marketing to promote IPTV as well as a temporary increase in number of employees in customer care.

Estonia improved earnings in local currency in 2010 as a result of cost reductions and stable net sales development.

The number of employees increased in 2010 by 256 to 13,901 mainly due to insourcing of more than 300 employees in Lithuania during 2010.

Operating income improved to SEK 7,813 million (7,393). The decline in EBITDA was compensated for by decreased non-recurring costs which were SEK 156 million (1,229). Also depreciation decreased in 2010, mainly due to changes in exchange rates.

CAPEX

CAPEX was unchanged at SEK 4,928 million (4,953). A dominant part of CAPEX was spent on deployment of fiber and IP based infrastructure and services. The CAPEX-to-sales ratio was 12.4 percent (11.4).

SEK in millions, except margins and changes	2010	2009	Change, %
Net sales	39,875	43,326	-8
of which Sweden	18,085	18,667	-3
of which Finland	5,820	6,782	-14
of which Norway	1,157	1,114	4
of which Denmark	983	1,086	-9
of which Lithuania	2,139	2,508	-15
of which Estonia	1,910	2,128	-10
of which Wholesale	11,214	12,415	-10
EBITDA excl. non-recurring items	13,035	13,903	-6
Margin (%), total	32.7	32.1	
Margin (%), Sweden	38.2	35.2	
Margin (%), Finland	29.5	32.9	
Margin (%), Norway	15.8	17.9	
Margin (%), Denmark	10.0	8.0	
Margin (%), Lithuania	39.8	42.5	
Margin (%), Estonia	30.7	29.3	
Margin (%), Wholesale	24.0	25.2	

Net sales in local currencies and excluding acquisitions

	2010
Change (%), total	-5
Change (%), Sweden	-3
Change (%), Finland	-5
Change (%), Norway	-9
Change (%), Denmark	1
Change (%), Lithuania	-5
Change (%), Estonia	0
Change (%), Wholesale	-6

Eurasia

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

The business area reported strong growth in 2010 due to high subscription intake and improved macroeconomic conditions in several markets. Kcell in Kazakhstan secured a 3G license and launched 3G services in December. Ncell in Nepal reached 4 million subscribers. In total, the number of subscriptions in consolidated operations increased 27 percent to 28.5 million and the number of subscriptions in associated companies increased by 3 percent to 100.9 million.

TeliaSonera maintained market leadership in Kazakhstan, Azerbaijan, Tajikistan and Georgia, and improved or maintained the positions in all other markets. In Russia, MegaFon strengthened its position and became the second largest mobile operator in terms of revenues. In Turkey, Turkcell maintained its leading position.

SEK in millions, except margins, operational data and changes	2010	2009	Change, %
Net sales	16,043	14,836	8
EBITDA excl. non-recurring items	8,348	7,536	11
Margin (%)	52.0	50.8	
Income from associated companies			
Russia	5,053	4,691	8
Turkey	2,550	3,056	-17
Operating income	13,267	13,245	0
Operating income excl. non-recurring items	13,314	12,963	3
CAPEX	5,473	4,314	27
Subscriptions, period-end (thousands)			
Subsidiaries	28,505	22,363	27
Associated companies	100,286	98,342	2
Employees, period-end	4,853	4,712	3

Additional segment information available at www.teliasonera.com.

See also information regarding restated financial information at the end of this report.

Net sales

Net sales in local currencies and excluding acquisitions rose 16.4 percent. Net sales in reported currency increased 8.1 percent to SEK 16,043 million (14,836). The negative effect from exchange rate fluctuations was 8.3 percent. In Kazakhstan, the largest market in the business area, sales rose by 17.5 percent in local currency. Growth was generated by strong increase in the subscriber base of 1.8 million to 8.9 million and increased usage. The revenue growth was primarily driven by voice revenues but after the launch of 3G services, data traffic in the fourth quarter was three times higher compared to the same period last year.

Net sales in Azerbaijan were unchanged in local currency. The recovery in Azerbaijan has been slower than other Eurasian operations, Azerbaijan however reported growth in the third and fourth quarters of 2010. In Uzbekistan net sales rose 54 percent in local currency as a result of strong subscriber intake of 1.8 million to 6.8 million and growing usage, both for voice and value added services. The number of subscriptions in Nepal grew by 1.9 million to 4.1 million and net sales rose 64 percent in local currency.

Also Tajikistan and Moldova grew net sales in 2010 in local currencies, primarily driven by increases in the subscriber base. In Georgia sales decreased 7 percent in local currency. Net sales were negatively impacted by a 46 percent reduction in interconnect fees from August 1, 2010 and an excise tax of 10 percent of revenues from September 1, 2010.

Earnings

EBITDA, excluding non-recurring items, increased 18.9 percent in local currencies and excluding acquisitions as a result of increased sales and continued high margins. In reported currency, EBITDA, excluding non-recurring items increased 10.8 percent to SEK 8,348 million (7,536). The growth in EBITDA, in local currencies, was mainly driven by increased net sales in combination with continued margin improvements in Kazakhstan and Uzbekistan. Nepal also contributed significantly to the earnings growth, despite the high customer intake. The margin increased to 52.0 percent (50.8).

Operating income was unchanged at SEK 13,267 million (13,245). The EBITDA improvement was offset by increased depreciation and decreased earnings from associates.

In 2010 Eurasia had a non-recurring income of SEK 282 million.

CAPEX

CAPEX increased to SEK 5,473 million (4,313). CAPEX was driven by investments in additional capacity, and to improve coverage and maintain a high service quality in the network, mainly focused to Kazakhstan, Uzbekistan and Nepal. CAPEX in 2010 included approximately SEK 500 million for the acquisition of a 3G license in Kazakhstan and LTE frequencies in Uzbekistan. The CAPEX-to-sales ratio was 34.1 percent (29.1).

SEK in millions, except changes	2010	2009	Change, %
Net sales	16,043	14,836	8
of which Kazakhstan	7,293	6,593	11
of which Azerbaijan	3,635	3,829	-5
of which Uzbekistan	1,607	1,200	34
of which Tajikistan	819	735	11
of which Georgia	1,096	1,331	-18
of which Moldova	479	486	-1
of which Nepal	1,123	687	63

Net sales in local currencies and excluding acquisitions

2010

Change (%), total	16
Change (%), Kazakhstan	17
Change (%), Azerbaijan	0
Change (%), Uzbekistan	54
Change (%), Tajikistan	26
Change (%), Georgia	-7
Change (%), Moldova	17
Change (%), Nepal	64

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 6.7 million to 57.2 million. MegaFon increased its market share from 24 to 26 percent.

TeliaSonera's income from Russia increased to SEK 5,053 million (4,691), driven by strong top line growth. The Russian ruble depreciated 1.4 percent against the Swedish krona which had a negative impact of SEK 72 million.

Associated companies – Turkey

Turkcell (associated company, in which TeliaSonera holds 38.0 percent, reported with a one-quarter lag) in Turkey decreased its subscription base by 2.1 million to 33.9 million. In Ukraine, the number of subscriptions declined by 2 million to 9.8 million.

TeliaSonera's income from Turkey decreased to SEK 2,550 million (3,056), mainly due to the negative impact of impairment charges, write-down of non-current assets and legal provisions. The Turkish lira depreciated 2.6 percent against the Swedish krona, which had a negative impact of SEK 69 million.

In 2010, Turkcell distributed to its shareholders a total cash dividend of approximately SEK 4.1 billion (TRY 0.9 billion), corresponding to 50 percent of the distributable income for the fiscal year 2009. TeliaSonera's share was approximately SEK 1.5 billion (1.9).

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	2010	2009	Change, %
Net sales	5,181	5,706	-9
EBITDA excl. non-recurring items	640	310	106
Income from associated companies	-23	191	
Operating income	223	-424	
Operating income excl. non-recurring items	-74	-468	-84
CAPEX	654	921	-29

Additional segment information available at www.teliasonera.com.

See also information regarding restated financial information at the end of this report.

Net sales in local currencies and excluding acquisitions and divestments increased 7.2 percent, driven by Cygate in Other Business Services. In reported currency, net sales decreased to SEK 5,181 million (5,706). In July 2010 the Danish subsidiary

Telia Stofa was sold and deconsolidated as of August 1, 2010 and TeliaSonera recognized a capital gain of SEK 830 million. EBITDA, excluding non-recurring items increased to SEK 640 million (310) mainly due to lower costs for head-office functions. Income from associates decreased to SEK -23 million (191) largely due to a capital gain of SEK 141 million in 2009.

Operating income increased to SEK 223 million (-424) as a result of the EBITDA improvement, the capital gain from the sale of Telia Stofa and an additional non-cash capital gain of SEK 347 million from the dissolution of a Dutch holding company structure, offset by the write-down of SEK 678 million related to the operations in Cambodia.

Restated financial information

In this report, certain financial segment information for 2009 has been restated, following limited organizational changes effective January 1, 2010. Operations in Cambodia were transferred from business area Eurasia to TeliaSonera Holding within reportable segment Other operations. Several minor operational changes were made within business areas as well as between business areas and Corporate functions within Other operations. The changes mainly related to rearrangement of e.g. product or customer responsibilities to further improve processes and increase efficiency.

Acquisitions and Divestitures

During 2010, TeliaSonera has made a number of acquisitions and divestitures.

- On February 2, 2010, TeliaSonera 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 paid approximately SEK 1,600 million (USD 220 million) for the shares in the first quarter of 2010. TeliaSonera Uzbek Telecom Holding B.V. is a Dutch holding company owning 100 percent of OOO Coscom in Uzbekistan.
- On July 8, 2010, TeliaSonera signed an agreement on the sale of its Danish subsidiary Telia Stofa to Ratos, a listed private equity company with Nordic focus. The sales price was DKK 1.1 billion on a cash and debt free basis. Telia Stofa's revenues in 2009 were DKK 1,024 million, EBITDA was DKK 166 million and operating income was DKK 92 million. Telia Stofa has approximately 500 employees. Telia Stofa was deconsolidated as of August 1, 2010 and TeliaSonera recognized a capital gain of SEK 830 million.
- TeliaSonera divested its 9.44 percent holding in Digitel in the Philippines during the second and third quarter of 2010. The transaction value was SEK 140 million and resulted in a capital gain of SEK 76 million.
- On December 8, 2010, TeliaSonera increased its ownership in TeliaSonera Asia Holding B.V. from 51 percent to 75.45 percent. TeliaSonera Asia Holding B.V. is a Dutch holding company that owns 80 percent in Ncell in Nepal and 100 percent in Applifone (brand name Star-Cell) in Cambodia. TeliaSonera paid SEK 1,105 million (USD 160 million) for the shares in the fourth quarter of 2010. TeliaSonera also acquired a right to further increase its ownership in Ncell to 72.9 percent if certain conditions are met. On December 20, Applifone combined its operations with Latelz Co. Ltd. (brand name Smart Mobile) to become a stronger operator in the Cambodian market. The new operator will operate under the Smart Mobile brand with more than 850,000 mobile subscribers. As a result of this transaction, TeliaSonera Asia Holding B.V. owns 25 percent of the new company. In the third quarter of 2010, TeliaSonera conducted a SEK 678 million write-down of the carrying value of its Cambodian operations.

Research and Development

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

The R&D work flow focuses 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 2010 has been world class network quality and to strengthen TeliaSonera's technology leadership including key support of continued 4G roll-outs. Another focus area has been to improve the foundation for future growth through new business models including innovative pilots. One example where we are pioneers is the NFC Hotel pilot (Near Field Communication) with partners where you use your mobile for check in, payments and as your room key. A lot of work in Broadband R&D has been related to the enabling of an ambitious fiber roll-out in Sweden and Finland with offered bandwidths up to 1,000Mbit/s. R&D has supported the successful introduction of the music services Spotify in Finland and Sweden. The service was developed so that it could be offered in the mobile as well as on broadband and IPTV. The TV offering was also developed with content and on-demand library. For business customers new services have been developed for videoconferencing as well SME-oriented IP-based unified communication solutions, like Sonera VIP. The business service portfolio is now being further developed with emphasis on cloud-based functions.

As of December 31, 2010, TeliaSonera had approximately 440 patent "families" and approximately 2,550 patents and patent applications, none of which, individually, is material to its business.

In 2010, TeliaSonera incurred R&D expenses of SEK 801 million (1,008).

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.

TeliaSonera environmental performance reporting includes all majority-owned operations. Across the markets, TeliaSonera works towards more energy-efficient solutions in maintaining its networks available for customers 24/7. TeliaSonera constantly seeks to substitute its business travels by increasing use of teleconferencing and video conferencing, which leads to a reduction of CO₂ emissions. Increasingly, e-billing has replaced traditional paper bills to customers, reducing TeliaSonera's use of paper as well as transports.

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

TeliaSonera Share

The TeliaSonera share is listed on the NASDAQ OMX Stockholm and the NASDAQ OMX Helsinki stock exchanges. The share rose 2.8 percent to SEK 53.30 during 2010. During the

same period, the OMX Stockholm 30 Index rose 21.4 percent and the Dow Jones Euro Stoxx Telecommunications Index decreased 9.8 percent. The highest price in 2010 was paid on November 9 and amounted to SEK 56.90. The lowest price was paid May 8 and amounted to SEK 44.00.

TeliaSonera's market capitalization was SEK 239 billion at the end of 2010, representing 5 percent of the total market value on the Stockholm stock exchange. In terms of market value, TeliaSonera was the fifth largest company on the Stockholm stock exchange at the end of 2010 and Europe's fifth largest telecommunications operator.

The number of shareholders decreased during 2010 from 635,799 to 601,736.

Holdings outside Sweden and Finland increased from 13.8 percent to 17.6 percent.

TeliaSonera's issued and outstanding share capital as of December 31, 2010, 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, 2010, 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, 2010, TeliaSonera's pension fund and TeliaSonera Finland Oyj's Personnel Fund held 0.03 percent and 0.02 percent of the company's shares and votes, respectively.

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

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

Remuneration to Executive Management

Proposed Remuneration Policy for Executive Management 2011

The Board of Directors' proposal for the remuneration policy for Executive management, to be adopted at the Annual General Meeting on April 6, 2011, is as follows.

The guiding principles are:

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

1. Base salary
2. Pension
3. Other benefits

The base salary should reflect the competence required in the position and the responsibility, complexity and the business

contribution of the Executive. The base salary should also reflect the performance of the Executive and consequently be individual and differentiated.

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

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

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

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

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

Long-term variable pay program

The Annual General Meeting held on April 7, 2010, decided to launch a long-term variable pay program which includes approximately 90 key employees. This program is not available for the members of the Executive management. A long-term variable pay program should ensure long-term sustainability of the company, secure a joint interest in increased shareholder value and provide an alignment between key employees and the shareholders by sharing risks and rewards of the TeliaSonera share price.

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

Parent Company

The parent company TeliaSonera AB, which is domiciled in Stockholm, comprises Group executive management functions including the group's internal banking operations. The parent company is being streamlined, as a first step certain group shared-service operations were transferred to the subsidiary TeliaSonera Sverige AB in 2010 and the second step was executed on January 1, 2011, when also the fixed network and broadband operations were transferred to the same subsidiary.

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

Net sales for the year declined to SEK 13,236 million (SEK 15,135 million in 2009), due to migration to mobile services and lower-priced IP-based services. SEK 10,375 million (12,058) was billed to subsidiaries. Operating income increased to SEK 1,803 million (1,439). Financial net improved strongly as a result of higher dividends and group contributions from subsidiaries and income after financial items was SEK 34,761 million

(12,964). Income before taxes was SEK 29,798 million (12,743) and net income was SEK 25,422 million (12,264).

The balance sheet total increased to SEK 239,336 million (222,837), mainly due to higher group contribution receivables from subsidiaries at year-end.

Shareholders' equity increased to SEK 94,573 million (79,280) and retained earnings to SEK 78,349 million (63,055) as the good result more than compensated for the ordinary dividend payment of SEK 10,104 million in 2010.

Free cash flow improved to SEK 19,470 million (9,707), mainly driven by the higher dividends received and positive working capital changes. Substantially higher investments in subsidiaries impacted cash flow before financing activities, ending at SEK 6,467 million (7,505). Net debt was SEK 112,172 million (111,391). Cash and cash equivalents totaled SEK 11,773 million (16,962) at year-end.

The equity/assets ratio (including the equity component of untaxed reserves and adjusted for the proposed dividend) was 38.4 percent (33.8).

Total investments in the year were SEK 11,898 million (4,879), of which SEK 633 million (914) in property, plant and equipment primarily for the fixed network. Other investments totaled SEK 11,265 million (3,965), of which SEK 10,967 million referred to acquisition of shares in UAB Omnitel, AS Eesti Telekom and Telia Telecommunications International B.V., which are now directly wholly-owned subsidiaries to the parent company.

The number of employees decreased to 1,255 at December 31, 2010 from 1,937 at year-end 2009, mainly due to operations being transferred to a subsidiary during the year.

Significant Events after Year-End 2010

- TeliaSonera is rolling out a new, modern radio network in Norway to offer increased coverage and speed. Huawei and Ericsson have been selected to build the combined 2G/3G/4G radio network. Huawei is providing equipment for the southern part of the network and Ericsson for the northern part.
- On February 10, 2011 TeliaSonera issued a Eurobond of EUR 750 million for a 9 year deal maturing in February 2020, under its existing EUR 9 billion EMTN (Euro Medium Term Note) program. The Re-offer yield was set at 4.365% p.a. equivalent to Euro Mid-swaps + 90 bp.
- On February 18, 2011, the Board of Directors of TeliaSonera resolved, based on the authorization granted by the Annual General Meeting 2010, to repurchase a maximum of 160,373,471 shares, equivalent to a maximum of 3.6 percent of all shares issued by the company, through a repurchase offer directed to TeliaSonera's shareholders. Approximately SEK 10 billion will be transferred to the shareholders of TeliaSonera in exchange for the repurchased shares.
- On February 22, 2011, TeliaSonera announced that the Nomination Committee proposes Anders Narvinger, Maija-Liisa Friman, Ingrid Jonasson Blank, Conny Karlsson, Timo Peltola, Lars Renström, Jon Risfelt and Per-Arne Sandström to be re-elected as members of the Board of Directors. Anders Narvinger is proposed to be re-elected Chairman of the Board.
- On March 4, 2011 TeliaSonera was granted nationwide frequencies on the 800 MHz band. The frequency blocks of 2 * 10 Mhz are valid for 25 years, and the cost for the licence was SEK 854 million.

Corporate Governance Statement

Introduction

This Corporate Governance Statement has been adopted by the Board of Directors at its meeting on 8 March 2011 and presents an overview of TeliaSonera's corporate governance model and includes the Board's description of internal control environment 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 2010 without any deviations.

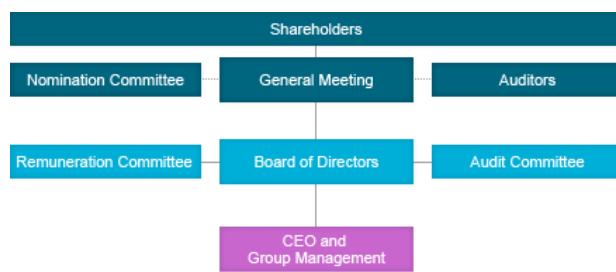
The 2010's Corporate Governance Statement has been established according to Swedish Code of Corporate Governance together with the Annual financial report Act and has been audited by the external auditors.

In 2010 the development work in corporate governance has been primarily within the areas of IT Governance, Enterprise Risk Management reporting and Business Operational Performance Metrics and improved processes in financial reporting.

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, NASDAQ OMX - Rule book for issuers 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 601,736 shareholders at year-end 2010. The ownership structure is further presented on page 18.

The Annual General Meeting 2010 was held on April 7, 2010, in Stockholm.

Among other issues, the Annual General Meeting 2010 decided upon the following:

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

The shareholders attending the Annual General Meeting 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 Annual General Meeting 2008 PricewaterhouseCoopers AB was re-elected as auditor until the end of the Annual General Meeting 2011. Bo Hjalmarsson (born 1960) is the auditor in charge. PricewaterhouseCoopers AB is engaged by the company's largest shareholder, the Swedish State, for both audit and advisory services. Bo Hjalmarsson is also an auditor of Duni, Eniro, Lundin Petroleum and Vostok Nafta. He is also the Chairman of the Swedish institutes audit practices committee.

Nomination Committee

TeliaSonera's Nomination Committee consists of representatives of the company's four largest shareholders at the time of the notice of the Annual General Meeting and the Chairman of the Board. The Nomination Committee presently consists of Kristina Ekengren (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, Anders Narvinger.

The Nomination Committee shall in accordance with its instruction:

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

The Nomination Committee has received information from the Chairman of the Board and the CEO 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 Annual General Meeting and on the company's website. Shareholders are welcome to send nomination proposals to the Nomination Committee. Proposals can be sent by email to "forslagtillstyrelseledamot@teliasonera.com".

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

Board of Directors

Responsibilities and committees

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

TeliaSonera's Board of Directors consists of eight members elected by the Annual General Meeting, serving one-year terms, and three employee representatives from the Swedish operations. An additional Finnish employee representative is present at Board meetings, but without voting rights. The Annual General Meeting 2010 elected Anders Narvinger to serve as Chairman of the Board. A more detailed presentation of the members of the Board of Directors can be found on page 28–29.

In accordance with the guidelines of the Swedish Code of Corporate Governance, all members elected by the Annual General Meeting in 2010 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. The Remuneration Committee handles issues regarding salary and other remuneration to the CEO and Group Management and incentive programs that target a broader group of employees. The Remuneration Committee has the authority to approve remuneration to persons in TeliaSonera's Group Management, except for the CEO.

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

Work of the Board of Directors during 2010

The Board of Directors held eight ordinary meetings during 2010 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
- Major network and frequency investments
- Acquisitions and divestments, mainly in Eurasia
- Development of investment in associated companies in Turkey and Russia
- Funding and debt structure
- Human Resources issues, including performance management and succession planning
- Group IT strategy
- Regulatory developments in the telecom industry
- Follow-up on major operations and investment

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

Remuneration Committee

Anders Narvinger is Chairman of the Remuneration Committee. During 2010 the Committee held six meetings and had extended focus on the remuneration structure for the executive management and key employees. In 2010 the committee handled, amongst others, the following issues:

- Target setting model and target setting
- Long term incentive program
- Remuneration policy for the executive management
- Renegotiation of employment contracts with the members of Group Management, due to the resolution of the Annual General Meeting in 2010 regarding changed remuneration policy

Audit Committee

Maija-Liisa Friman is Chairman of the Audit Committee and during 2010 the Audit Committee held six meetings. Its work in 2010 included, amongst others, the following issues:

- Reviews of the company's external financial statement reporting
- Reviewing of accounting principles that are important for the company
- Assessment of the environment of internal control over financial reporting as well as over business operations
- Assessment of the quality and integrity in the enterprise risk reporting
- Assessment of the group's capital structure
- Reviews of functional units such as e.g. Corporate Control, Corporate Treasury, Corporate Tax and Group Procurement
- Reviews of the reports from the external auditors
- Overseeing developments in large operational risk areas such as the Eurasian operations, procurement, large projects, and improvement of financial processes
- Assessment and approval of the audit plans of external and internal auditors
- Assessment of independence of external auditors including the evaluation process and preparation for the election of external auditors

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

CEO and Group Management

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

Headed by the CEO, the Group Management consists of ten members: The CEO, CFO, General Counsel, Head of Group Human Resources, Head of Group Communications, 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 an efficient 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.

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 their present and future needs. To create shareholder value through sustainable and improved profitability and cash flows, TeliaSonera will deliver our services in a cost-effective and sustainable manner.

The focus areas are:

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

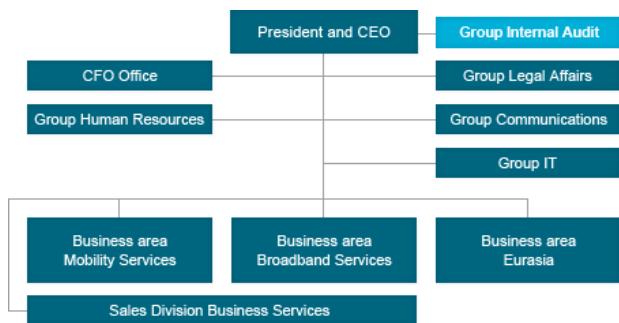
Business targets

Yearly financial and business operations 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, Estonia and international carrier operations.

Business area Eurasia

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

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 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 at least on an annual basis.

Performance Management Model

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

TeliaSonera has established a group-wide performance management model currently valid for the 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 view on performance is that it is not only about what you achieve but how you achieve your objectives, i.e. what kind of competences and behaviors the employee applies in order to reach results.

In order to establish shared principles and expectations on competences and behaviors TeliaSonera's shared values are used as a platform for the evaluation of preferred behaviors. In combination with this a group-wide competency framework is established that outlines successful leadership competences for different roles and levels.

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. Performance has an impact on compensation as well as career- and development opportunities.

Corporate Responsibility

Governance of Corporate Responsibility (CR) is integrated in the governance framework of TeliaSonera. Adhering to global principles and standards, TeliaSonera acts locally to address the relevant market risks, challenges and opportunities as part of the daily operations.

The TeliaSonera Code of Ethics and Conduct, which the Board of Directors reviews annually, sets out the ethical guidance within which we act. The Code of ethics and conduct is translated to 21 languages and implemented in all our majority and wholly-owned operations. During 2010 focus has been on internal communication, trainings, discussions and alignment with local management and employees. A Complementary Supplier Code and an updated Group Instruction - Code of ethics and conduct for senior management directly involved in financial reporting were introduced in 2010.

All wholly-owned and majority-owned operations are included in group Corporate Responsibility reporting and engaged in regular stakeholder dialogues.

TeliaSonera has reconfirmed its position in various indices, for instance, the FTSE4Good responsible investment index, the position in Swedbank Robur fund and Banco Ethical fund. TeliaSonera continued to report on our environmental performance in the Carbon Disclosure Project (CDP), where TeliaSonera ranked number one in the Nordic region and shared number four among telecom operators globally.

TeliaSonera Corporate Responsibility work builds on the issues that are most material to our business and our stakeholders based on extensive materiality analysis conducted in 2009.

The Corporate Responsibility work is centered on our ten most material issues, which form the priorities of our global Corporate Responsibility approach and underpin the long-term success of our company:

Digital inclusion; Leadership and employee competence; Fair business practices; Privacy and network integrity; Protecting children on-line; Responsible supply chain; Responsible marketing; Responsible employer; Environment; Mobile devices, masts and health.

TeliaSonera depends on the skills, knowledge and experience of our employees to ensure continued success, and therefore puts a lot of effort into recruitment, employee training and competence development.

Modern communication technology can offer environmentally sound alternatives in the day-to-day lives of people and companies. TeliaSonera strives to minimize the environmental impact of our own operations while helping customers by providing solutions to reduce their environmental impact.

Enterprise Risk Management and control environment

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

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

- Safeguard the group's assets 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 statement reporting in TeliaSonera is to be in line with the highest professional standards and it should be full, fair, accurate, punctual and understandable.

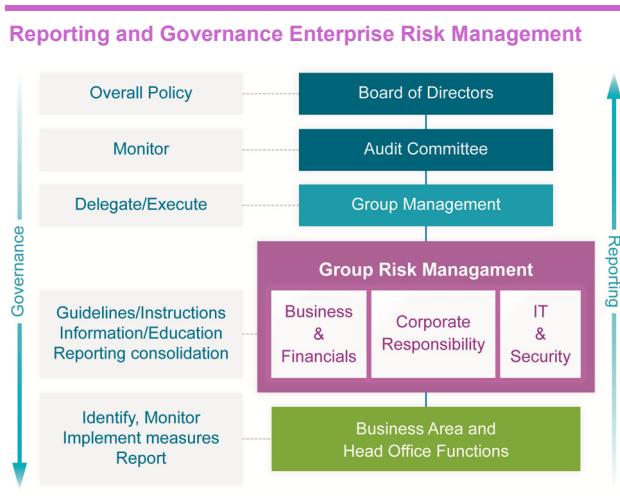
Internal controls over financial reporting within TeliaSonera are organized in accordance with the COSO framework for internal control. It thus consists of interrelated areas, which are risk management, control environment, Group IT Governance, control activities, information and communication and monitoring,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

Risk management

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

The line organization has the primary responsibility for managing business risks. They are responsible for identifying all relevant business risks, monitor, implement measures and report them. The functional organizational units support the line organization with their risk knowledge.

Group Risk Management is responsible for coordinating and monitoring the risk management processes in the group, monitoring the compliance with the Group Policy for Risk Management and consolidating the quarterly risk reports and reporting to Group Management and Board of Directors.



Financial Risks

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.

Corporate responsibility

TeliaSonera believes that corporate responsibility must be integrated into the day-to-day business to be effective. Corporate Responsibility is part of TeliaSonera Risk Management and is managed as disciplined as any other aspect of the business operations.

IT security and Business Continuity Management

Business and Corporate Functions manage business continuity within their field of operation based on existing requirements. This includes the work to identify potential threats to the business and ensures plans to prevent and rectify problems in the continuity of the business. The objective for Business continuity management is to add shareholder value by preventing disturbances and to assure that our ability to deliver the agreed service levels is not impaired by the occurrence of internal or external disturbances.

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.

Internal control over financial reporting and business operations

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.
- Group policies, instructions and guidelines – documenting the company's organization and mode of operations.

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 forecasts and quarterly business review meetings on business unit and business area levels.

The business review meetings are held as physical meetings and include financial and business reviews for the reporting period and forecast period, risks and operations performance metrics on network quality and customer service levels. At the business area review meetings, the CEO, CFO, Group controller and selected members of Group Management attend in addition to the 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 material business and financial risks are identified and reported.

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

During 2010 a renewed set of entity level controls were defined and implemented. The purpose of this type of controls is to ensure that the organization complies with Delegation of obligation and authority, financial policies and reporting framework.

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.

Group IT Governance approach

The Group IT Governance approach has during 2010 been aligned with overall strategic focus area and a distinguishing transparency of IT governance.

Sharpened and complemented governance structure for the IT organization with focus on One company – One IT Governance, includes vendor management, common program and project model, enterprise architecture and master data as well as IT expenditure.

Group IT Governance



Control activities

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

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. TeliaSonera has, in 2010, designed and implemented so called Business Performance Review controls in a number of business units.

These controls are based on the analyses of revenues, volumes, costs of goods sold, operating expenses, assets and working capital. The effect of the implementation is a better control environment on business unit level. Business Performance Review controls will continue to be rolled-out in 2011.

A focus area during 2010 has been to align and improve financial processes in the Group financial services center. An organization dedicated to processes and solutions has been established which will continue to drive process harmonization and efficiency activities over the coming years. For the Eurasia units an alignment and competence development has been initiated with focus to improve financial reporting and efficiency in the control environment. The activities in 2010 included training of financial staff and common financial system roll-out activities.

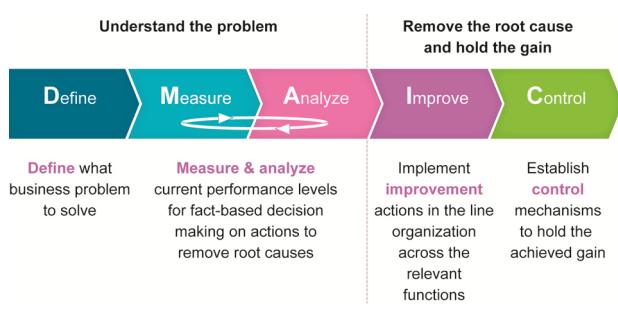
Control activities in business operations

The purpose of internal controls over business operations is to monitor and support the development within our corporate strategic focus areas. The monitoring of business operations performance metrics is based on defined metric measurements; the Six Sigma framework. The metrics measure, amongst others, our performance in networks and customer services. Monthly, the Board of Directors receives a summary of metrics measures by business unit.

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

Six Sigma focuses on removing mistakes, waste and defects from operations by the means of statistical analysis. It also focuses not only on removing problems but finding out and tackling the root causes of problems.

Six Sigma



The problem solving framework DMAIC, or Define, Measure, Analyze, Improve and Control is the statistical problem-solving approach of Six Sigma that is used to solve problems in existing processes.

Information and communication

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

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

Whistleblower process

The Board of Directors has established a process which enables employees to anonymously report violations in accounting, reporting or internal controls, as well as compliance to the Group's Code of ethics and conduct, a so called whistleblower process. In 2010 TeliaSonera has improved the whistleblower tool with an updated intranet solution that makes it more visible and user friendly. During 2010, assessment of changes in local legislation has been made and the process has been updated accordingly.

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 statement reports before they are made public. The Audit Committee receives reports directly from both external and internal auditors and discusses and follows up observations made. Both the external and internal auditors are represented at the 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.

Audit Committee monitors the external financial statement reporting, but also the effectiveness of the internal control environment. This is performed by having regular reviews of the external and internal audit, impairment valuations, financial policies and interpretations of accounting principles of special importance for the group. The work also includes review of selected topics that may impact the external financial statement reports.

Internal Controls Performance and Monitoring Process

① Identification of risks & need for remediation

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



② Design and implementation of controls

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

③ Performance of controls

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

TeliaSonera has implemented a structured monthly process for the monitoring of the performance of internal controls. This process includes all major business units, business areas and corporate functions and consists of a self-assessment of the performance of all controls in the group. So called Monitoring of Internal Controls meetings are held at business area level on a regular basis. Such meetings are held at group level when needed, and are chaired by the CFO. At these meetings the performance of internal controls is reviewed and assessed and corrective actions are decided, if necessary.

A risk-based testing of key controls is carried out on behalf of management in order to assess the quality of the internal

controls. The risk based testing covers approximately 40 percent of controls every year and aims at testing every control at least once over a three-year cycle. The testing is performed by internal resources and the external auditors, where comfort is taken from each other's work, in order to reach the optimal and efficient way of working. The result of the testing is communicated to all relevant business units, where corrective or improvement actions are initiated and performed, 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. Once a year the Audit Committee has a dedicated meeting with the external auditors and Group Internal Control to follow up on internal testing, review the efficiency, follow up on actions performed during the last year and review of those planned for the coming year.

Group Internal Audit

The group has an internal audit function that reviews the group's operations and makes proposals with a view to improve both internal 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.

During the year, an increased part of the work has been towards the Eurasian operations. The work has included on site

reviews with focus on revenue assurance, processes and governance.

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

According to the Swedish Companies Act the Annual General Meeting shall adopt guidelines for remuneration to the executive management. At the Annual General Meeting 2010, the meeting adopted guidelines which had been proposed by the Swedish State. The adopted guidelines states that TeliaSonera's objective is to offer remuneration levels and other employment conditions required to attract, retain and motivate high caliber executives needed to maintain the success of the business. Remuneration should be built upon a total reward approach allowing for a market relevant – but not market leading – and cost effective executive remuneration delivery. The adopted guideline for remuneration to the executive management does not allow variable salaries.

Board of Directors Including Remuneration



Anders Narvinger (Born 1948)

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

Shares in TeliaSonera: 20,000.

Maija-Liisa Friman (Born 1952)

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

Shares in TeliaSonera: 5,597.



Ingrid Jonasson Blank (Born 1962)

Elected to the Board of Directors in 2010. Ingrid Jonasson Blank has been Executive Vice President of ICA Sverige AB and has held a number of managerial positions in the ICA Group. She is also a member of the boards of Bilia AB, Forma Publishing Group, Fisks, ZetaDisplay AB, ONOFF AB and TravelSupport AB. Ms. Jonasson Blank holds a Master of Business Administration.

Shares in TeliaSonera: 0.



Conny Karlsson (Born 1955)

Elected to the Board of Directors in 2007. He is a member of the Audit Committee of TeliaSonera. In addition, he is the Chairman of the Board of Swedish Match AB and 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.



Timo Peltola (Born 1946)

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

Shares in TeliaSonera: 7,140.



Lars Renström (Born 1951)

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

Shares in TeliaSonera: 10,000.



Jon Risfelt (Born 1961)

Elected to the Board of Directors in 2007. Mr. Risfelt is a member of the Audit Committee of TeliaSonera. In addition, he is Chairman of the Boards of Ortivus AB, Mawell Oy and C3 Technologies AB and holds board assignments at Bilia AB, Karo Bio AB, Braganza AS, Ticket Travel Group AB including some subsidiaries, ÅF AB and Vanna AB. He has earlier served as CEO of Europolitan AB, Nyman & Schultz AB and Gambio Renal. He has held various managerial positions within the American Express Group, Scandinavian Airlines and Ericsson. Mr. Risfelt holds a Master of Science in Chemical Engineering.

Shares in TeliaSonera: 8,250.

**Per-Arne Sandström (Born 1947)**

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

Shares in TeliaSonera: 400.

**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	Indep- endent	Position	Committee	Presence board meetings	Presence committee meetings	Total remuneration and benefits (SEK)	Shares in Telia- Sonera
Anders Narvinger ¹	2010	Yes	Chairman of the Board and Chairman of the Remuneration Committee	Remuneration Audit	100%	100% 100%	835,259	20,000
Maija-Liisa Friman	2007	Yes	Director and Chairman of the Audit Committee	Audit	100%	100%	575,004	5,597
Ingrid Jonasson Blank	2010	Yes	Director		100%		326,043	0
Conny Karlsson	2007	Yes	Director	Audit	100%	100%	525,012	10,000
Timo Peltola	2004	Yes	Director	Remuneration	100%	100%	445,008	7,140
Lars Renström	2009	Yes	Director	Remuneration	91%	100%	445,008	10,000
Jon Risfält	2007	Yes	Director	Audit	100%	83%	525,012	8,250
Per-Arne Sandström ¹	2010	Yes	Director	Remuneration	100%	100%	311,386	400
Agneta Ahlström	2007		Employee Representative		91%		200	
Magnus Brattström	2009	-	Employee Representative		91%		20	
Stefan Carlsson	2009	-	Employee Representative		91%			650

See also Note C32 to the consolidated financial statements.

¹ Committee member since April 7, 2010.

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

Shares in TeliaSonera: 30,300.



Jan Henrik Ahrnell (Born 1959)

Senior Vice President, General Counsel and Head of Group Legal Affairs since 1999. Mr. Ahrnell has been employed by TeliaSonera since 1989. Prior to his service as General Counsel, Mr. Ahrnell was the head of various legal departments within the TeliaSonera Group and served as corporate counsel in various TeliaSonera companies. Mr. Ahrnell holds a Master of Law.

Shares in TeliaSonera: 12,000.



Håkan Dahlström (Born 1962)

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

Shares in TeliaSonera: 10,600.



Cecilia Edström (Born 1966)

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

Shares in TeliaSonera: 2,800².



Karin Eliasson (Born 1961)

Senior Vice President and Head of Group Human Resources since 2008. Prior to joining TeliaSonera, Ms. Eliasson was Senior Vice President Human Resources at Svenska Cellulosa Aktiebolaget, SCA. She has been the CEO of Novare Human Capital AB and Vice President Organizational Development at Stora Enso AB. Ms. Eliasson is a board member of Turkcell. She holds a Bachelor of Science in Human Resource Development and Labour Relations.

Shares in TeliaSonera: 2,100.



Malin Frenning (Born 1967)

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

Shares in TeliaSonera: 400.



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, Fintur Holdings B.V. and Nurminen Logistics Plc. Mr. Kivisaari has also been the CFO of SmartTrust AB. Before that he held the position of Vice President of Sonera Corporation's International Operations. Mr. Kivisaari holds Master Degrees in Science and Economics.

Shares in TeliaSonera: 0.

**Ake Södermark (Born 1954)**

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

Shares in TeliaSonera: 6,000.

¹ By way of pension insurance

² Partly by way of pension insurance

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

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

SEK	Base salary	Other remuneration	Other benefits	Pension expense	Total remuneration and benefits	Capital value of pension commitment
Lars Nyberg, CEO	8,825,004	3,269,824	75,235	8,549,783	20,719,846	–
Per-Arne Blomquist, EVP	4,903,836	2,169,622	91,730	1,863,803	9,028,991	–
Other members of Group Management (9 individuals)	24,938,732	8,644,343	1,184,693	10,559,610	45,327,378	39,798,104

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

Consolidated Statements of Comprehensive Income

SEK in millions, except per share data	Note	Jan-Dec 2010	Jan-Dec 2009
Net sales	C5, C6	106,582	109,161
Cost of sales	C7	-57,604	-60,965
Gross profit		48,978	48,196
Selling and marketing expenses	C7	-16,591	-15,647
Administrative expenses	C7	-7,902	-8,063
Research and development expenses	C7	-801	-1,008
Other operating income	C8	2,072	1,106
Other operating expenses	C8	-1,494	-2,275
Income from associated companies and joint ventures	C9	7,821	8,015
Operating income	C5	32,083	30,324
Finance costs	C10	-2,677	-3,191
Other financial items	C10	530	481
Income after financial items		29,936	27,614
Income taxes	C11	-6,374	-6,334
Net income		23,562	21,280
Foreign currency translation differences	C12	-18,959	-7,355
Income from associated companies	C12	-103	188
Cash flow hedges	C12	63	89
Available-for-sale financial instruments	C12	-90	34
Income taxes relating to other comprehensive income	C11, C12	-936	-296
Other comprehensive income		-20,025	-7,340
Total comprehensive income		3,537	13,940
Net income attributable to:			
Owners of the parent		21,257	18,854
Non-controlling interests		2,305	2,426
Total comprehensive income attributable to:			
Owners of the parent		1,692	13,068
Non-controlling interests		1,845	872
Earnings per share (SEK), basic and diluted	C20	4.73	4.20

Consolidated Statements of Financial Position

SEK in millions	Note	Dec 31, 2010	Dec 31, 2009
Assets			
Goodwill	C13	77,207	85,737
Other intangible assets	C13	13,324	14,502
Property, plant and equipment	C14	58,353	61,222
Investments in associated companies and joint ventures	C15	46,458	42,518
Deferred tax assets	C11	9,048	11,177
Pension obligation assets	C22	268	501
Other non-current assets	C16	6,684	6,653
Total non-current assets		211,342	222,310
Inventories	C17	1,395	1,551
Trade and other receivables	C18	19,905	21,390
Current tax receivables		88	205
Interest-bearing receivables	C19	2,477	1,726
Cash and cash equivalents	C19	15,344	22,488
Total current assets		39,209	47,360
Non-current assets held-for-sale		–	0
Total assets		250,551	269,670
Equity and liabilities			
Equity attributable to owners of the parent		125,907	135,372
<i>of which capital</i>		45,416	45,412
<i>of which reserves and retained earnings</i>		80,491	89,960
Equity attributable to non-controlling interests		6,758	7,127
Total equity		132,665	142,499
Long-term borrowings	C21	60,563	63,664
Deferred tax liabilities	C11	12,526	13,210
Provisions for pensions and employment contracts	C22	757	680
Other long-term provisions	C23	9,947	11,735
Other long-term liabilities	C24	1,593	1,589
Total non-current liabilities		85,386	90,878
Short-term borrowings	C21	4,873	8,169
Short-term provisions	C23	850	1,246
Current tax payables		1,891	1,439
Trade payables and other current liabilities	C25	24,886	25,439
Total current liabilities		32,500	36,293
Total equity and liabilities		250,551	269,670
Contingent assets	C30	–	–
Guarantees	C30	1,644	2,306
Collateral pledged	C30	905	822

Consolidated Statements of Cash Flows

SEK in millions	Note	Jan-Dec 2010	Jan-Dec 2009
Net income		23,562	21,280
Adjustments for:			
Amortization, depreciation and impairment losses		13,481	13,020
Capital gains/losses on sales/disposals of non-current assets		-1,148	150
Income from associated companies and joint ventures, net of dividends received		-6,100	-5,863
Pensions and other provisions		-1,281	-934
Financial items		-85	638
Income taxes		379	3,279
Miscellaneous non-cash items		23	14
Cash flow before change in working capital		28,831	31,584
Increase (-)/Decrease (+) in operating receivables		-1,228	563
Increase (-)/Decrease (+) in inventories		-25	33
Increase (+)/Decrease (-) in operating liabilities		-144	-1,570
Change in working capital		-1,397	-974
Cash flow from operating activities	C31	27,434	30,610
Intangible assets and property, plant and equipment acquired	C31	-14,533	-13,967
Intangible assets and property, plant and equipment divested		87	82
Business combinations	C31	-2,031	-4,838
Other equity instruments and operations acquired	C31	-1,151	-264
Subsidiaries divested	C31	1,406	-
Other equity instruments and operations divested	C31	278	887
Payment on behalf of Ipse 2000 S.p.A.	C23	-182	-878
Loans granted and other similar investments		-764	-471
Repayment of loans granted and other similar investments		402	637
Compensation from pension fund		850	870
Net change in short-term investments		-838	315
Cash flow from investing activities		-16,476	-17,627
Cash flow before financing activities		10,958	12,983
Dividends paid to owners of the parent		-10,104	-8,083
Dividends paid to holders of non-controlling interests		-2,859	-3,070
Non-controlling interests acquired	C31	-1,333	-
Capital contributions from holders of non-controlling interests		150	-
Proceeds from long-term borrowings		7,937	19,240
Repayment of long-term borrowings		-8,091	-3,136
Net change in short-term borrowings		-632	-7,519
Settlement of foreign exchange derivative contracts used for economic hedges of cash-pool balances		-2,804	381
Cash flow from financing activities		-17,736	-2,187
Net change in cash and cash equivalents		-6,778	10,796
Cash and cash equivalents, opening balance		22,488	11,826
Net change in cash and cash equivalents for the year		-6,778	10,796
Exchange rate differences in cash and cash equivalents		-366	-134
Cash and cash equivalents, closing balance	C19	15,344	22,488
Dividends received	C31	1,721	2,153
Interest received	C31	260	371
Interest paid	C31	-2,301	-2,141
Income taxes paid	C31	-5,995	-3,056

Consolidated Statements of Changes in Equity

SEK in millions	Note	Share capital	Other contributed capital	Hedging reserve	Foreign currency translation reserve			Inflation reserve	Retained earnings of the parent	Total	Non-controlling interests	Total equity
					Fair value reserve	Revaluation reserve	Inflation reserve					
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
Non-controlling interests acquired		—	—	—	—	—	—	—	—	—	-1,989	-1,989
<i>Total transactions with owners</i>		—	—	—	—	—	—	—	-8,083	-8,083	-4,806	-12,889
Net income	C20	—	—	—	—	—	—	—	18,854	18,854	2,426	21,280
Other comprehensive income	C12, C20	—	—	72	45	-5,903	—	—	—	-5,786	-1,554	-7,340
<i>Total comprehensive income</i>		—	—	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
Dividends	C20	—	—	—	—	—	—	—	-10,104	-10,104	-2,037	-12,141
Non-controlling interests acquired	C20, C34	—	—	—	—	—	—	—	-1,057	-1,057	-356	-1,413
Non-controlling interests divested	C20	—	—	—	—	—	—	—	—	—	179	179
<i>Total transactions with owners</i>		—	—	—	—	—	—	—	-11,161	-11,161	-2,214	-13,375
Net income	C20	—	—	—	—	—	—	—	21,257	21,257	2,305	23,562
Other comprehensive income	C12, C20	—	—	40	-95	-19,510	—	—	—	-19,565	-460	-20,025
<i>Total comprehensive income</i>		—	—	40	-95	-19,510	—	—	21,257	1,692	1,845	3,537
Share-based payments		—	4	—	—	—	—	—	—	4	—	4
Transfer of amortization and depreciation for the year		—	—	—	—	—	-126	—	126	—	—	—
Closing balance, December 31, 2010		14,369	31,047	-132	-19	-7,350	548	4,909	82,535	125,907	6,758	132,665

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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 8, 2011. 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 6, 2011.

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

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

Measurement bases and accounting policies

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

Changes in accounting policies

As of January 1, 2010, TeliaSonera prospectively applies the revised IFRS 3 "Business Combinations" and the amended IAS 27 "Consolidated and Separate Financial Statements" including any consequential amendments in other standards (see section "Recently issued accounting standards" below). In 2010, the following changes affected the financial statements. Consideration paid to minority stakeholders for shares in subsidiaries (including acquisition-related costs) has been recognized in equity attributable to owners of the parent to the extent that the consideration exceeds the relevant share of non-controlling interest in the subsidiary. Previously such difference would have been recognized as goodwill. In the statement of cash flows, the consideration is included in financing activities. Until 2009, the consideration would have been included in investing activities. The amendments to IAS 27 also changed the term "minority interest" to "non-controlling interest". The terminology change reflects the fact that the owner of a minority interest in an entity might control that entity and, conversely, that the owner of a majority interest does not necessarily control the entity. Hence, "non-controlling interest" is a more accurate description than "minority interest".

As of January 1, 2010, cash flows from settlement of foreign exchange derivative contracts used for economic hedges of cash-pool balances are reported within financing activities in the statement of cash flows to better reflect the nature of the underlying activities, which is to manage the overall foreign exchange exposure related to intra-group liquidity. Such cash flows were previously reported within operating activities. Comparative period figures have been restated.

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 2010 or pre-adopted

- 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. Adoption of the amendments did not affect TeliaSonera's results and financial position.
- 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 observes that applying the revised IFRS 3 and the amended IAS 27 will lead to increased volatility in profit and loss. See also section "Changes in accounting policies" above.
- 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 adopted the revised IAS 24 in 2010.
- 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 were in certain cases

in line with already applied interpretations and otherwise had no or very limited impact on results or financial position.

- 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.

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

Recently issued new or revised/amended standards and interpretations effective for TeliaSonera on or after January 1, 2011, are as follows:

- Amendments on transfers of financial assets to IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after July 1, 2011; earlier application permitted, comparative information not required at initial application), requiring enhanced disclosures of risk exposures relating to transferred financial assets when an entity has continuing involvement in those assets (contractual obligations to pay or receive cash flows). Examples are guarantees and options (other than at fair value) from agreements such as factoring of receivables, securitization, and sale or lend of financial assets. The amendments also require disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after January 1, 2013; earlier application permitted; to be applied retrospectively but if adopted before January 1, 2012, restatement of prior periods is not required). The issued parts of IFRS 9 address classification and measurement of financial assets and liabilities and 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 and hedge accounting. For financial assets, classification under IFRS 9 is driven by the entity's business model for managing these assets and the contractual characteristics of the assets. IFRS 9 replaces the current multiple-category classification with the two categories: "amortized cost" and "fair value." The main principle is that a financial asset shall be measured at amortized cost if both of the following conditions are met: (a) the objective is to hold the financial asset in order to collect the contractual cash flows, and (b) the contractual terms give rise on specified dates to cash flows that solely represent payments of principal and interest. All other financial assets within scope are measured at fair value. Reclassifications between the categories are only allowed when the entity's business model for managing financial assets is changed. IFRS 9 requires all equity instruments within scope to be measured at fair value and removes the cost exemption for unquoted equities. Still, IFRS 9 states that in limited cases cost may be an appropriate estimate of fair value and includes a table of indicators that cost might not be representative of fair value. There is also an irrevocable option to recognize in other comprehensive income unrealized and realized fair value gains and losses on equity instruments that are not held-for-trading. There is no subsequent recycling to profit or loss; but dividends from such investments will continue to be recognized in profit or loss. For financial liabilities, the existing amortized cost measurement is maintained for most liabilities, limiting change to addressing the volatility in net income arising from choosing to measure own debt at fair value. For liabilities designated as category fair value through profit and loss, IFRS 9 requires that the portion of the change in its fair value due to changes in the entity's own credit risk is recognized in other comprehensive income, rather than in net in-
- come. IFRS 9 also amends many other standards, including the disclosure requirements of IFRS 7. TeliaSonera is currently analyzing the effects, if any, of adopting the issued parts of IFRS 9. Tentatively, for financial assets, the change into two categories would in most cases have no major effect on the measurement of a specific financial asset since the measurement bases already today are amortized cost or fair value, even though IAS 39 specifies more than two categories and, for financial liabilities, the changes will not impact TeliaSonera.
- Amendments on deferred tax: recovery of underlying assets to IAS 12 "Income Taxes" (effective for annual periods beginning on or after January 1, 2012; earlier application permitted; involves the concurrent withdrawal of SIC-21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets"). IAS 12 requires that deferred tax relating to an asset should be measured depending on whether recovery of the asset's carrying amount is expected through use or sale. The amendments to IAS 12 refer to assets accounted for under IAS 40 "Investment Property" and revalued assets accounted for under IAS 16 "Property, Plant and Equipment," respectively. IAS 40 is not applicable to TeliaSonera and the revaluation model under IAS 16 is not used. Consequently, the amendments to IAS 12 are not applicable to TeliaSonera.
- Amendment on classification of rights issues to IAS 32 "Financial Instruments: Presentation" (effective for annual periods beginning on or after February 1, 2010; earlier application permitted, to be applied retrospectively), addressing the accounting for issues of rights, options or warrants not being denominated in the issuer's functional currency. While previously accounted for as derivative liabilities, such rights issues should, provided certain conditions are met, now be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is currently not relevant to TeliaSonera.
- "Improvements to IFRSs (May 2010)" (mostly effective for annual periods beginning on or after January 1, 2011; earlier application permitted) introducing amendments to 7 IFRSs that had not been included in other major projects. The amendments relevant to TeliaSonera are in certain cases in line with already applied interpretations and otherwise will have no or very limited impact on results or financial position.
- Amendment on prepayments of a minimum funding requirement to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective January 1, 2011; earlier application permitted, to be applied retrospectively). IFRIC 14 is currently not relevant to TeliaSonera.
- IFRIC 19 "Extincting 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 2011, all standards, revisions/amendments to standards, and interpretations mentioned above had been adopted by the EU, except for the amendments to IFRS 7, IFRS 9 and the amendments to IAS 12.

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

C2. Key Sources of Estimation Uncertainty

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

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

Revenue recognition

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

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
Customer premises equipment under service arrangements	33 percent, or agreement term if longer

In 2010 and 2009, amortization, depreciation and impairment losses totaled SEK 13,479 million and SEK 12,932 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

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 59 percent of TeliaSonera's total assets.

Useful lives

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

to maintain and develop communications networks and working capital requirements. Forecasts of future cash flows are based on the best estimates of future revenues and operating expenses using historical trends, general market conditions, industry trends and forecasts and other available information. These assumptions are prepared by management and subject to review by the Audit Committee of the Board of Directors. The cash flow forecasts are adjusted by an appropriate discount rate derived from TeliaSonera's cost of capital plus a reasonable risk premium at the date of evaluation. For additional information on goodwill and its carrying value as of the end of the reporting period, see Note C13 "Goodwill and Other Intangible Assets."

Collectability of trade receivables

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

Provisions for pensions and employment contracts

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

The discount rate reflects the rates at which the pension obligations could be effectively settled, which means a period somewhere from 15 to 30 years. The rate used to discount pension obligations shall be determined by reference to market yields at the end of the reporting period on high-quality corporate bonds. In countries where there is no deep market in such bonds, the market yields at the end of the reporting period on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the pension obligations. For Sweden, which represents approximately 85 percent of TeliaSonera's pension obligations, historical practice has been to reference long-term nominal government bonds in setting the discount rate, due to the perceived lack of a deep market in high-quality corporate bonds. In 2010, however, a review of the Swedish covered mortgage bond market was carried out, with the objective of determining whether this market satisfied the requirements of IAS 19 in serving as a reference for setting the discount rate. The covered mortgage bond market, which has grown steadily over the last few years, consists of bonds issued mainly by affiliates of Swedish banks and covered by pools of mortgages, and contains a large number of bonds rated AA or higher by the major credit rating agencies. Following this review, management, along with many other employers in Sweden, is of the opinion that the covered bond market is in fact a deep corporate bond market, as defined in IAS 19, paragraph 78, and as such, is an appropriate reference in determining the discount rate. See section "Pension obligation risk" in Note C27 "Financial Risk Management" for a sensitivity analysis related to a change in the weighted average discount rate used in calculating pension provisions.

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

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

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

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

The expected nominal net return from the Swedish pension fund portfolio, representing approximately 85 percent of total plan assets, is currently 4.8 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 4.5 percent, domestic and global equity 7.0 percent and other investments 7.0 percent. The assumptions used in the non-Swedish pension funds are similar.

Provisions for restructuring activities, put options related to non-controlling interests, 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 put options related to non-controlling interests 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 put options related to non-controlling interests, 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. Prior to 2010, the consolidated financial statements were 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 assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree plus any costs directly attributable to the business combination. Identifiable assets acquired, and liabilities and contingent liabilities assumed are initially measured at fair value. Any excess of the cost of acquisition over the fair value of net assets acquired is recognized as goodwill. Prospectively as of 2010, acquisitions are accounted for using the acquisition method which measures goodwill at the acquisition date as: the fair value of the consideration transferred; plus the amount of any non-controlling interest in the acquiree recognized in the transaction; plus if the business combination is achieved in stages, the fair value of the previously held equity interest in the acquiree; less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the difference is negative, a bargain purchase gain would be recognized in net income. Costs related to the acquisition are expensed as incurred.

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

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

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

Non-controlling interests

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

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

Associated companies and joint ventures

Associated companies are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting

rights. Entities over which the Group has joint control by virtue of a contractual arrangement are joint ventures.

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

The line item Income from associated companies and joint ventures also includes amortization of fair value adjustments and other consolidation adjustments made upon the acquisition of associated companies and joint ventures as well as any subsequent impairment losses on goodwill and other intangible assets, and capital gains and losses on divestitures of stakes in such companies. TeliaSonera's share of any gains or losses resulting from transactions with associated companies and joint ventures are eliminated.

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

Cash flow reporting

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

Payments for equity instruments and operations acquired or divested are classified as cash flows from investing activities, net of cash and cash equivalents acquired or disposed of, respectively. Up until 2009, acquisitions or disposals of non-controlling interests (including acquisition-related costs) were classified as investing activities, but prospectively as of 2010, such transactions are reported in financing activities. Further, cash flows from investing activities include compensation from or contributions to the Swedish pension fund, payments related to leasing receivables as well as changes in short-term investments with maturities over 3 months.

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

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

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

Segment reporting

The Group's basic operating segments are called business areas (BA), which are founded on management's decision to organize the Group around differences in products and services

in combination with geographical markets. Each BA constitutes a reportable segment. Operating segments that are not individually reportable and certain corporate functions are combined into an "other operations" reportable segment. For additional information, see Note C5 "Segment Information." Segments are consolidated based on the same accounting principles as for the Group as a whole, except for inter-segment finance leases which are treated as operating leases. When significant operations are transferred between segments, comparative period figures are restated.

Foreign currency translation and inflation adjustments

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

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

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

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

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

Revenue recognition

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

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

Subscription fees are recognized as revenue over the subscription period. Sales relating to pre-paid phone cards, primarily mobile, are deferred and recognized as revenue based on the actual usage of the cards. Connection fees are separately recognized at completion of connection, if the fees do not include any amount for subsequent servicing but only cover the connection costs. Amounts for subsequent servicing are deferred.

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

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

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

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

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

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

Operating expenses

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

For equity-settled share-based payments to employees, such as the Performance Share Program 2010/2013, cost, being the fair value at the allotment date of the equity instruments allotted, is recognized as personnel expenses allocated over the vesting period and with a corresponding increase in equity. Cost is based on the best available estimate of the number of equity instruments to vest. If necessary, the estimate is revised during the vesting period and finally revised at the end of the vesting period.

Other operating income and expenses

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

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

Finance costs and other financial items

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

currency interest rate swaps and of forward contracts hedging currency risks in external borrowings.

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

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

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

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

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

Intangible assets, and property, plant and equipment Measurement bases

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

Other intangible assets are measured at cost, including directly attributable borrowing costs, less accumulated amortization and any impairment losses. Direct external and internal development expenses for new or substantially improved products and processes are capitalized, provided that future economic bene-

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

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

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

Fair value estimation

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

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

The carrying value less impairment provision of trade receivables and payables are assumed for disclosure purposes to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future

contractual cash flows at the current market interest rate that is available for similar financial instruments.

Current/non-current distinction, offsetting

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

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

Financial assets – measurement

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

Government bonds and treasury bills held-to-maturity are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest rate method, less impairment. Receivables arising from own lending, except for short-term receivables where the interest effect is immaterial, are measured at amortized cost, using the effective interest rate method, less impairment. An impairment loss on government bonds and treasury bills and on receivables from own lending is calculated as the difference between the carrying amount and the present value of the estimated future cash flow discounted at the original effective interest rate.

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

Financial liabilities – measurement

Financial liabilities (interest-bearing loans and borrowings), except for short-term liabilities where the interest effect is

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

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

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

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

Derivatives and hedge accounting – measurement and classification

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

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

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

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

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

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

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

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

Inventories

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

Assets held-for-sale

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

Equity attributable to owners of the parent

Equity attributable to owners of the parent is divided into share capital, other contributed capital, hedging reserve, fair value reserve, foreign currency translation reserve, revaluation reserve, inflation adjustment reserve and retained earnings. Share capital is the legally issued share capital. Other contributed capital comprises contributions made by shareholders in the form of share premiums in connection with new share issues, specific share holder contributions, etc. This item is reduced by reimbursements to shareholders made in accordance with separately decided and communicated capital repayment programs

(e.g. through purchasing own shares or extraordinary dividends). The hedging reserve as well as the fair value reserve and the foreign currency translation reserve are reclassified to net income. Cash flow hedges may also adjust the initial cost of a non-financial asset or liability. The revaluation reserve is used in connection with step acquisitions made before 2010 and the inflation adjustment reserve when accounting for operations in hyperinflationary economies. All other equity is retained earnings.

Dividend payments are proposed by the Board of Directors in accordance with the regulations of the Swedish Companies Act and decided by the General Meeting of shareholders. The proposed cash dividend for 2010 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. However, all employees born in 1979 and later are covered by a defined contribution pension plan (the ITP1 plan). TeliaSonera's employees in Finland are entitled to statutory pension benefits pursuant to the Finnish Employees' Pension Act, a defined benefit pension arrangement with retirement, disability, unemployment and death benefits (TEL pension). In addition, certain employees have additional pension coverage through a supplemental pension plan.

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

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

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

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

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

Other provisions and contingencies

Restructuring provisions include termination benefits, onerous contracts and other expenses related to cost reduction programs, post-acquisition integration programs, closing-down of operations, etc. Restructuring provisions are mainly recognized

as Other operating expenses, since they are not expenses for post-decision ordinary activities.

Other provisions also include contingent consideration resulting from business combinations or from put options granted to holders of non-controlling interests in existing subsidiaries (for additional information, see section "Consolidated financial statements – Non-controlling interests" above) as well as warranty commitments, environmental restoration, litigation, onerous contracts not related to restructuring activities, etc. The last-mentioned provisions are recognized as Cost of sales, Selling and marketing expenses, Administrative expenses or Research and development expenses as applicable.

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 2010 and in order to strengthen its market position, TeliaSonera acquired all shares in the web hosting services provider UAB Hostex in Lithuania.

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

Divestitures

On July 30, 2010, TeliaSonera sold its wholly-owned Danish cable TV company Telia Stofa A/S. In December 2010, TeliaSonera divested its partly-owned Cambodian mobile operator Applifone Company Ltd. in exchange for an indirect 25 percent stake in Latelz Company Ltd., another Cambodian mobile operator.

C5. Segment Information

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

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

Segment consolidation is based on the same accounting principles as for the Group as a whole, except for inter-segment finance leases which are treated as operating leases. Inter-segment transactions are based on commercial terms. Besides Net sales and Operating income, principal segment control and reporting concepts are EBITDA excluding non-recurring items and Operating segment capital, respectively (see "Definitions"). Segment figures for 2009 have been restated to reflect limited organizational changes effective January 1, 2010. Operations in Cambodia were transferred from business area Eurasia to reportable segment Other operations. In addition, several minor operational changes were made within BAs and between BAs and Corporate functions within Other operations, mainly related to rearrangement of e.g. product or customer responsibilities to further improve processes and increase efficiency. For information on impairment losses in 2010 related to the Cambodian operations, see Notes C13 "Goodwill and Other Intangible Assets" and C14 "Property, Plant and Equipment."

		January–December 2010 or December 31, 2010					
SEK in millions		Mobility Services	Broadband Services	Eurasia	Other operations	Eliminations	Group
Net sales		50,597	39,875	16,043	5,181	-5,114	106,582
External net sales		48,957	37,150	16,036	4,439	–	106,582
EBITDA excluding non-recurring items		14,928	13,035	8,348	640	26	36,977
Non-recurring items		-26	-142	-47	979	–	764
Amortization, depreciation and impairment losses		-4,316	-5,157	-2,637	-1,373	4	-13,479
Income from associated companies and joint ventures		164	77	7,603	-23	–	7,821
Operating income		10,750	7,813	13,267	223	30	32,083
Financial items, net							-2,147
Income taxes							-6,374
Net income							23,562
Investments in associated companies and joint ventures		631	673	44,689	465	–	46,458
Other operating segment assets		84,861	50,833	31,185	6,665	-1,207	172,337
Unallocated operating assets							9,136
Other unallocated assets							22,620
Total assets							250,551
Operating segment liabilities		12,470	11,421	10,134	4,530	-1,279	37,276
Unallocated operating liabilities							26,766
Other unallocated liabilities							66,193
Adjusted equity							120,316
Total equity and liabilities							250,551
Investments		4,312	5,208	6,261	888	–	16,669
of which CAPEX		3,879	4,928	5,473	654	–	14,934
Number of employees		7,488	13,901	4,853	2,703	–	28,945
Average number of full-time employees		7,076	12,926	4,550	3,145	–	27,697

		January–December 2009 or December 31, 2009 (restated)					
SEK in millions		Mobility Services	Broadband Services	Eurasia	Other operations	Eliminations	Group
Net sales		50,671	43,326	14,836	5,706	-5,378	109,161
External net sales		48,680	40,472	14,832	5,177	–	109,161
EBITDA excluding non-recurring items		14,916	13,903	7,536	310	1	36,666
Non-recurring items		-452	-1,158	282	-97	–	-1,425
Amortization, depreciation and impairment losses		-4,372	-5,430	-2,320	-828	18	-12,932
Income from associated companies and joint ventures		-1	78	7,747	191	–	8,015
Operating income/loss		10,091	7,393	13,245	-424	19	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		94,828	55,542	29,844	8,090	-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	10,443	5,389	-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		4,847	6,683	4,384	952	-17	16,849
of which CAPEX		3,819	4,953	4,314	921	–	14,007
Number of employees		7,465	13,645	4,712	3,912	–	29,734
Average number of full-time employees		7,378	13,161	4,580	3,696	–	28,815

External net sales were distributed by product area as follows.

SEK in millions	Jan-Dec 2010	Jan-Dec 2009
Mobile communications	59,282	59,521
Fixed communications	37,684	41,399
Other services	9,616	8,241
Total	106,582	109,161

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 2010		Jan-Dec 2009		Dec 31, 2010		Dec 31, 2009	
	Net sales				Non-current assets			
	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent
Sweden	36,709	34.4	36,323	33.3	25,868	17.3	26,316	16.2
Finland	16,170	15.2	17,891	16.4	38,992	26.1	45,537	28.1
Norway	9,864	9.3	10,162	9.3	28,760	19.2	31,555	19.5
All other countries	43,839	41.1	44,785	41.0	55,905	37.4	58,646	36.2
Total	106,582	100.0	109,161	100.0	149,525	100.0	162,054	100.0

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

	Jan-Dec 2010		Jan-Dec 2009	
	SEK in millions	Percent	SEK in millions	Percent
European Economic Area (EEA)	88,378	82.9	92,029	84.3
<i>of which European Union (EU) member states</i>	78,479	73.6	81,845	75.0
Rest of Europe	2,680	2.5	2,968	2.7
North-American Free Trade Agreement (NAFTA)	597	0.6	714	0.7
Rest of world	14,927	14.0	13,450	12.3
Total	106,582	100.0	109,161	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 2010	Jan-Dec 2009
Change in net sales, total	-2.4	5.4
<i>- volume growth</i>	6.6	6.2
<i>- price reductions</i>	-3.1	-6.5
<i>- structural changes</i>	-0.4	1.1
<i>- exchange rate effects</i>	-5.5	4.6

TeliaSonera experienced volume growth mainly within mobile communications in all of its geographical markets except the Baltic area. Volume growth was especially strong in the Eurasian operations due to ongoing high customer intake. In 2010, however, total volume growth was more than offset by exchange rate effects and continued overall price pressure on telecom services.

Structural changes in 2010 mainly related to the divestiture of Telia Stofa A/S and the 2009 acquisition of Tele2's broadband and VoIP operations in Norway, while 2009 was also impacted by the 2008 acquisitions of Avansys in Sweden, ComHouse in Norway and the mobile operations in Nepal and Cambodia.

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

C7. Expenses by Nature

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

SEK in millions	Jan-Dec 2010	Jan-Dec 2009
Goods and sub-contracting services purchased	-17,015	-16,744
Interconnect and roaming expenses	-15,630	-17,308
Other network expenses	-5,378	-5,245
Change in inventories	-384	-213
Personnel expenses (see also Note C32)	-13,685	-14,806
Marketing expenses	-7,318	-6,880
Other expenses	-10,697	-11,555
Amortization, depreciation and impairment losses	-12,791	-12,932
Total	-82,898	-85,683

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 31,700 million in 2010 and SEK 33,241 million in 2009.

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

SEK in millions	Jan–Dec 2010	Jan–Dec 2009
Cost of sales	-10,914	-10,946
Selling and marketing expenses	-1,041	-1,108
Administrative expenses	-792	-813
Research and development expenses	-44	-65
Total	-12,791	-12,932

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 2010	Jan–Dec 2009
Other operating income		
Capital gains	1,207	34
Exchange rate gains	391	216
Commissions, license and patent fees, etc.	129	219
Grants	26	27
Recovered accounts receivable, released accounts payable	238	267
Compensation for damages	81	343
Total other operating income	2,072	1,106
Other operating expenses		
Capital losses	-139	-182
Provisions for onerous contracts	-	-11
Exchange rate losses	-405	-266
Restructuring costs	-192	-1,458
Amortization, depreciation and impairment losses	-688	-0
Damages paid	-70	-358
Total other operating expenses	-1,494	-2,275
Net effect on income	578	-1,169
<i>of which net exchange rate gains/losses on derivative instruments held-for-trading</i>	<i>51</i>	<i>-0</i>

In 2010, capital gains include SEK 830 million referring to the divestiture of Telia Stofa A/S and impairment losses include SEK 678 million related to the Cambodian operations. In 2009, compensation for damages included SEK 282 million as a result of the agreement with Altimo to combine the two companies' ownership interests in Turkcell İletişim Hizmetleri A.S. in Turkey and OAO MegaFon in Russia into a new company. Restructuring costs mainly relates to staff redundancy costs.

C9. Income from Associated Companies and Joint Ventures

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

SEK in millions	Jan–Dec 2010	Jan–Dec 2009
Share in net income for the year	7,937	7,995
Amortization of fair value adjustments	-112	-121
Net capital gains/losses	-4	141
Net effect on income	7,821	8,015

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 2010	Jan–Dec 2009
Svenska UMTS-nät AB, Sweden (joint venture)	163	0
SIA Lattelecom, Latvia	76	77
OAO MegaFon, Russia	5,053	4,691
Turkcell İletişim Hizmetleri A.S., Turkey	2,550	3,056
SmartTrust AB, Sweden	-	149
Other holdings	-21	42
Net effect on income	7,821	8,015

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 2010	Jan–Dec 2009
Finance costs		
Interest expenses	-2,167	-2,672
Interest expenses on finance leases	-6	-10
Unwinding of provision discounts	-181	-190
Capitalized interest	57	94
Net exchange rate gains and losses	-380	-413
Total finance costs	-2,677	-3,191
Other financial items		
Interest income	420	413
Interest income on finance leases	13	21
Credit losses on finance leases	-2	0
Dividends on equity instruments available-for-sale	0	1
Capital gains on equity instruments available-for-sale	99	-
Dividends on venture capital investments	7	-
Changes in fair value of venture capital investments	-5	-21
Capital losses on equity instruments at cost	-2	-1
Impairment losses on equity instruments at cost	-	-69
Remitted long-term vendor financing	-	137
Total other financial items	530	481
Net effect on income	-2,147	-2,710

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 2010	Jan-Dec 2009	Jan-Dec 2010	Jan-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
SEK in millions	Interest expenses			Net exchange rate gains and losses		Interest income
Fair value hedge derivatives	369	245	-2,786	-1,348	-	-
Cash flow hedge derivatives	-147	-118	-106	-81	-	-
Derivatives held-for-trading	19	97	-3,336	-456	-	-
Held-to-maturity investments	-	-	-	-	0	0
Loans and receivables	-	-	2,848	559	418	405
Borrowings in fair value hedge relationships	-978	-988	2,786	1,348	-	-
Borrowings and other financial liabilities at amortized cost	-1,418	-1,894	214	-435	-	-
Other	-12	-14	-	-	2	8
Total	-2,167	-2,672	-380	-413	420	413

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 2010	Jan-Dec 2009
Tax items recognized in net income		
Current tax expense relating to current year	-5,867	-3,315
Underprovided or overprovided current tax expense in prior years	-61	262
Deferred tax expense originated or reversed in current year	-569	-3,262
Recognition of previously unrecognized deferred taxes	124	19
Effect on deferred tax income (+)/expense (-) from changes in tax rates	-1	-38
Total tax expense recognized in net income	-6,374	-6,334
Tax items recognized in other comprehensive income		
Current tax relating to current year	-913	-279
Deferred tax originated or reversed in current year	-23	-17
Total tax recognized in other comprehensive income	-936	-296

Pre-tax income was SEK 29,936 million in 2010 and SEK 27,614 million in 2009. The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	Jan-Dec 2010	Jan-Dec 2009
Swedish income tax rate	26.3	26.3
Effect of higher or lower tax rates in subsidiaries	-1.2	-0.5
Withholding tax on earnings in subsidiaries, associated companies and joint ventures	2.6	3.5
Underprovided or overprovided current tax expense in prior years	0.2	-0.9
Recognition of previously unrecognized deferred taxes	-0.4	-0.1
Effect on deferred tax expense from changes in tax rates	0.0	0.1
Income from associated companies and joint ventures	-6.9	-7.6
Current year losses for which no deferred tax asset was recognized	1.4	1.6
Non-deductible expenses	0.2	0.6
Tax-exempt income	-0.9	-0.1
Effective tax rate in net income	21.3	22.9
<i>Effective tax rate excluding effects from associated companies and joint ventures</i>	<i>26.0</i>	<i>28.1</i>

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

Country	Enacted	Corporate income tax rate change	Effective
United Kingdom	July 2010	Cut from 28 percent to 27 percent with a further reduction by 1 percentage point each year up until 2014 when the tax rate finally will be 24 percent	April 1, 2011
Netherlands	December 2010	Cut from 25.5 percent to 25 percent	January 1, 2011
Kazakhstan	November 2009	Previously decided cuts postponed from 2010 and 2011 to 2013 (from 20 percent to 17.5 percent) and 2014 (to 15.0 percent), respectively	January 1, 2010
Lithuania	December 2009	Cut from 20 percent to 15 percent	January 1, 2010

Deferred tax assets and liabilities

Deferred tax assets and liabilities changed as follows.

SEK in millions	Dec 31, 2010	Dec 31, 2009
Deferred tax assets		
Opening balance	11,177	13,206
Comprehensive income period change	-723	-943
Operations divested	-68	-
Reversals of offset tax liabilities/assets, other reclassifications	-30	-264
Exchange rate differences	-1,308	-822
Deferred tax assets, closing balance	9,048	11,177
Deferred tax liabilities		
Opening balance	13,210	11,260
Comprehensive income period change	-254	2,355
Operations divested	-95	-
Reversals of offset tax assets/liabilities, other reclassifications	58	-40
Exchange rate differences	-393	-365
Deferred tax liabilities, closing balance	12,526	13,210

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

SEK in millions	Dec 31, 2010	Dec 31, 2009
Gross deferred tax assets		
Unrealized gain, associated companies	48	48
Delayed depreciation, impairment losses and fair value adjustments, other non-current assets	6,094	6,604
Delayed expenses for provisions	504	251
Doubtful current receivables	166	196
Tax loss carry-forwards	6,465	8,527
Subtotal	13,277	15,626
Valuation allowances		
Tax loss carry-forwards	-3,785	-4,137
Subtotal	-3,785	-4,137
Offset deferred tax liabilities/assets	-444	-312
Total deferred tax assets	9,048	11,177
Deferred tax liabilities		
Withholding taxes and impairment losses, subsidiaries and associated companies	3,075	2,643
Accelerated depreciation and fair value adjustments, other non-current assets	5,995	8,040
Fair value adjustments, provisions	722	1,098
Delayed revenue recognition, current receivables	77	34
Profit equalization reserves	3,101	1,707
Subtotal	12,970	13,522
Offset deferred tax assets/liabilities	-444	-312
Total deferred tax liabilities	12,526	13,210
Net deferred tax assets (+)/liabilities (-)	-3,478	-2,033
Net increase (+)/decrease (-) in valuation allowance	-352	170

Unrecognized deferred tax assets, as reflected by the valuation allowance at December 31, 2010, are expected to expire as follows.

Expected expiry SEK in millions	2011	2012	2013	2014	2015	2016-2026	Unlimited	Total
Unrecognized deferred tax assets	208	34	2	0	8	2,837	696	3,785

As of December 31, 2010 and 2009, unrecognized deferred tax liabilities for undistributed earnings in subsidiaries, including estimated such income tax that is levied on dividends paid, totaled SEK 669 million and SEK 762 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. Finnish tax losses expire after 10 years.

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, 2010, Xfera had tax losses and taxable temporary differences totaling SEK 11.4 billion.

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

losses will be utilized before they expire after 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, 2010, based on these projections, management has recognized a deferred tax asset of SEK 611 million after valuation allowance.

TeliaSonera's accumulated tax loss carry-forwards were SEK 22,735 million in 2010 and SEK 30,436 million in 2009. Tax loss carry-forwards as of December 31, 2010 are expected to expire as follows.

Expected expiry SEK in millions	2011	2012	2013	2014	2015	2016- 2026	Unlimited	Total
Tax loss carry-forwards	1,015	3,516	3,030	13	98	11,642	3,421	22,735

C12. Other Comprehensive Income

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan-Dec 2010	Jan-Dec 2009
Foreign currency translation differences			
Translation of foreign operations	Foreign currency translation reserve	-21,626	-6,853
Translation of foreign non-controlling interests	Non-controlling interests	-460	-1,554
Divestitures transferred to net income	Foreign currency translation reserve	-345	-9
<i>of which line items other operating income/expenses</i>		-345	-
<i>of which line item income from associated companies</i>		-	-9
Hedging of foreign operations	Foreign currency translation reserve	3,472	1,061
Income tax effect	Foreign currency translation reserve	-913	-279
Total foreign currency translation differences		-19,872	-7,634
<i>of which attributable to owners of the parent</i>		-19,412	-6,080
Income from associated companies			
Net changes in fair value of available-for-sale financial instruments	Fair value reserve	-5	11
Translation of foreign operations	Foreign currency translation reserve	-98	177
Total income from associated companies		-103	188
Cash flow hedges			
Net changes in fair value	Hedging reserve	109	16
Transferred to finance costs in net income	Hedging reserve	-46	73
Income tax effect	Hedging reserve	-23	-17
Total cash flow hedges		40	72
Available-for-sale financial instruments			
Net changes in fair value	Fair value reserve	15	34
Divestitures transferred to other financial items in net income	Fair value reserve	-105	-
Total available-for-sale financial instruments		-90	34
Total other comprehensive income		-20,025	-7,340
<i>of which total income tax effects (see also Note C11)</i>		-936	-296

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 40 million as of December 31, 2010. Future gains or losses will affect net income in 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.

SEK in millions	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
	Goodwill		Other intangible assets	
Accumulated cost	77,500	86,137	32,044	33,143
Accumulated amortization	–	–	-17,947	-17,728
Accumulated impairment losses	-293	-400	-1,021	-955
Advances	–	–	248	42
Carrying value	77,207	85,737	13,324	14,502
<i>of which work in progress</i>	<i>–</i>	<i>–</i>	<i>950</i>	<i>1,215</i>
Carrying value, opening balance	85,737	84,431	14,502	16,537
Investments	70	1,776	2,580	1,923
<i>of which capitalized interest</i>	<i>–</i>	<i>–</i>	<i>22</i>	<i>50</i>
Sales and disposals	–	-11	-18	-17
Operations acquired	–	–	–	67
Operations divested	-40	–	-30	0
Reclassifications	–	201	423	-139
Adjustments related to put options	482	38	–	–
Amortization for the year	–	–	-2,581	-2,688
Impairment losses for the year	-174	-4	-468	-109
Advances	–	–	206	39
Exchange rate differences	-8,868	-694	-1,290	-1,111
Carrying value, closing balance	77,207	85,737	13,324	14,502

TeliaSonera acquired Applifone in Cambodia in 2008. In the first quarter of 2010, when Applifone was the number seven out of nine mobile operators and the market in general was characterized by fierce competition and high churn rates, it was clear that TeliaSonera's ambition related to the Cambodian market had to be reviewed and the segment responsibility was transferred from business area Eurasia to reportable segment Other operations. Following further analysis of the market position, the Applifone value was reassessed during the third quarter of 2010. All goodwill (SEK 174 million) and most of the value of other intangible assets (SEK 411 million) related to the Cambodian operations were written down (see also Note C14 "Property, Plant and Equipment" and Note C5 "Segment Information").

Apart from goodwill, there are currently no intangible assets with indefinite useful lives. No general changes of useful lives were made in 2010. 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, 2010	Dec 31, 2009
Business area Mobility Services	53,829	60,242
<i>of which Finland</i>	20,230	23,267
<i>of which Norway</i>	23,599	25,464
<i>of which Denmark</i>	4,475	5,154
Business area Broadband Services	12,094	13,769
<i>of which Finland</i>	8,104	9,270
Business area Eurasia	10,606	10,867
<i>of which Azerbaijan</i>	4,802	4,727
<i>of which Uzbekistan and Tajikistan</i>	2,145	2,365
<i>of which Nepal</i>	2,875	2,939
Other operations	678	859
Total goodwill	77,207	85,737

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

SEK in millions	Dec 31, 2010	Dec 31, 2009
Trade names	153	241
Licenses	5,635	5,812
Customer and vendor relationships, inter-connect and roaming agreements	3,137	4,151
Capitalized development expenses	2,031	2,038
Patents, etc.	502	460
Leaseholds, etc.	668	543
Work in progress, advances	1,198	1,257
Total other intangible assets	13,324	14,502

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

Impairment testing

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

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

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

Years/Percent	Sweden	Finland	Norway	Denmark	Lithuania	Latvia	Estonia	Spain
Business area Mobility Services								
Forecast period (years)	5	5	5	5	5	5	5	10
WACC rate (%)	5.3	5.3	5.8	5.6	8.1	9.4	8.7	8.2
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 (%)	5.0	5.4	6.7	6.5	7.7	9.1	8.3	—
Terminal growth rate (%)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	—
Other operations								
Forecast period (years)	5	5	—	—	—	—	—	—
WACC rate (%)	5.0	5.4	—	—	—	—	—	—
Terminal growth rate (%)	1.0	1.0-2.0	—	—	—	—	—	—
Years/Percent	Wholesale	Kazakhstan	Azerbaijan	Uzbekistan	Tajikistan	Georgia	Moldova	Nepal
Business area Broadband Services								
Forecast period (years)	5	—	—	—	—	—	—	—
WACC rate (%)	5.8	—	—	—	—	—	—	—
Terminal growth rate (%)	1.0	—	—	—	—	—	—	—
Business area Eurasia								
Forecast period (years)	—	5	10	10	5	5	5	10
WACC rate (%)	—	16.2	17.4	18.4	15.7	16.2	16.5	17.5
Terminal growth rate (%)	—	2.0	4.0	4.0	2.0	2.0	2.0	5.0

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

In the 2010 impairment tests, the recoverable values based on value in use of the cash-generating units were found not to fall short of their carrying values in any test and therefore the related goodwill was not impaired.

C14. Property, Plant and Equipment

The carrying value was distributed and changed as follows.

	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	
Plant and machinery										
SEK in millions										
Property										
Mobile networks										
Fixed networks										
Equipment, tools and installations										
Total										
Accumulated cost	8,132	8,861	60,887	59,760	123,229	129,112	10,656	9,959	202,904	207,692
Accumulated depreciation	-3,957	-4,050	-38,369	-36,708	-83,293	-85,769	-8,131	-7,209	-133,750	-133,736
Accumulated impairment losses	-413	-494	-372	-408	-10,805	-12,238	-353	-512	-11,943	-13,652
Advances	—	—	1,068	918	74	—	—	—	1,142	918
Carrying value	3,762	4,317	23,214	23,562	29,205	31,105	2,172	2,238	58,353	61,222
of which assets under construction	—	—	4,381	4,018	1,541	1,583	—	—	5,923	5,601
Carrying value, opening balance	4,317	4,708	23,562	24,804	31,105	30,125	2,238	2,309	61,222	61,946
Investments	162	166	6,992	6,392	3,698	4,072	935	860	11,787	11,490
of which capitalized interest	2	3	8	16	19	24	6	1	35	44
Sales and disposals	-39	-36	-37	-46	-34	-49	-57	-33	-167	-164
Dismantling and restoration	—	—	314	9	213	1,045	—	—	527	1,054
Operations acquired	—	—	—	—	3	2	—	30	3	32
Operations divested	-9	—	-76	—	-434	—	0	—	-519	—
Grants received	—	—	-1	—	-1	0	—	—	-2	—
Reclassifications	73	82	-332	-922	-375	500	270	133	-364	-207
Depreciation for the year	-340	-359	-4,968	-4,644	-3,772	-4,005	-1,016	-1,020	-10,096	-10,028
Impairment losses for the year	—	—	-139	-40	-13	-61	-8	-2	-160	-103
Advances	—	—	150	412	74	—	—	—	224	412
Exchange rate differences	-402	-244	-2,251	-2,403	-1,259	-524	-190	-39	-4,102	-3,210
Carrying value, closing balance	3,762	4,317	23,214	23,562	29,205	31,105	2,172	2,238	58,353	61,222

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

No general changes of useful lives were made in 2010. 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 3,800 properties, mainly in Sweden and Finland. The substantial majority is used solely for technical facilities, like network installations, computer installations, research centers and service outlets.

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

SEK in millions	Dec 31, 2010	Dec 31, 2009
Depreciable property (buildings, etc.)	3,353	3,830
Non-depreciable property (land)	409	487
Total property	3,762	4,317

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

SEK in millions	Dec 31, 2010	Dec 31, 2009
Buildings	344	307
Land and land improvements	78	70
Tax-assessed value	422	377

At property taxations in 2010, 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 2010.

C15. Investments in Associated Companies and Joint Ventures

The carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2010	Dec 31, 2009
Goodwill and similar assets on consolidation	7,029	7,195
Share of equity	39,429	35,323
Carrying value	46,458	42,518
Carrying value, opening balance	42,518	39,543
Shareholder contributions	125	250
Share of net income for the year	7,937	7,995
Share of other comprehensive income for the year	-103	188
Amortization and write-downs of fair value adjustments	-112	-121
Dividends received	-1,721	-2,153
Repayment of long term loans classified as investments in associated companies	-	-170
Acquisitions and operations acquired	998	1
Divestments and operations divested	-	-31
Reclassifications	272	115
Exchange rate differences	-3,456	-3,099
Carrying value, closing balance	46,458	42,518

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

Company, Corp. Reg. No., registered office	Participation (%)	Number of shares	Equity participation in consolidated accounts		Carrying value in each parent company	
			2010	2009	2010	2009
			SEK in millions			
Parent company holdings						
Swedish companies						
Overseas Telecom AB, 556528-9138, Stockholm	65	1,180,575	294	333	198	198
Telefö AB, 556523-6865, Stockholm	26	2,560,439	12	10	0	0
SNPAC Swedish Number Portability Administrative Centre AB, 556595-2925, Stockholm	20	400	3	3	1	1
Other operating, dormant and divested companies			0	0	0	0
Non-Swedish companies						
OAO Telecominvest, St. Petersburg	26	4,262,165	4,261	3,842	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	621	334	875	750
Other operating, dormant and divested companies			0	0	0	0
Non-Swedish companies						
AS Sertifitseerimiskeskus, 10747013, Tallinn	50	16	7	7	5	5
SIA Lattelecom, 00030527, Riga	49	71,581,000	663	844	1,349	1,554
Kiinteistö Oy Pietarsaaren Isokatu 8, 0181832-2, Pietarsaari	48	12,851	3	3	6	7
Turkcell Holding A.S., 430991-378573, Istanbul	47	214,871,670	13,931	13,744	1,758	2,022
Turkcell İletişim Hizmetleri A.S., 304844-252426, Istanbul	14	308,531,984	7,447	7,357	1,845	1,298
OAO MegaFon, 7812014560, Moscow	36	2,207,234	19,050	16,021	407	451
AUCS Communications Services v.o.f., 34097149, Hoofddorp	33	–	9	9	0	0
Johtotieto Oy, 0875145-8, Helsinki	33	170	2	2	0	0
OCH A/S, 18936909, Copenhagen	33	1,333	5	6	4	5
Voicecom OÜ, 10348566, Tallinn	26	–	1	1	1	1
Glasswool Holdings Ltd., C205765, Nicosia	25	1,350	147	–	208	–
Suomen Numerot NUMPAC Oy, 1829232-0, Helsinki	25	3,000	1	1	0	0
SCF Huolto Oy, 1892276-7, Loimaa	20	20	1	1	0	0
Other operating, dormant and divested companies			0	0	0	0
Total Group				46,458	42,518	

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

The market value of the Group's direct and indirect holdings in the publicly quoted Turkcell İletişim Hizmetleri A.S. was SEK 38,618 million and SEK 40,278 million as of December 31, 2010 and 2009, 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,	
	2010	2009
Net sales	98,646	93,166
Gross profit	65,435	62,492
Net income	23,640	25,571
Non-current assets	152,960	144,292
Current assets	58,447	56,919
Provisions and long-term liabilities	24,131	20,043
Current liabilities	25,808	25,896

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

C16. Other Non-current Assets

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

SEK in millions	Dec 31, 2010		Dec 31, 2009	
	Carrying value	Fair value	Carrying value	Fair value
Equity instruments available-for-sale	199	199	341	341
Equity instruments held-for-trading	50	50	57	57
Convertible bonds available-for-sale	4	4	4	4
Interest rate swaps designated as fair value hedges	1,275	1,275	957	957
Interest rate swaps and cross currency interest rate swaps held-for-trading	322	322	1,576	1,576
Currency swaps and forward exchange contracts held-for-trading	3	3	—	—
Subtotal (see Fair value hierarchy levels – Note C26)	1,853	1,853	2,935	2,935
Government bonds and treasury bills held-to-maturity	41	41	81	81
Loans and receivables at amortized cost	3,315	3,315	2,145	2,145
Subtotal (see Categories – Note C26)	5,209	5,209	5,161	5,161
Finance lease receivables	782	782	838	838
Subtotal (see Credit risk – Note C27)/Total fair value	5,991	5,991	5,999	5,999
Equity instruments at cost	52	61		
Deferred expenses	641	593		
Total other non-current assets	6,684		6,653	
of which interest-bearing	4,531		5,130	
of which non-interest-bearing	2,153		1,523	

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, 2010, contractual cash flows for Government bonds and treasury bills and Loans and receivables represented the following expected maturities.

Expected maturity SEK in millions	Later years					Total
	2012	2013	2014	2015		
Government bonds and treasury bills	11	—	20	—	10	41
Loans and receivables	2,201	472	189	68	385	3,315

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	
			2010	2009	2010	2009
			SEK in millions			
Parent company holdings						
Swedish companies						
Slottsbacken Fund Two KB, 969660-9875, Stockholm	18	–	1	4	1	4
Lindholmen Science Park AB, 556568-6366, Gothenburg	9	90	3	3	3	3
Ullna Golf AB, 556042-8095, Österåker	1	3,500	1	1	1	1
Other operating, dormant and divested companies			0	0	0	0
Non-Swedish companies						
ONSET VI, L.P., 4604207, Dover, DE	2	–	10	7	10	7
Birdstep Technology ASA, 977037093, Oslo	2	1,722,594	2	5	2	5
Vision Extension L.P., LP180, Saint Helier, Jersey	2	–	1	1	1	1
Other operating, dormant and divested companies			0	127	0	127
Total parent company					18	148
Subsidiaries' holdings						
Swedish companies						
Other operating, dormant and divested companies		0	0	0	0	0
Non-Swedish companies						
Eesti Lairiba Arenduse Sihtasutus, 90010094, Tallinn	13	–	1	1	1	1
Telecom Development Company Afghanistan B.V., 34183985, Amsterdam	12	1,225	197	209	197	209
Magma Venture Capital I Annex Fund, L.P., Cayman Islands	7	–	1	2	1	2
Magma Venture Capital I, L.P., Cayman Islands	7	–	0	11	0	11
Oy Merinova Ab, 0778620-2, Vaasa	6	800	1	1	1	1
Vierumäki Golf Village Oy, 1927979-3, Helsinki	5	0	13	15	13	15
Diamondhead Ventures, L.P., 3145188, Menlo Park, CA	4	–	10	10	10	10
Helsinki Halli Oy, 1016235-3, Helsinki	1	42	4	5	4	5
Intellect Capital Ventures, L.L.C., 3173982, Los Angeles, CA	0	–	26	21	26	21
Digital Media & Communications II L.P., 3037042, Boston, MA	0	–	1	1	1	1
Asunto Oy Helsingin Oskar, 0881553-8, Helsinki	0	280	1	1	1	1
Holdings in other real estate and housing companies, Finland	–	–	24	28	24	28
Holdings in local phone companies, etc., Finland	–	–	4	4	4	4
Other operating, dormant and divested companies			0	2	0	2
Total Group			301	459		

The parent company's and the subsidiaries' holdings of Other non-Swedish operating, dormant and divested companies for the comparative year (Group carrying value SEK 129 million, carrying value in the respective parent company SEK 129 million) relate to Digital Telecommunications Phils., Inc. and Santapark Oy, which were divested in 2010.

C17. Inventories

After deductions for obsolescence amounting to SEK 5 million in 2010 and SEK 13 million in 2009, the total carrying value was distributed as follows.

SEK in millions	Dec 31, 2010	Dec 31, 2009
Goods for resale	1,187	1,111
Other inventories and expense incurred on construction contracts	208	440
Total	1,395	1,551

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 0 million in 2010 and SEK 82 million in 2009.

C18. Trade and Other Receivables

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

SEK in millions	Dec 31, 2010	Dec 31, 2009
Currency swaps, forward exchange contracts and currency options held-for-trading	228	135
Subtotal (see Fair value hierarchy levels – Note C26)	228	135
Accounts receivable at amortized cost	11,877	12,298
Loans and receivables at amortized cost	4,437	4,797
Subtotal (see Categories – Note C26 and Credit risk – Note C27)	16,542	17,230
Other current receivables	1,802	2,478
Deferred expenses	1,561	1,682
Total trade and other receivables	19,905	21,390

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, 2010	Dec 31, 2009
Geographical area		
Nordic countries	12,620	13,475
Baltic countries	1,136	1,311
Eurasia	949	833
Other countries	1,609	1,476
Total carrying value	16,314	17,095
Customer segment		
Residential customers	5,806	5,912
Business customers	6,708	6,873
Other operators	3,406	3,879
Distributors	394	431
Total carrying value	16,314	17,095

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, 2010	Dec 31, 2009
Accounts receivable invoiced	13,084	14,250
Allowance for doubtful accounts receivable	-1,207	-1,952
Total accounts receivable	11,877	12,298
Accounts receivable not due	8,413	8,544
Accounts receivable past due but not impaired	3,464	3,754
<i>of which less than 30 days</i>	1,641	1,753
<i>of which 30–180 days</i>	919	1,118
<i>of which more than 180 days</i>	904	883
Total accounts receivable	11,877	12,298

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

SEK in millions	Dec 31, 2010	Dec 31, 2009
Loans and receivables not due	2,949	3,357
Loans and receivables past due but not impaired	1,488	1,440
<i>of which less than 30 days</i>	1,252	1,283
<i>of which 30–180 days</i>	59	64
<i>of which more than 180 days</i>	177	93
Total loans and receivables	4,437	4,797

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 560 million in 2010 and SEK 590 million in 2009. Recovered accounts receivable in these years were SEK 73 million and SEK 79 million, respectively.

The allowance for doubtful accounts receivable changed as follows.

SEK in millions	Dec 31, 2010	Dec 31, 2009
Opening balance	1,952	1,260
Provisions for receivables impaired	127	665
Operations divested	-55	-
Receivables written-off as uncollectible	-578	-95
Unused amounts reversed	-84	-16
Reclassifications	-	194
Exchange rate differences	-155	-56
Closing balance	1,207	1,952

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, 2010	Dec 31, 2009
Interest rate swaps and cross currency interest rate swaps at fair value	134	329
<i>of which designated as fair value hedges</i>	13	-
<i>of which designated as cash flow hedges</i>	-	329
<i>of which held-for-trading</i>	121	-
Subtotal (see Fair value hierarchy levels – Note C26)	134	329
Short-term investments with maturities over 3 months	1,052	309
<i>of which bonds and commercial papers held-to-maturity</i>	152	302
<i>of which bank deposits at amortized cost</i>	900	7
Loans and receivables at amortized cost	922	737
Subtotal (see Categories – Note C26)	2,108	1,375
Finance lease receivables	369	351
Total (see Credit risk – Note C27)	2,477	1,726

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, 2010	Dec 31, 2009
Short-term investments with maturities up to and including 3 months	7,383	10,904
<i>of which commercial papers held-to-maturity</i>	-	12
<i>of which bank deposits at amortized cost</i>	7,383	10,892
Cash and bank	7,961	11,584
Total (see Categories – Note C26 and Credit risk – Note C27)	15,344	22,488

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
Issued share capital, December 31, 2010	14,369,463,082	4,490,457,213	3.20

Treasury shares

As of December 31, 2010, no TeliaSonera shares were held by the company itself or by the company's subsidiaries.

On February 18, 2011, the Board of Directors resolved, based on the authorization granted by the Annual General Meeting 2010, to repurchase a maximum of 160,373,471 shares, equivalent to a maximum of 3.6 percent of the outstanding shares, through a repurchase offer directed to TeliaSonera's shareholders. The Board of Directors also decided to propose to the Annual General Meeting 2011 to resolve on cancellation of the shares that will be purchased in the repurchase offer.

Inflation adjustment reserve

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

Non-controlling interests

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

SEK in millions	Dec 31, 2010	Dec 31, 2009
Opening balance	-145	1,409
Translation of foreign operations	-460	-1,554
Closing balance	-605	-145

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

SEK in millions	Dec 31, 2010	Dec 31, 2009
DLG Tele I/S, Denmark	28	62
TEO LT, AB, Lithuania	855	1,089
Latvijas Mobilais Telefons SIA, Latvia	607	686
AS Eesti Telekom, Estonia	-	19
Fintur Holdings B.V., the Netherlands	4,587	4,598
TeliaSonera UTA Holding B.V., the Netherlands	660	646
Other subsidiaries	21	27
Total non-controlling interests in equity	6,758	7,127

AS Eesti Telekom became a wholly-owned subsidiary as of January 12, 2010. TeliaSonera UTA Holding B.V. increased its ownership in TeliaSonera Uzbek Telecom Holding B.V. from 74 percent to 94 percent on February 2, 2010, and in TeliaSonera Asia Holding B.V. from 51 percent to 75.45 percent on December 8, 2010 (see also Note C34 "Business Combinations, etc.").

Earnings per share and dividends

	Jan-Dec 2010	Jan-Dec 2009
Net income attributable to owners of the parent (SEK million)	21,257	18,854
Average number of outstanding shares, basic and diluted (thousands)	4,490,457	4,490,457
Earnings per outstanding share, basic and diluted (SEK)	4.73	4.20
Ordinary cash dividend (for 2010 as proposed by the Board)		
– Per share (SEK)	2.75	2.25
– Total (SEK million)	12,349	10,104

C21. Long-term and Short-term Borrowings

Open-market financing programs

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

Program	Characteristics	Limit currency	Limit	Dec 31, 2010			Average maturity (years)	Dec 31, 2009	
				Utilized	Interest rate type	Average		Util-	ized
				(in millions)	Floating	maturity		ized	Limit (in millions)
TeliaSonera AB	Euro Medium Term Note (EMTN)	Uncommitted International, Long-term	EUR	9,000	6,511	1,289	5.7	7,000	6,155
TeliaSonera AB	Euro Commercial Paper (ECP)	Uncommitted International, Short-term	EUR	1,000	–	–	–	1,000	–
TeliaSonera AB	Flexible Term Note (FTN)	Uncommitted Swedish domestic, Short-term and long-term	SEK	12,000	–	–	–	12,000	–

Borrowings

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

SEK in millions	Dec 31, 2010		Dec 31, 2009	
	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	9,342	9,342	10,775	10,775
Interest rate swaps at fair value	276	276	416	416
<i>of which designated as hedging instruments</i>	252	252	328	328
<i>of which held-for-trading</i>	24	24	88	88
Cross currency interest rate swaps at fair value	1,448	1,448	172	172
<i>of which designated as hedging instruments</i>	4	4	–	–
<i>of which held-for-trading</i>	1,444	1,444	172	172
Subtotal (see Fair value hierarchy levels – Note C26)	11,066	11,066	11,363	11,363
Open-market financing program borrowings	46,935	49,948	48,111	50,934
<i>of which hedging net investments</i>	26,731	28,760	25,038	26,818
<i>of which at amortized cost</i>	20,204	21,188	23,073	24,116
Other borrowings at amortized cost	2,478	2,478	4,149	4,149
Subtotal (see Categories – Note C26)	60,479	63,492	63,623	66,446
Finance lease agreements	84	84	41	41
Total long-term borrowings	60,563	63,576	63,664	66,487
Short-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	464	464	–	–
Interest rate swaps designated as hedging instruments	7	7	–	–
Subtotal (see Fair value hierarchy levels – Note C26)	471	471	–	–
Utilized bank overdraft facilities at amortized cost	71	71	524	524
Open-market financing program borrowings at amortized cost	3,983	3,995	7,024	7,092
Other borrowings at amortized cost	330	330	593	593
Subtotal (see Categories – Note C26)	4,855	4,867	8,141	8,209
Finance lease agreements	18	18	28	28
Total short-term borrowings	4,873	4,885	8,169	8,237

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, 2010, 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).

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

SEK in millions	Dec 31, 2010	Dec 31, 2009
Nominal portfolio value	59,000	48,000
<i>of which intended for overall management of the funding portfolio structure and hence not included in hedge relationships</i>	300	900

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, 2010	Dec 31, 2009
Present value of pension obligations	21,015	23,503
Fair value of plan assets	-19,840	-19,401
Pension obligations less plan assets (funded status)	1,175	4,102
Unrecognized past service cost	-41	-33
Unrecognized actuarial gains (+)/losses (-)	-645	-3,890
Net provisions (+)/assets (-) for pension obligations	489	179
<i>of which recognized as provisions</i>	757	680
<i>of which recognized as assets</i>	-268	-501

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 2010	Jan-Dec 2009
Current service cost	451	455
Interest cost	928	928
Expected return on plan assets	-935	-857
Amortization of past service cost	-13	-15
Amortization of actuarial gains (-)/losses (+)	120	206
Pension expenses, defined benefit pension plans	551	717
Settlement of pension obligations	-3	-14
Termination benefits (excl. premiums and pension-related social charges)	42	212
Pension premiums, defined benefit/defined contribution pension plans and pay-as-you-go systems	640	679
Pension-related social charges and taxes, other pension expenses	197	243
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring charges	-73	-280
Total pension expenses	1,354	1,557
<i>of which pension premiums paid to the ITP pension plan</i>	120	112

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, 2010	Dec 31, 2009
Discount rate	4.7	4.1
Expected rate of compensation increase	3.2	3.2
Employee turnover rate	2.9	2.9
Average expected remaining working life, years	14.7	14.5
Increase in income base amount (only for Swedish entities)	2.8	2.8
Annual adjustments to pensions	2.0	2.0
Expected return on plan assets	4.9	4.9

Specifications to pension obligations and pension expenses

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

SEK in millions	Dec 31, 2010	Dec 31, 2009
Present value of pension obligations		
Opening balance	23,503	22,814
Current service cost	451	455
Interest cost	928	928
Benefits paid	-1,175	-1,217
Benefits paid, early retirement	-15	-16
Termination benefits	42	212
Reclassifications	59	-
Operations acquired/divested	-	-7
Settlement of pension obligations	-38	-18
Actuarial gains (-)/losses (+)	-2,311	488
Exchange rate differences	-429	-136
Closing balance, present value of pension obligations	21,015	23,503
Fair value of plan assets		
Opening balance	19,401	18,068
Expected return on plan assets	935	857
Contribution to pension funds	83	131
Payment from pension funds	-900	-915
Operations acquired/divested	-20	-11
Actuarial gains (+)/losses (-)	761	1,413
Exchange rate differences	-420	-142
Closing balance, plan assets	19,840	19,401
Return on plan assets		
Expected return on plan assets	935	857
Actuarial gains (+)/losses (-)	761	1,413
Actual return on plan assets	1,696	2,270
Net assets/provisions for pension obligations		
Opening balance	179	-308
Pension expenses, defined benefit pension plans	551	717
Benefits paid	-1,175	-1,217
Benefits paid, early retirement	-15	-16
Contribution to pension funds	-83	-131
Payment from pension funds	900	915
Termination benefits	42	212
Operations acquired/divested, net	3	-6
Reclassifications	59	-
Exchange rate differences	28	13
Closing balance, net assets (-)/-provisions (+) for pension obligations	489	179
Unrecognized actuarial gains/losses		
Opening balance, actuarial gains (+)/losses (-)	-3,890	-5,035
Actuarial gains (-)/losses (+) to be recognized	120	206
Actuarial gains (-)/losses (+), acquired/divested operations	15	2
Actuarial gains (+)/losses (-), pension obligations	2,311	-488
Actuarial gains (+)/losses (-), plan assets	761	1,413
Exchange rate differences	38	12
Closing balance, unrecognized actuarial gains (+)/losses (-)	-645	-3,890
Operations divested		
Decrease in pension obligations	-38	-7
Decrease in plan assets	20	11
Change in unrecognized actuarial gains (-)/losses (+)	15	2
Net position, operations divested	-3	6

Plan-asset allocation

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

Asset category	Dec 31, 2010		Dec 31, 2009	
	SEK in millions	Percent	SEK in millions	Percent
Fixed income instruments, liquidity	9,933	50.1	10,264	52.9
Shares and other investments	9,907	49.9	9,137	47.1
Total	19,840	100.0	19,401	100.0
of which shares in TeliaSonera AB	99	0.5	113	0.6

Trend information

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

SEK in millions, except percentages	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
Plan liabilities	21,015	23,503	22,814	20,807	21,495
Plan assets	-19,840	-19,401	-18,068	-19,265	-18,977
Deficit (funded status)	1,175	4,102	4,746	1,542	2,518
Plan liabilities					
Experience adjustments arising on plan liabilities (%)	2.6	-1.0	-0.2	0.6	-0.3
Effects of changes in actuarial assumptions (%)	8.4	-1.1	-4.6	6.5	4.4
Plan assets					
Experience adjustments arising on plan assets (%)	4.0	7.8	-13.6	-1.4	2.1
Actual return on plan assets (%)	8.9	12.5	-8.5	3.1	6.4

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 84 million in 2011.

C23. Other Provisions

Changes in other provisions were as follows.

SEK in millions	December 31, 2010				
	Restructuring provisions	Put options and contingent consideration	Asset retirement obligations	Warranty provisions	Other provisions
Opening balance	1,274	8,564	2,270	413	460
of which financial liabilities at amortized cost	–	–	–	9	–
Provisions for the period	295	59	527	50	134
Operations divested	–	–	–	–	-19
Utilized provisions	-789	-1,735	-78	-171	-121
Reversals of provisions	-98	–	-45	-4	-4
Reclassifications	-136	479	–	–	3
Timing and interest-rate effects	3	127	71	–	2
Exchange rate differences	-27	-574	-77	-25	-31
Closing balance	522	6,920	2,668	263	424
of which non-current portion	123	6,920	2,662	210	32
of which current portion	399	–	6	53	392
of which financial liabilities at amortized cost (see Categories – Note C26)	–	–	–	4	–
					4

For financial liabilities, the carrying value equals fair value as provisions are discounted to present value. Refer to Note C26 "Financial Assets and Liabilities by Category and Level" for more information on financial instruments classified by category. As of December 31, 2010, 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–Sep 2011	Oct–Dec 2011	Later years	Total	Carry- ing value
Financial liabilities	–	4	–	4	4

Restructuring provisions

Changes in restructuring provisions were as follows.

SEK in millions	December 31, 2010 or January–December 2010				
	Danish operations	International carrier operations			Total
		Strategic refocusing	Post-merger integration	OPEX savings programs	
Carrying value, opening balance	26	61	54	1,133	1,274
Provisions for the period	–	–	–	295	295
Utilized provisions (cash outflow)	-8	–	–	-781	-789
Reversals of provisions	–	-35	-27	-36	-98
Reclassification to pension liability	–	–	–	-136	-136
Timing and interest-rate effects	–	1	2	–	3
Exchange rate differences	-2	-4	3	-24	-27
Carrying value, closing balance	16	23	32	451	522
<i>of which current portion</i>	<i>4</i>	<i>20</i>	<i>9</i>	<i>366</i>	<i>399</i>
Cash outflow during the year	-8	–	–	-781	-789
Cash outflow in prior years	-793	-2,358	-319	-2,520	-5,990
Total cash outflow	-801	-2,358	-319	-3,301	-6,779

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, 2010 mainly relates to the phase-out of long-term lease contracts and is expected to be fully utilized by 2025.

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, 2010 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, 2010 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. As group-wide initiatives, the programs have been completed, but transition activities continued in 2010 on business area level. The remaining provision as of December 31, 2010 is expected to be fully utilized by 2013.

Put options and contingent consideration

Provisions for put options and contingent consideration 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 1,371 million referring to contingent additional consideration to the selling shareholders based on an up to 20 year earn-out model and to a put option giving existing holders of non-controlling interests the right to sell their shares to TeliaSonera after 5 years, of which at least 2 consecutive years of net profit. The provisions represent the present value of management's best estimate of the amounts required to settle the liabilities. The estimate for the earn-out model has been made based on the Xfera 10-year business plan, using a post-tax discount rate (WACC) of 8.2 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 Azercell Telekom B.M. (Azercell) in Azerbaijan, the closing balance comprises SEK 5,072 million for a put option granted in 2008 in conjunction with the privatization of Azercell, now wholly-owned by Azertel. Should a deadlock regarding material decisions at the general assembly arise, the resolution supported by TeliaSonera will apply. In such circumstances, the put option gives the largest holder of non-controlling interests the right to sell its 42 percent holding in Azertel to TeliaSonera. The exercise price is equal to the fair value at the time of exercise and is to be determined by independent appraisal. The provision represents the present value of management's best estimate of the amount required to settle the liability. The estimate of Azertel's fair value has been made based on the Azercell 10-year business plan with a post-tax discount rate (WACC) of 17.4 percent and a terminal growth rate of free cash flow of 4.0 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 477 million for a put option originally granted in 2007 in conjunction with the acquisition of a 3G license, frequencies and number blocks in Uzbekistan in exchange for cash and a 26 percent interest in Uzbek Holding. The put option gave the existing holder of the non-controlling interest the right to sell its 26 percent interest in Uzbek Holding to TeliaSonera. On February 2, 2010, TeliaSonera acquired 20 percent of the shares in Uzbek Holding resulting in a total holding of 94 percent. Following this transaction, the terms of the put option were amended. The put option refers to 6 percent of the shares and is exercisable after February 15, 2013. The exercise price is equal to the higher of either a fixed amount or the fair value at the time of exercise as determined by independent appraisal. The provision represents the present value of management's best estimate of the amount required to settle the liability. The estimate has been made based on assumptions about the timing of the option exercise and about the fair value of Uzbek Holding at that date, using the Coscom 10-year business plan with a post-tax discount rate (WACC) of 18.4 percent and a terminal growth rate of free cash flow of 4.0 percent. The provision may vary as a result of changes in Uzbek Holding's estimated fair value and the timing of the option exercise.

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

Management believes that fair value based on its own business plans gives a better picture of the value for TeliaSonera and of the long-term valuation, compared to the current equity market values.

Asset retirement obligations, Warranty provisions, Other provisions

Asset retirement obligations mainly refer to handling hazardous waste such as worn-out telephone poles impregnated with creosote or arsenic and to dismantling and restoration of mobile and fixed network sites. Remaining provisions as of December 31, 2010 are expected to be fully utilized in the period 2018-2060, depending on factors such as any contractual renewal options for site leases and dismantling plans decided by management.

Warranty provisions include estimated future expenses for warranties related to products and services sold as well as estimated expenses related to fulfilling representations made and warranties given and to potential litigation, etc. in connection with disposals and winding-up of group entities, associated companies and other equity holdings. Full utilization of these provisions is expected in the period 2011-2012. This item also includes a guarantee commitment of SEK 73 million on behalf of the minority held Ipse 2000 S.p.A. The provision originally represented TeliaSonera's share of Ipse's remaining 3G license fees payable to the Italian government for which TeliaSonera also gave cash collateral (see Note C30 "Contingencies, Other Contractual Obligations and Litigation"). The license fees were paid in 2009 and 2010. The provision recognized as of December 31, 2010 refers to Ipse's remaining obligations in Italy and is expected to be fully utilized in 2011.

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 2011-2024.

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, 2010	Dec 31, 2009
Long-term trade payables at amortized cost	0	2
Danish license fee liabilities at amortized cost	239	–
Other liabilities at amortized cost	39	109
Liabilities at amortized cost (see Categories – Note C26)	278	111
Prepaid operating lease agreements	464	629
Other liabilities	851	849
Total other long-term liabilities	1,593	1,589

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, 2010, contractual undiscounted cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity	2012	2013	2014	2015	Later years	Total	Carrying value
SEK in millions							
Liabilities at amortized cost	47	51	42	42	134	316	278

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, 2010	Dec 31, 2009
Opening balance	418	290
Additional gains	127	151
Recognized in net income	-19	-18
Exchange rate differences	-61	-5
Closing balance	465	418
<i>of which current portion</i>	259	189

C25. Trade Payables and Other Current Liabilities

Trade payables and other current liabilities were distributed as follows.

SEK in millions	Dec 31, 2010	Dec 31, 2009
Currency swaps, forward exchange contracts and currency options held-for-trading	1,048	175
Subtotal (see Fair value hierarchy levels – Note C26)	1,048	175
Accounts payable at amortized cost	8,573	8,153
Current liabilities at amortized cost	3,398	4,558
Subtotal (see Categories – Note C26)	13,019	12,886
Other current liabilities	6,874	7,339
Deferred income	4,993	5,214
Total trade payables and other current liabilities	24,886	25,439

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, 2010, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity	Jan–Mar 2011	Apr–Jun 2011	Jul–Sep 2011	Oct–Dec 2011	Total
SEK in millions					
Liabilities at amortized cost	10,874	904	102	91	11,971

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, 2010	Dec 31, 2009
Financial assets			
Derivatives designated as hedging instruments	C16, C19	1,288	1,286
Financial assets at fair value through profit and loss		724	1,768
<i>of which derivatives not designated as hedging instruments</i>	C16, C18, C19	674	1,711
<i>of which held-for-trading investments</i>	C16	50	57
Held-to-maturity investments	C16, C19	193	395
Loans and receivables	C16, C18, C19	36,795	42,460
Available-for-sale financial assets	C16	203	345
Total financial assets by category		39,203	46,254
Financial liabilities			
Derivatives designated as hedging instruments	C21	263	328
Derivatives not designated as hedging instruments	C21, C25	2,516	435
Borrowings in fair value hedge relationships	C21	9,806	10,775
Borrowings hedging net investments	C21	26,731	25,038
Financial liabilities measured at amortized cost	C21, C23, C24, C25	39,319	48,194
Total financial liabilities by category		78,635	84,770

Fair value hierarchy levels

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

SEK in millions	Note	Carrying value	December 31, 2010			December 31, 2009			
			of which			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	199	2	—	197	341	132	—	209
Equity instruments held-for-trading	C16	50	—	—	50	57	—	—	57
Convertible bonds available-for-sale	C16	4	—	—	4	4	—	—	4
Derivatives designated as hedging instruments	C16, C19	1,288	—	1,288	—	1,286	—	1,286	—
Derivatives held-for-trading	C16, C18, C19	674	—	674	—	1,711	—	1,711	—
Total financial assets at fair value by level		2,215	2	1,962	251	3,399	132	2,997	270
Financial liabilities at fair value									
Borrowings in fair value hedge relationships	C21	9,806	—	9,806	—	10,775	—	10,775	—
Derivatives designated as hedging instruments	C21	263	—	263	—	328	—	328	—
Derivatives held-for-trading	C21, C25	2,516	—	2,516	—	435	—	435	—
Total financial liabilities at fair value by level		12,585	—	12,585	—	11,538	—	11,538	—

There were no transfers between Level 1 and 2 in 2010 and 2009.

Level 3 financial assets changed as follows.

SEK in millions	December 31, 2010					December 31, 2009		
	Equity instruments available-for-sale	Equity instruments held-for-trading	Convertible bonds available-for-sale	Total	Equity instruments available-for-sale	Equity instruments held-for-trading	Convertible bonds available-for-sale	Total
Level 3, opening balance	209	57	4	270	225	73	—	298
Changes in fair value	—	-5	—	-5	—	-21	—	-21
<i>of which recognized in net income</i>	—	-5	—	-5	—	-21	—	-21
<i> of which related to assets held at reporting period-end</i>	—	-5	—	-5	—	-21	—	-21
Purchases/capital contributions	—	5	—	5	—	10	4	14
Exchange rate differences	-12	-7	—	-19	-16	-5	—	-21
Level 3, closing balance	197	50	4	251	209	57	4	270

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

C27. Financial Risk Management

Principles of financing and financial risk management

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

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

Regarding foreign currency transaction exposure, Group Treasury has a clearly defined deviation mandate which in 2010 was 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. In February 2011, the deviation mandate was increased to SEK +/- 500 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, 2010	Dec 31, 2009
Other non-current assets	C16	5,991	5,999
Trade and other receivables	C18	16,542	17,230
Interest-bearing receivables	C19	2,477	1,726
Cash and cash equivalents	C19	15,344	22,488
Total		40,354	47,443

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

SEK in millions		Dec 31, 2010	Dec 31, 2009
Counterpart rating AA-		355	1,049
Counterpart rating A+		433	2,068
Counterpart rating A		402	218
Total exposure to counterparties in derivatives		1,190	3,335

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 2010 and 0.5 percent in 2009.

Surplus cash in TeliaSonera AB may only be invested in bank deposits, commercial papers issued by banks and/or in Swedish, Finnish, Norwegian or Danish government bonds and treasury bills. There are no limits for investments in government papers. For investments with banks, the rating should be at least A-1 (Standard & Poor's) or P-1 (Moody's) and the maturity is limited to 12 months. Furthermore, for maturities longer than 1 month, the exposure per bank has been limited to SEK 1,000 million. In February 2011, this limit was increased to SEK 2,500 million.

Liquidity risk management

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

As of December 31, 2010 and 2009, the surplus liquidity (short-term investments and cash and bank) amounted to SEK 16,396 million and SEK 22,797 million, respectively. TeliaSonera AB's surplus liquidity is typically deposited in banks or invested in short-term interest-bearing instruments with good credit ratings. As of December 31, 2010 and 2009, TeliaSonera AB's short-term investments in interest-bearing securities with maturities exceeding 3 months amounted to a countervalue of SEK 900 million and SEK – million, respectively. The average yield on bank deposits and short-term investments at the end of the reporting period was 1.5 percent in 2010 and 0.4 percent in 2009.

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, 2010	Dec 31, 2009
Group entity	Type	Characteristics	Final maturity	Currency	Limit	Limit	
TeliaSonera AB	Revolving credit facility	Committed, syndicated	December 2017	EUR	1,000	–	
TeliaSonera AB	Revolving credit facility	Committed, syndicated	December 2011	EUR	–	1,000	
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)	1,520	1,853	

As of December 31, 2010 and 2009, SEK 71 million and SEK 532 million, respectively, of the total facilities was utilized. In total, the available unutilized amount under committed bank credit facilities and overdraft facilities was SEK 11,851 million and SEK 13,074 million as of December 31, 2010 and 2009, respectively.

As of December 31, 2010, contractual undiscounted cash flows for the Group's interest-bearing borrowings and non-interest-bearing currency derivatives represented the following expected maturities, including installments and estimated interest payments. Amounts in foreign currency have been converted into SEK using the exchange rate prevailing as of the end of the reporting period. Future interest payments, related to

instruments with floating interest rates, have been estimated using forward rates. Where gross settlements are performed (cross currency interest rate swaps, currency swaps and forward exchange contracts), all amounts are reported on a gross basis. The balances due within 12 months equal their carrying values as the impact of discounting is insignificant.

Expected maturity SEK in millions	Jan–Mar 2011	Apr–Jun 2011	Jul–Sep 2011	Oct–Dec 2011	2012	2013	2014	2015	Later years	Total
Utilized bank overdraft facilities	21	50	–	–	–	–	–	–	–	71
Open-market financing program borrowings	3,961	1,186	93	1,452	7,818	7,773	10,330	9,953	31,790	74,356
Other borrowings	135	64	40	160	769	411	148	296	866	2,889
Finance lease agreements	6	5	5	5	15	11	10	11	53	121
Cross currency interest rate swaps and interest rate swaps										
Payables	1,511	557	243	1,458	5,977	4,857	816	7,759	1,719	24,897
Receivables	-1,652	-837	-105	-1,376	-5,567	-4,876	-1,037	-7,641	-1,865	-24,956
Currency swaps and forward exchange contracts										
Payables	22,932	14,388	2,359	9	30	25	4	–	–	39,747
Receivables	-22,965	-14,303	-2,358	-9	-30	-25	-5	–	–	-39,695
Total, net	3,949	1,110	277	1,699	9,012	8,176	10,266	10,378	32,563	77,430

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, 2010, TeliaSonera's portfolio of cross currency interest rate swap contracts represented the following currencies and expected maturities. Amounts indicated represent carrying values.

Expected maturity SEK in millions	Jan–Mar 2011	Apr–Sep 2011	Oct–Dec 2011	2012	2013	2014	2015	Later years	Total
Buy EUR	–	–	222	4,084	3,628	1,204	6,939	479	16,556
Buy USD	1,068	–	–	–	–	–	–	–	1,068
Buy JPY	252	–	–	–	–	–	–	410	662
Buy NOK	–	–	–	–	–	–	–	453	453
Buy foreign currencies total	1,320	–	222	4,084	3,628	1,204	6,939	1,342	18,739
Buy SEK	–	–	929	–	–	–	–	–	929
Buy total	1,320	–	1,151	4,084	3,628	1,204	6,939	1,342	19,668
Sell EUR	–	–	-903	–	–	–	–	–	-903
Sell USD	–	–	-205	–	–	–	–	–	-205
Sell foreign currencies total	–	–	-1,108	–	–	–	–	–	-1,108
Sell SEK	-1,242	–	–	-4,693	-3,735	-1,291	-7,542	-1,385	-19,888
Sell total	-1,242	–	-1,108	-4,693	-3,735	-1,291	-7,542	-1,385	-20,996
Net position, cross currency interest rate swaps	78	–	43	-609	-107	-87	-603	-43	-1,328

As of December 31, 2010, 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 2011	Apr–Jun 2011	Jul–Sep 2011	Oct–Dec 2011	2012	2013	2014	Later years	Total
Buy EUR	10,829	14,063	2,352	–	–	–	–	–	27,244
Buy USD	2,082	–	–	–	–	–	–	–	2,082
Buy DKK	1,824	–	–	–	–	–	–	–	1,824
Buy GBP	490	–	–	–	–	–	–	–	490
Buy other currencies	38	–	–	–	–	–	–	–	38
Buy foreign currencies total	15,263	14,063	2,352	–	–	–	–	–	31,678
Buy SEK	7,702	240	6	9	30	25	4	–	8,016
Buy total	22,965	14,303	2,358	9	30	25	4	–	39,694
Sell USD	-5,476	-2,231	–	-2	-5	–	–	–	-7,714
Sell EUR	-1,524	-6	–	–	–	–	–	–	-1,530
Sell LTL	-564	-106	–	–	–	–	–	–	-670
Sell other currencies	-192	-6	-6	-7	-25	-25	-5	–	-266
Sell foreign currencies total	-7,756	-2,349	-6	-9	-30	-25	-5	–	-10,180
Sell SEK	-15,176	-12,039	-2,353	–	–	–	–	–	-29,568
Sell total	-22,932	-14,388	-2,359	-9	-30	-25	-5	–	-39,748
Net position, currency swaps and forward exchange contracts	33	-85	-1	–	–	–	-1	–	-54

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, 2010		Dec 31, 2009	
	Amount in SEK million	Percent	Amount in SEK million	Percent
EUR	74,520	40.2	82,300	41.0
of which hedged through borrowings	20,905	11.3	17,900	8.9
NOK	29,268	15.8	34,560	17.2
RUB	21,397	11.6	18,247	9.1
TRY	20,789	11.2	20,896	10.4
DKK	12,060	6.5	14,247	7.1
LTL	5,642	3.0	6,948	3.5
EEK	5,317	2.9	6,135	3.1
NPR	3,927	2.1	3,273	1.6
AZN	2,531	1.4	1,330	0.7
KZT	2,396	1.3	1,915	0.9
LVL	2,319	1.2	3,499	1.7
UZS	1,652	0.9	558	0.3
GEL	1,293	0.7	1,082	0.5
TJS	679	0.4	603	0.3
GBP	659	0.4	882	0.4
USD	-182	-0.1	3,598	1.8
Other currencies	844	0.5	780	0.4
Total	185,111	100.0	200,853	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 300 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 2010, 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 240 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 16.4 billion if the Swedish krona weakened by 10 percentage points against all conversion exposure currencies, based on the exposure as of December 31, 2010 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, 2010	Dec 31, 2009
Long-term borrowings	3.54	2.99
Short-term borrowings	4.21	3.91

As of December 31, 2010, approximately 56 percent of total borrowings, including relevant hedges, was subject to interest rate adjustment within one year.

As of December 31, 2010, the TeliaSonera Group's portfolio of interest rate swap contracts and cross currency interest rate swap contracts represented the following interest types and expected maturities. Amounts indicated represent carrying values.

Expected maturity SEK in millions	Jan–Mar 2011	Apr–Jun 2011	Jul–Sep 2011	Oct–Dec 2011	2012	2013	2014	2015	Later years	Total
Interest received										
Fixed interest rate	1,068	464	–	1,151	4,731	423	4,277	9,071	5,127	26,312
Floating interest rate	252	200	–	201	4,084	4,266	707	6,939	2,697	19,346
Total received	1,320	664	–	1,352	8,815	4,689	4,984	16,010	7,824	45,658
Interest paid										
Fixed interest rate	-999	-208	–	-205	–	-701	-2,057	–	-1,961	-6,131
Floating interest rate	-243	-451	–	-1,104	-9,150	-4,155	-2,906	-15,736	-5,781	-39,526
Total paid	-1,242	-659	–	-1,309	-9,150	-4,856	-4,963	-15,736	-7,742	-45,657
Net position	78	5	–	43	-335	-167	21	274	82	1

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 2010, 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, 2010, TeliaSonera AB had interest-bearing debt of SEK 59.5 billion with duration of interest of approximately 3.2 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 34.0 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, 2011 at a one percentage point higher interest rate than the prevailing rate as per December 31, 2010, and remained at that new level during 12 months, the post-tax interest expense would increase by some SEK 250 million. Fair value of the loan portfolio would change by approximately SEK 2,200 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 2010.

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.

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, 2010, TeliaSonera AB borrowings had an average time to maturity of approximately 5.6 years.

TeliaSonera AB enjoys a strong credit rating with the rating agencies Moody's and Standard & Poor's. In 2010, Standard & Poor's confirmed its assigned credit rating on TeliaSonera AB at A- for long-term borrowings and A-2 for short-term borrowings, with a "Stable" outlook. Moody's credit rating on TeliaSonera AB remained unchanged at A3 for long-term borrowings and P-2 for short-term borrowings, with a "Stable" outlook. These ratings represent a solid investment grade level and are thus expected to allow TeliaSonera continued good access to the financial markets.

TeliaSonera finances its operations chiefly by borrowing under its uncommitted open-market financing programs directly in Swedish and international money markets and capital markets. TeliaSonera also use some bank financing, which represented approximately 4 percent of the Group's total borrowing as of December 31, 2010. The open-market financing programs typically provide a cost-effective and flexible alternative to bank financing.

Pension obligation risk

As of December 31, 2010, the TeliaSonera Group had pension obligations which net present value amounted to SEK 21,015 million (see Note C22 "Provisions for Pensions and Employment Contracts"). To secure these obligations, the Group has pension funds, with plan assets of SEK 19,840 million based on market values as of December 31, 2010. The pension funds' assets are used as prime funding source for the pension obligations, and consisted of approximately 50 percent fixed income instruments and approximately 50 percent shares and other investments at year-end 2010. 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 2010, accumulated actuarial losses decreased from SEK 3,890 million to SEK 645 million, primarily driven by a higher discount rate decreasing the present value of pension obligations. In addition, the actual net return on plan assets was 8.9 percent, 4.0 percentage points higher than the expected return.

As of December 31, 2010, the strategic asset allocation decided by the board of the Swedish pension fund, which represents approximately 85 percent of total plan assets, was 60 percent fixed income, 32 percent equities and 8 percent other investments. Other investments include primarily hedge funds and private equity. Out of the 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 3.6 billion, should the weighted average discount rate decrease by one percentage point from the 4.7 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, 2010, and assuming that the value of the other assets in the pension funds were unchanged, a similar reduction in interest rates is estimated to increase the value of the pension funds assets by some SEK 0.8 billion.

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

As of December 31, 2010, 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 2011	Apr–Jun 2011	Jul–Sep 2011	Oct–Dec 2011	2012	2013	2014	2015	Later years	Total
Future minimum leasing fees	6	5	5	5	15	11	10	11	53	121
Present value of future minimum lease payments	6	4	4	4	14	10	9	9	42	102

Operating leases

TeliaSonera's operating lease agreements primarily concern office space, technical sites, land, computers and other equipment. Certain contracts include renewal options for various periods of time. Subleasing consists mainly of office premises.

Future minimum leasing fees under operating lease agreements in effect as of December 31, 2010 that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	2011	2012	2013	2014	2015	Later years	Total
Future minimum leasing fees	2,007	1,550	1,208	1,018	904	1,298	7,985
Minimum sublease payments	12	4	2	–	–	–	18

In 2010 and 2009, total rent and leasing fees paid were SEK 2,243 million and SEK 2,627 million, respectively. In these years,

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, 2010	Dec 31, 2009
Cost	194	217
Less accumulated depreciation and impairment losses	-121	-148
Net carrying value of finance lease agreements	73	69

In 2010 and 2009, depreciation and impairment losses totaled SEK 27 million and SEK 107 million, respectively. Leasing fees paid in these years totaled SEK 29 million and SEK 37 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, 2010	Dec 31, 2009
Total future minimum leasing fees	121	75
Less interest charges	-19	-6
Present value of future minimum leasing fees	102	69

revenue for subleased items totaled SEK 12 million and SEK 21 million, respectively.

At the end of 2010, office space and technical site leases covered approximately 712,000 square meters, including approximately 5,700 square meters of office space for TeliaSonera's principal executive offices, located at Stureplan 8 in Stockholm, Sweden. Apart from certain short-term leases, leasing terms range between 1 and 50 years with an average term of approximately 7 years. All leases have been entered into on conventional commercial terms. Certain contracts include renewal options for various periods of time.

TeliaSonera as lessor

Finance leases

The leasing portfolio of TeliaSonera's customer financing operations in Sweden, Finland, Norway, Denmark and Estonia comprises financing related to TeliaSonera's product offerings. The term of the contract stock is approximately 12 quarters. The term of new contracts signed in 2010 was 12 quarters. Of all contracts, 65 percent carry a fixed interest rate and 35 percent a floating interest rate. Most contracts include renewal options. In Finland, TeliaSonera also under a finance lease agreement

provides electricity meters with SIM cards for automated reading to a power company as part of TeliaSonera's service package. The term of the agreement is 15 years and it carries a fixed interest rate.

As of the end of the reporting period, the present value of future minimum lease payment receivables under non-cancellable finance lease agreements was as follows.

SEK in millions	Dec 31, 2010	Dec 31, 2009
Minimum lease payments receivable	1,322	1,373
Unguaranteed residual values accruing to the benefit of the lessor	-4	-1
Gross investment in finance lease contracts	1,318	1,372
Unearned finance income	-167	-183
Present value of future minimum lease payments receivable (net investment in finance lease contracts)	1,151	1,189

As of December 31, 2010, the gross investment and present value of receivables relating to future minimum lease payments under non-cancellable finance lease agreements were distributed as follows.

Expected maturity SEK in millions	Jan–Mar 2011	Apr–Jun 2011	Jul–Sep 2011	Oct–Dec 2011	2012	2013	2014	2015	Later years	Total
Gross investment	105	104	105	103	291	177	88	55	290	1,318
Present value of future minimum lease payments receivable	93	92	93	91	253	160	79	49	241	1,151

As of December 31, 2010 and 2009, the accumulated allowance for uncollectible minimum lease payments receivable totaled SEK 6 million and SEK 9 million, respectively. Credit losses on leasing receivables are reduced by gains from the sale of equipment returned.

Operating leases

The leasing portfolio refers mainly to the international carrier business and includes 20 agreements with other international operators and 79 other contracts. Contract periods range between 10 and 25 years, with an average term of 20 years. In addition, 291 operating lease agreements are related to TeliaSonera's product offerings to end-customers in Sweden and Finland. Contract periods range between 3 and 5 years, with an average term of approximately 3 years.

Future minimum lease payment receivables under operating lease agreements in effect as of December 31, 2010 that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2011	Apr–Jun 2011	Jul–Sep 2011	Oct–Dec 2011	2012	2013	2014	2015	Later years	Total
Future minimum lease payment receivables	44	44	44	44	150	87	23	4	3	443

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

SEK in millions	Dec 31, 2010	Dec 31, 2009
Cost	4,093	4,417
Less accumulated depreciation and impairment losses	-2,483	-2,902
Gross carrying value	1,610	1,515
Plus prepaid sales costs	0	0
Less prepaid lease payments	-520	-551
Net value of operating lease agreements	1,090	964

Depreciation and impairment losses totaled SEK 295 million in 2010 and SEK 329 million in 2009.

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 46 million in 2010 and SEK 47 million in 2009. In addition, TeliaSonera, like other operators, pays annual fees to the Swedish National Post and Telecom Agency (PTS) to fund the Agency's activities under the Electronic Communications Act and the Radio and Telecommunications Terminal Equipment

Act. TeliaSonera paid fees of SEK 44 million in 2010 and SEK 45 million in 2009.

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 2010 and 2009, TeliaSonera paid EUR 2.4 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 2010 and 2009, TeliaSonera paid EUR 0.2 million and EUR 0.2 million, respectively, for data privacy supervision and EUR 1.0 million and EUR 0.9 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	2010	2009
Sales of goods and services		
Svenska UMTS-nät AB (joint venture)	257	320
OAO MegaFon	244	163
Other	54	89
Total sales of goods and services	555	572
Purchases of goods and services		
Svenska UMTS-nät AB (joint venture)	727	725
Other	147	192
Total purchases of goods and services	874	917
Total trade and other receivables	42	52
Loans receivable		
Svenska UMTS-nät AB (joint venture)	200	—
Total loans receivable	200	—
Total trade and other payables	154	177

As of December 31, 2010, credit and performance guarantees represented the following expected maturities.

Expected maturity SEK in millions	Jan–Jun 2011	Jul–Sep 2011	Oct–Dec 2011	Later years				Total
				2012	2013	2014–2015		
Credit and performance guarantees	—	1,375	5	—	2	—	9	1,391

Some loan covenants agreed limit the scope for divesting or pledging certain assets. Some of TeliaSonera AB's more recent bond issuances include change-of-control provisions which under certain conditions allow the lenders to call back the bond before scheduled maturity. Conditions stipulated include a new owner taking control of TeliaSonera AB, inter alia also resulting in a lowering of TeliaSonera AB's official credit rating to a "non-investment grade" level.

For all financial guarantees issued, stated amounts equal the maximum potential future payments that TeliaSonera could be required to make under the respective guarantee.

As security for certain amounts borrowed by TeliaSonera's 50 percent owned joint venture Svenska UMTS-nät AB under a third-party credit facility totaling SEK 2,750 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 1,375 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 Telia-

Pension and personnel funds

As of December 31, 2010, TeliaSonera's pension funds held 1,865,872 shares in TeliaSonera AB, or 0.04 percent of the voting rights. For information on transactions and balances, see Note C22 "Provisions for Pensions and Employment Contracts."

As of the same date, TeliaSonera Finland Oy's Personnel Fund held 889,196 shares in TeliaSonera AB, or 0.02 percent of the voting rights. The fund manages a profit-sharing arrangement for TeliaSonera's Finnish subsidiaries and, under its charter, 30 percent of each year's profit-sharing payment received should be invested in TeliaSonera shares. For information on costs related to the profit-sharing arrangement, see Note C32 "Human Resources."

Commitments

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

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, 2010	Dec 31, 2009
Credit guarantee on behalf of Svenska UMTS-nät AB	1,375	2,025
Other credit and performance guarantees, etc.	16	33
Subtotal (see Liquidity risk – Note C27)	1,391	2,058
Guarantees for pension obligations	253	248
Total financial guarantees	1,644	2,306

Sonera 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, 2010, Svenska UMTS-nät had, under the credit facility, borrowed SEK 2,520 million, of which TeliaSonera guaranteed 50 percent, or SEK 1,260 million.

Collateral pledged

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

SEK in millions	Dec 31, 2010	Dec 31, 2009
For long-term borrowings: Shares in Svenska UMTS-nät AB	621	334
For pension obligations: Real estate mortgages	19	21
For pension obligations: Current receivables	37	30
For warranty provisions: Blocked funds in bank accounts	82	269
For other provisions: Bonds and short-term investments	100	101
For operating leases: Real estate mortgages	2	3
For operating leases: Blocked funds in bank accounts	1	1
For deposits from customers: Blocked funds in bank accounts	43	63
Total collateral pledged	905	822

Blocked funds for warranty provisions in 2010 included SEK 73 million (EUR 8 million) representing TeliaSonera's part of a cash collateral given for Ipse 2000 S.p.A.'s remaining obligations in Italy. As of December 31, 2010, TeliaSonera had recognized all of its commitments on behalf of Ipse 2000 S.p.A. as a warranty provision. See Note C23 "Other Provisions" for additional information.

Other unrecognized contractual obligations

As of December 31, 2010, 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 2011	Apr–Jun 2011	Jul–Sep 2011	Oct–Dec 2011	2012	2013	2014	2015	Later years	Total
Intangible assets	99	1	0	0	1	1	1	1	1	105
Property, plant and equipment	340	108	34	152	49	–	–	–	–	683
Total (see Liquidity risk – Note C27)	439	109	34	152	50	1	1	1	1	788

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 2011 is set to SEK 244 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, 2010. The agreement term was 15 years, with an early buy-out option in January 2010. TeliaSonera determined 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 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 defeased all obligations under the agreement but retained the ownership of the equipment. During the agreement period, TeliaSonera could replace but not dispose of the equipment. In January 2010, the early buy-out option was exercised which terminated the agreement and during 2010, TeliaSonera fulfilled all remaining payment obligations.

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 regula-

tory 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 in April 2005 and Spray Network in June 2006, respectively, claimed substantial damages from TeliaSonera due to the alleged abuse of dominant market position. TeliaSonera will vigorously contest Tele2's and Spray Network's claims. The actions for damages have been stayed pending the case between TeliaSonera and the Competition Authority.

TeliaSonera is currently involved in court cases with Primav Construcoes e Comercio and Telmig, former shareholders of the Brazilian mobile operator Tess, relating to such shareholders' disposals 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.

C31. Cash Flow Information

Cash flow from operating activities under the direct method presentation

SEK in millions	Jan–Dec 2010	Jan–Dec 2009
Cash receipts from customers	113,242	109,903
Cash paid to employees and suppliers	-79,493	-76,239
Cash flow generated from operations	33,749	33,664
Dividends received	1,721	2,153
Interest received	260	371
Interest paid	-2,301	-2,141
Income taxes paid	-5,995	-3,056
Cash flow from operating activities	27,434	30,991

Non-cash transactions

Asset retirement obligations (AROs)

In 2010 and 2009, obligations regarding future dismantling and restoration of technical sites entailed non-cash investments of SEK 527 million and SEK 1,055 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 295 million in 2010 and SEK 391 million in 2009.

Business combinations, other acquisitions and divestitures

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

Acquisitions SEK in millions	Jan–Dec 2010	Jan–Dec 2009
Investing activities		
Goodwill and other intangible assets	-75	-1,899
Property, plant and equipment	-	-28
Financial assets, accounts receivable, inventories etc.	-4	-19
Cash and cash equivalents	-0	-3
Non-controlling interests	-	-1,853
Provisions	-	-13
Non-current liabilities	4	-1,047
Current liabilities	-	21
Total purchase consideration	-75	-4,841
Less cash and cash equivalents acquired	0	3
Contingent consideration paid for prior period acquisitions	-1,956	-
Net cash outflow from business combinations	-2,031	-4,838
Purchase consideration for other acquisitions	-1,151	-264
Total cash outflow, investing activities	-3,182	-5,102
Financing activities		
Acquisitions of non-controlling interests	-1,333	-
Total cash outflow, financing activities	-1,333	-
Total cash outflow, acquisitions	-4,515	-5,102

In 2010, cash outflow included contingent consideration related to OOO Coscom in Uzbekistan and Azercell Telekom B.M. in Azerbaijan, purchase consideration of SEK 815 million paid for additional shares in the associated company Turkcell İletişim Hizmetleri A.S. in Turkey and the indirect acquisition of non-controlling interests in Ncell Pvt. Ltd in Nepal. In 2009, cash outflow mainly referred to the acquisition of additional shares in AS Eesti Telekom in Estonia.

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

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

Divestitures SEK in millions	Jan–Dec 2010	Jan–Dec 2009
Investing activities		
Goodwill and other intangible assets	841	-
Property, plant and equipment	545	-
Financial assets, accounts receivable, inventories etc.	393	-
Cash and cash equivalents	120	-
Provisions	-18	-
Current liabilities	-355	-
Total sales consideration	1,526	-
Less cash and cash equivalents divested	-120	-
Net cash inflow from subsidiaries divested	1,406	-
Sales consideration for other divestitures	278	887
Total cash inflow, investing activities	1,684	887
Financing activities		
Total cash inflow, financing activities	-	-
Total cash inflow, divestitures	1,684	-

In 2010, cash inflow was mainly related to the divestiture of Telia Stofa A/S. Sales consideration for other divestitures included SEK 152 million in 2010 and SEK 724 million in 2009 for certain pre-emptive rights sold in connection with the privatization of Azercell Telekom B.M.

C32. Human Resources

Employees, salaries, and social security expenses

During 2010, the number of employees decreased by 789 to 28,945 at year-end from 29,734 at year-end 2009. Increases in most of the Eurasian operations due to ongoing high customer intake were offset by efficiency measures executed in the Nordic and Baltic operations. A minor business combination in 2010 added 20 employees, while the divestitures of Telia Stofa A/S and Applifone Co. Ltd. entailed a decrease by 631 employees.

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

Country	Jan–Dec 2010		Jan–Dec 2009	
	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	8,937	54.4	9,170	50.5
Finland	4,686	60.9	4,981	60.6
Norway	1,219	65.5	1,181	68.9
Denmark	1,328	66.6	1,759	64.1
Lithuania	3,598	50.0	3,605	49.9
Latvia	893	47.1	960	45.6
Estonia	1,994	56.2	2,094	55.6
Spain	90	68.9	84	71.4
Kazakhstan	1,417	40.2	1,368	40.7
Azerbaijan	781	58.0	692	62.0
Uzbekistan	777	60.1	744	62.6
Tajikistan	349	59.6	605	66.9
Georgia	331	42.3	304	43.2
Moldova	345	66.7	334	63.7
Nepal	489	81.8	471	75.4
Cambodia	165	64.8	179	64.8
Russian Federation	57	66.7	53	65.5
United Kingdom	50	78.3	48	78.6
Other countries	191	71.2	183	72.0
Total	27,697	55.9	28,815	54.5

In total, operations were conducted in 33 countries in 2010 and in 32 countries in 2009.

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, 2010		Dec 31, 2009	
	Boards of directors	Other Senior executives	Boards of directors	Other Senior executives
Women	30.7	39.2	27.1	36.3
Men	69.3	60.8	72.9	63.7
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 2010	Jan–Dec 2009
Salaries and other remuneration	10,405	11,152
Social security expenses		
Employer's social security contributions	1,900	1,995
Pension expenses	1,354	1,557
Total social security expenses	3,254	3,552
Capitalized work by employees	-601	-598
Other personnel expenses	627	700
Total personnel expenses recognized by nature	13,685	14,806

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 2010		Jan–Dec 2009	
	Senior executives (of which variable pay)	Other employees	Senior executives (of which variable pay)	Other employees
Salaries and other remuneration	172 (15)	10,233	179 (30)	10,973

Pension expenses for all Senior executives totaled SEK 32 million in 2010 and SEK 33 million in 2009.

In 2010 and 2009, employee profit-sharing costs in TeliaSonera's Finnish subsidiaries totaled SEK 102 million and SEK 40 million, respectively.

Performance Share Program 2010/2013

As resolved by the 2010 Annual General Meeting of shareholders in TeliaSonera AB, the Performance Share Program 2010/2013 (PSP 2010) shall comprise certain senior executives within the Group (however, the members of Group Management are excluded). Provided that certain performance conditions, consisting of financial targets linked to earnings per share (EPS) and total shareholder return (TSR), are met during 2010-2012 (performance period), participants in PSP 2010 shall be given the opportunity to receive final allotments of TeliaSonera shares without consideration (performance shares). The financial targets include a minimum level which must be achieved in order for any allotments to occur at all, as well as a maximum level in excess of which no additional allotments will occur. PSP 2010/13 shall in total comprise no more than 1,560,000 TeliaSonera shares, corresponding to approximately 0.03 percent of the total number of outstanding shares. The final allotments of performance shares will be based 50 percent on EPS development EPS for each of the years 2010, 2011 and 2012 in relation to EPS for the preceding year, and 50 percent on TSR during the full performance period in relation to TSR in a peer group of telecom companies defined by the Board of Directors. Participation in the program requires that the participant has invested in or allocated already held TeliaSonera shares to the program corresponding to a value of 2 percent of the participant's annual base salary. The maximum financial outcome for a participant, and the maximum number of performance shares that may finally be allotted, shall be capped at such number of performance shares which aggregate market value corresponds to 37.5 percent of each participant's base salary. Recalculation of final allotments of performance shares shall take place in the event of an intervening bonus issue, split, rights issue and/or other similar events.

In 2010, PSP 2010 had 86 participants. The fair value of PSP 2010, estimated at the date of allotment, was SEK 18 million. A 50 percent achievement of the EPS-based performance condition was assumed. The achievement of the TSR-based performance condition was estimated using a Monte Carlo simulation model with the following key assumptions.

Percent	2010
Estimated volatility, TeliaSonera	31
Estimated volatility, peer group companies	25-40
Average reciprocal correlation between TeliaSonera and the peer group companies	45
Risk free interest rate	1.8

The estimated fair value of PSP 2010 and related social security expenses are amortized to expense over the performance period as follows.

SEK in millions	Jan-Dec 2010
Salaries and other remuneration	4
Social security expenses	1
Total personnel expenses	5

Remuneration to corporate officers

Board of Directors

As resolved by the 2010 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 2010 that the remuneration components for executive contracts may consist of base salary, pension and other benefits.

The guiding principle in "Remuneration Policy for Executive Management" is that remuneration and other terms of employment for the executives shall be market competitive but not market leading 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 company cars, housing allowance, compensation for the absence of variable pay schemes 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. The notice period for executives shall not exceed 6 months if given by the executive and not exceed 12 months (6 months for the CEO) if given by 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). The Board of Directors may allow minor deviations on an individual basis from the remuneration policy.

Remuneration to the Chief Executive Officer (CEO), the Executive Vice President (EVP) and other members of Group Management consists of base salary, certain taxable benefits and pension benefits. As per December 31, 2010, TeliaSonera did not operate any share-related incentive program in relation to the CEO, the EVP and other members of Group Management. "Other members of the Group Management" refers to the 9 individuals who are directly reporting to the CEO and which, along with the CEO and the EVP, constituted the TeliaSonera Group Management on December 31, 2010.

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	Other remuneration	Other benefits	Pension expense	Total remuneration and benefits	Capital value of pension commitment
<i>Board of Directors</i>						
Anders Narvinger, Chairman	835,259	–	–	–	835,259	–
Maija-Liisa Friman	575,004	–	–	–	575,004	–
Ingrid Jonasson Blank	326,043	–	–	–	326,043	–
Conny Karlsson	525,012	–	–	–	525,012	–
Timo Peltola	445,008	–	–	–	445,008	–
Lars Renström	445,008	–	–	–	445,008	–
Jon Risfelt	525,012	–	–	–	525,012	–
Per-Arne Sandström	311,386	–	–	–	311,386	–
Tom von Weymarn	306,951	–	–	–	306,951	–
Lars G Nordström	119,818	–	–	–	119,818	–
Caroline Sundewall	119,818	–	–	–	119,818	–
<i>Group Management</i>						
Lars Nyberg, CEO	8,825,004	3,269,824	75,235	8,549,783	20,719,846	–
Per-Arne Blomquist, EVP	4,903,836	2,169,622	91,730	1,863,803	9,028,991	–
Other members of Group Management (9 individuals)	24,938,732	8,644,343	1,184,693	10,559,610	45,327,378	39,798,104
Former CEOs and EVPs (7 individuals)	–	–	–	–	–	163,826,651
Total	43,201,891	14,083,789	1,351,658	20,973,196	79,610,534	203,624,755

Comments on the table:

- Board remuneration includes remuneration for Audit Committee and Remuneration Committee work. Remuneration is paid monthly. Board members Narvinger, Jonasson Blank and Sandström were elected at the 2010 AGM. At the same time von Weymarn, Nordström and Sundewall resigned from the board.
- In the absence of a short-term variable pay scheme all members of Group Management are compensated with an annual fixed amount of 30 percent of the base salary, which is included in Other remuneration. The compensation will be discontinued if and when a short-term variable pay scheme is introduced. In the absence of a long-term variable pay scheme, the EVP and one other member of Group Management are compensated with an annual fixed amount, which is also included in Other remuneration. The compensation will be discontinued if and when a long-term variable pay scheme is introduced. In 2009, variable pay with respect to performance in 2009 amounted to SEK 3,235,848 for the CEO, to SEK 1,824,130 for the EVP and SEK 7,974,154 for other members of the current Group Management.
- Other benefits refer to company car and a number of other taxable benefits. One member of Group Management is entitled to housing allowance.
- Pension expense refers to the expense that affected earnings for the year. For 3 other members of Group Management, pension expense relates to defined benefit executive schemes. 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 of 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 51,100 for 2010. 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 62 and the CEO may enter into early retirement on his own request not earlier than from age 62. Contributions to the pension scheme will cease at retirement or earlier if leaving the company for any other reason.

Other members of Group Management

Other members of Group Management have individual pension arrangements. As of January 1, 2011, all members are covered by defined contribution schemes in line with the ITP plan Section 1 providing contributions in the amount of 4.5 percent of the base salary up to 7.5 income base amounts and 30 percent of the base salary for the part exceeding 7.5 income base amounts. Three members have additional contributions of 20 percent of the base salary, one member has an additional contribution of 15 percent of the base salary and one member has an additional contribution of 14 percent of the base salary. All contributions to the schemes are vested immediately. The retirement age for other members of Group Management is 65.

Severance pay

Termination of the CEO's employment by the Company or by the CEO requires that notice is given by either party in writing 6 months before termination. Should a termination of employment be initiated by the Company more than two years before the CEO has turned the age of 62, the CEO is entitled to a severance pay in the amount of two annual base salaries to be paid in 24 equal monthly installments. If less than 24 months remains until the CEO turns 62, the salary payment during the notice period or the severance payment will cease at age 62. The salary during the notice period and the severance pay will

be reduced by any other income. Should the CEO give notice of termination, he is not entitled to any severance pay.

Termination of employment in relation to the EVP and the other members of Group Management require that notice is given in writing 6 months before termination by the employees and 12 months before termination by the Company. Should notice be given by the Company, the member is entitled to a severance pay in the amount of one annual base salary to be paid in 12 equal monthly installments. The salary during the notice period and the severance pay will be reduced by any other income. Should the member give notice of termination on his or her own initiative, he or she is not entitled to any severance pay.

Planning and decision process

Applying the remuneration policy adopted at the AGM each year, the CEO's total remuneration package is decided by the Board of Directors based on the recommendation of its Remuneration Committee. Total remuneration packages to other members of Group Management are approved by the Remuneration Committee, based on the CEO's recommendation.

C33. Remuneration to Audit Firms

The following remuneration was billed by audit firms for audits and other reviews based on applicable legislation and for advice and other assistance resulting from observations in the reviews. Remuneration was also billed for independent advice, using Group auditors or other audit firms, in the fields of Tax/Law and Corporate Finance as well as other consulting services. Audit fees to other audit firms refer to subsidiaries or associated companies and joint ventures not audited by the Group auditors. Auditors are elected by the Annual General Meeting. The categorization of fees to audit firms is based on the new requirements of the Swedish Annual Accounts Act. 2009 figures have been restated accordingly.

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. The audit of the consolidated financial statements has been carried out throughout the year. No separate fee has been billed for the review of interim financial statements.

SEK in millions	Jan-Dec 2010	Jan-Dec 2009
Remuneration expensed		
PwC		
Audits	44	48
Audit-related services	1	1
Tax services	3	1
All other services	6	8
Total PwC	54	58
Ernst & Young (E&Y)		
Tax services	0	1
All other services	4	4
Total E&Y	4	5
KPMG		
Tax services	11	15
All other services	0	—
Total KPMG	11	15
Other audit firms		
Audits, audit-related services	2	2
Tax services and all other services	1	5
Total other audit firms	3	7
Total remuneration expensed	72	85
Total remuneration recognized in equity	—	—
Remuneration capitalized		
E&Y		
All other services	—	1
Total E&Y	—	1
Total remuneration capitalized	—	1
Total remuneration	72	86

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

For two minor business combinations in 2010, the aggregate cost of combination was SEK 75 million and the net cash outflow SEK 75 million. Goodwill totaled SEK 68 million, allocated to business area Broadband Services.

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

Acquisitions of non-controlling interests

In December 2010, TeliaSonera increased its ownership to 75.45 percent by acquiring 24.45 percent in TeliaSonera Asia Holding B.V. (Asia Holding), which owns 80 percent of the mobile operator Ncell Pvt. Ltd. in Nepal. A cash consideration of SEK 1,105 million was paid to the holder of the non-controlling interest. The carrying value of the net assets in Asia Holding (excluding goodwill on the existing interest) at acquisition date was SEK 1,170 million and the carrying value of the additional interest acquired was SEK 286 million. The difference of SEK 819 million between the consideration paid and the carrying

value of the interest acquired was recognized in retained earnings.

Settlement of contingent consideration liabilities related to prior period acquisitions

In the first quarter of 2010, TeliaSonera increased its ownership to 94 percent by acquiring 20 percent of the shares in Telia-Sonera Uzbek Telecom Holding B.V. (Uzbek Telecom Holding), which owns 100 percent of the mobile operator OOO Coscom (brand name UCell) in Uzbekistan. A cash consideration of SEK 1,615 million was paid to holder of the non-controlling interest reducing the existing put option liability.

In 2010, TeliaSonera paid SEK 341 million as the final amortization of the contingent consideration liability recognized according to the agreements made in connection with the privatization of Azercell Telekom B.M. in Azerbaijan in 2008.

For additional information, see section "Put options and contingent consideration" in Note C23 "Other Provisions."

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.

Regulation

TeliaSonera operates in a highly regulated industry. The regulations to which TeliaSonera is subject impose significant

limits on its flexibility to manage its business. In a number of countries, TeliaSonera entities have been designated as a party with significant market power in one or several telecom sub-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 of operations.

Emerging markets

TeliaSonera has made significant investments in telecom operators in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal, Russia and Turkey. Historically, the political, economic, legal and regulatory systems in these countries have been less predictable than in countries with more mature institutional structures. The future political situation in each of the emerging market countries may remain unpredictable, and markets in which TeliaSonera operates may become unstable.

Other risks associated with operating in emerging market countries include foreign exchange restrictions, which could effectively prevent TeliaSonera from 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 2010, over 40 percent of operating income and 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. Variations in the financial performance of these associated companies, in which TeliaSonera does not have control, impacts TeliaSonera's results of operations also in the short term.

Allegations of possible health risks

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

Network integrity and data security

TeliaSonera is managing significant network and data volumes and therefore aims to ensure network integrity and data security and protect customers' personal data. TeliaSonera will only provide personal data to authorities to the extent required by law or with the customer's permission. To ensure privacy, TeliaSonera protects assets such as personnel, customers, information, IT infrastructure, internal and public networks as well as office buildings and technical facilities. TeliaSonera implements measures to prevent and detect the disclosure of sensitive information to unauthorized parties. TeliaSonera takes measures to detect and promptly respond to security incidents. TeliaSonera maintains a zero acceptance policy towards criminal activities and fraud. While TeliaSonera through appropriate measures avoids failure in its work to secure network integrity

and data security, external or internal factors may negatively impact security and cause negative effects on customers' perception on how TeliaSonera handles these matters, possibly leading to an adverse impact on TeliaSonera's business and results of operations.

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 77 billion as of December 31, 2010, which is not amortized but annually tested for impairment.

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

In addition to affecting TeliaSonera's results of operations, such 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. (Yoigo) in Spain, which require substantial investments and expenditure in the build-up phase.

The success of these investments will depend on a variety of factors beyond TeliaSonera's control, including the cost of acquiring, renewing or maintaining licenses, the cost of new technology, availability of new and attractive services, the costs associated with providing these services, the timing of their introduction, the market demand and prices for such services, and competition. A failure to realize the benefits expected from these investments may adversely affect TeliaSonera's results of operations.

Acquisitions, strategic alliances and business combinations

TeliaSonera is constantly reviewing its asset portfolio and in 2010 increased its ownership in UCell in Uzbekistan and Ncell in Nepal, in line with the strategy of increasing ownership in core holdings. Over the years, TeliaSonera has made a number of targeted acquisitions in accordance with its strategy. Telia-

Sonera may continue to expand and grow its business through business combinations, strategic alliances, etc. The efficient integration of these acquisitions and the realization of related cost and revenue synergies, as well as the positive development of the acquired operations, are significant for the results of operations both in the long and short term. In case TeliaSonera will fail in integrating or managing any acquired company or strategic alliance there is a risk that management's attention will be diverted away from other ongoing business concerns. In addition, any potential acquisition could negatively affect TeliaSonera's financial position and its credit ratings, or, if made using TeliaSonera shares, dilute the existing shareholders.

Shareholder matters in partly owned subsidiaries

TeliaSonera conducts some of its activities, particularly outside of the Nordic region, through subsidiaries in which TeliaSonera does not have a 100 percent ownership. Under the governing documents for certain of these entities, the holders of non-controlling interests have protective rights in matters such as approval of dividends, changes in the ownership structure and other shareholder-related matters. As a result, actions outside TeliaSonera's control and adverse to 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 Turkcell 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 2010	Jan-Dec 2009
Net sales	P2	13,236	15,135
Costs of production	P3	-10,347	-12,015
Gross income		2,889	3,120
Selling and marketing expenses	P3	-157	-102
Administrative expenses	P3	-856	-740
Research and development expenses	P3	-88	-305
Other operating income	P4	81	86
Other operating expenses	P4	-66	-620
Operating income		1,803	1,439
Financial income and expenses	P5	32,958	11,525
Income after financial items		34,761	12,964
Appropriations	P6	-4,963	-221
Income before taxes		29,798	12,743
Income taxes	P6	-4,376	-479
Net income		25,422	12,264

Parent Company Statements of Comprehensive Income

SEK in millions	Note	Jan-Dec 2010	Jan-Dec 2009
Net income		25,422	12,264
Cash flow hedges		87	65
Available-for-sale financial instruments		-90	34
Income taxes relating to other comprehensive income		-23	-17
Total other comprehensive income	P7	-26	82
Total comprehensive income		25,396	12,346

Parent Company Balance Sheets

SEK in millions	Note	Dec 31, 2010	Dec 31, 2009
Assets			
Goodwill and other intangible assets	P8	435	1,032
Property, plant and equipment	P9	3,990	4,749
Deferred tax assets	P6	271	289
Other financial assets	P10	169,596	165,090
Total non-current assets		174,292	171,160
Inventories	P11	2	3
Trade and other receivables	P12	52,369	34,712
Short-term investments	P13	7,940	8,787
Cash and bank	P13	4,733	8,175
Total current assets		65,044	51,677
Total assets		239,336	222,837
Shareholders' equity and liabilities			
<i>Restricted equity</i>			
Share capital		14,369	14,369
Other reserves		1,855	1,856
<i>Non-restricted equity</i>			
Retained earnings		52,927	50,791
Net income		25,422	12,264
Total shareholders' equity		94,573	79,280
Untaxed reserves	P6	13,209	8,245
Provisions for pensions and employment contracts	P15	524	533
Other provisions	P16	96	165
Total provisions		620	698
<i>Interest-bearing liabilities</i>			
Long-term borrowings	P17	72,379	61,849
Short-term borrowings	P17	54,197	69,365
<i>Non-interest-bearing liabilities</i>			
Long-term liabilities	P18	264	364
Current tax payables		941	382
Short-term provisions, trade payables and other current liabilities	P19	3,153	2,654
Total liabilities		130,934	134,614
Total shareholders' equity and liabilities		239,336	222,837
Contingent assets	P24	—	—
Guarantees	P24	4,205	5,030
Collateral pledged	P24	—	—

Parent Company Cash Flow Statements

SEK in millions	Note	Jan-Dec 2010	Jan-Dec 2009
Net income		25,422	12,264
Adjustments for:			
Amortization, depreciation and impairment losses		6,498	2,781
Capital gains/losses on sales/discards of non-current assets		-114	-11
Pensions and other provisions		-1,048	-829
Financial items		-506	-988
Group contributions and appropriations		-12,985	-1,317
Income taxes		555	387
Cash flow before change in working capital		17,822	12,287
Increase (-)/Decrease (+) in operating receivables		2,995	-340
Increase (-)/Decrease (+) in inventories etc.		2	2
Increase (+)/Decrease (-) in operating liabilities		-427	-1,121
Change in working capital		2,570	-1,459
Cash flow from operating activities		20,392	10,828
Intangible and tangible non-current assets acquired		-922	-1,121
Equity instruments acquired	P25	-10,975	-3,772
Equity instruments divested		430	497
Non-current assets divested, etc.		2	29
Loans granted and other similar investments		-2,209	175
Compensation from pension fund		850	870
Net change in interest-bearing current receivables		-1,101	-1
Cash flow from investing activities		-13,925	-3,323
Cash flow before financing activities		6,467	7,505
Dividend to shareholders		-10,104	-8,083
Group contributions and dividends received		1,538	1,017
Proceeds from long-term borrowings		7,658	18,706
Repayment of long-term borrowings		-7,945	-2,775
Change in short-term borrowings		1	-5,991
Settlement of foreign exchange derivative contracts used for economic hedges of cash-pool balances		-2,804	381
Cash flow from financing activities		-11,656	3,255
Change in cash and cash equivalents		-5,189	10,760
Cash and cash equivalents, opening balance		16,962	6,202
Change in cash and cash equivalents		-5,189	10,760
Cash and cash equivalents, closing balance	P13	11,773	16,962
Dividends received		18,393	11,768
Interest received		1,339	1,635
Interest paid		-3,506	-3,689
Income taxes paid		-3,822	-92

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, 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
Dividend		—	—	—	—	-10,104	-10,104
Total comprehensive income		—	—	—	-26	25,422	25,396
Share-based payments	P26	—	—	—	—	1	1
Depreciation on tangible assets written-up	P14	—	—	-1	—	1	—
Closing balance, December 31, 2010		14,369	1,855	—	-156	78,505	94,573

Notes to Parent Company Financial Statements

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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 "Accounting for Legal Entities" and other statements issued by the Swedish Financial Reporting Board. The standard is applicable to Swedish legal entities whose equities at the end of the reporting period are listed on a Swedish stock exchange or authorized equity market place. In their consolidated financial statements such companies have to comply with the EU regulation on international accounting standards, while they still have

to comply with the Annual Accounts Act in their separate financial statements. RFR 2 states that as a main rule listed parent companies should apply IFRSs and specifies exceptions and additions, caused by legal provisions or by the connection between accounting and taxation in Sweden.

Measurement bases and significant accounting principles

With the few exceptions below, TeliaSonera AB applies the same measurement bases and accounting principles as described in "Notes to Consolidated Financial Statements" (Note C3).

Item	Note	Accounting treatment
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	Shares in subsidiaries and associated companies are recognized at cost less any impairment. Dividends received are brought to income while a repayment of contributed capital reduces the carrying value.
Provisions for pensions and employment contracts	P5, P15	Pension obligations and pension expenses are recognized in accordance with FAR 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.

Changes in accounting policies

See "Notes to Consolidated Financial Statements" (corresponding section in Note C1, second paragraph).

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 2010	Jan-Dec 2009
European Economic Area (EEA)	13,236	15,135
<i>of which European Union (EU) member states</i>	13,234	15,132
<i>of which Sweden</i>	13,221	15,088
Total	13,236	15,135

Net sales were broken down by product category as follows.

SEK in millions	Jan-Dec 2010	Jan-Dec 2009
Fixed telephony	7,836	8,614
Internet	2,619	3,206
Network capacity	1,567	2,053
Data communications	819	840
Other	395	422
Total	13,236	15,135

There was no invoiced advertising tax in the years 2010 and 2009, 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 2010	Jan–Dec 2009
Goods purchased	-2	-26
Interconnect and roaming expenses	-856	-1,072
Other network expenses	-7,450	-7,447
Change in inventories	-0	-0
Personnel expenses (see also Note P26)	-1,146	-1,453
Rent and leasing fees	-103	-295
Consultants' services	-67	-80
IT expenses	-207	-765
Other expenses	-277	-372
Amortization, depreciation and impairment losses	-1,340	-1,652
Total	-11,448	-13,162

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

SEK in millions	Jan–Dec 2010	Jan–Dec 2009
Costs of production	-1,312	-1,652
Administrative expenses	-28	-0
Research and development expenses	-0	-
Total	-1,340	-1,652

P4. Other Operating Income and Expenses

Other operating income and expenses were distributed as follows.

SEK in millions	Jan–Dec 2010	Jan–Dec 2009
Other operating income		
Capital gains	22	7
Exchange rate gains	17	78
Patents sold, commissions, etc.	0	0
Recovered accounts receivable, released accounts payable	0	0
Damages received	42	1
Total other operating income	81	86
Other operating expenses		
Capital losses	-10	-7
Exchange rate losses	-25	-92
Restructuring costs	-31	-268
Damages paid	-	-253
Total other operating expenses	-66	-620
<i>of which amortization, depreciation and impairment losses</i>	<i>-</i>	<i>-</i>
Net effect on income	15	-534
<i>of which net exchange rate losses on derivative instruments held-for-trading</i>	<i>-3</i>	<i>-7</i>

P5. Financial Income and Expenses

Financial income and expenses were distributed as follows.

SEK in millions	Jan–Dec 2010	Jan–Dec 2009
Income from shares in subsidiaries		
Dividends, etc.	18,393	11,768
Capital gains/losses, net	23	16
Impairment losses	-5,158	-731
Group contributions, net received	17,948	1,538
Total	31,206	12,591
Income from shares in associated companies		
Impairment losses	-1	-1
Total	-1	-1
Income from other financial investments		
Dividends	7	-
Capital gains/losses, net	79	-
Changes in fair value	-5	-4
Total	81	-4
Other financial income		
Interest from subsidiaries	360	506
Other interest income	156	127
Exchange rate gains	3,658	1,223
Total	4,174	1,856
Other financial expenses		
Interest to subsidiaries	-467	-606
Other interest expenses	-1,818	-2,158
Interest component of pension expenses (see also Note P15)	-27	-21
Exchange rate losses	-190	-132
Total	-2,502	-2,917
Net effect on income	32,958	11,525

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.

SEK in millions	Jan-Dec 2010	Jan-Dec 2009	Jan-Dec 2010	Jan-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
	Other interest expenses	Net exchange rate gains and losses	Other interest income			
Fair value hedge derivatives	368	245	-2,786	-1,348	—	—
Cash flow hedge derivatives	-142	-118	-106	-81	—	—
Derivatives held-for-trading	19	97	-3,339	-366	—	—
Loans and receivables	—	—	2,873	599	156	127
Borrowings in fair value hedge relationships	-947	-988	2,786	1,348	—	—
Borrowings and other financial liabilities at amortized cost	-1,093	-1,373	4,040	939	—	—
Other	-24	-21	—	—	—	—
Total	-1,818	-2,158	3,468	1,091	156	127

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

P6. 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 2010	Jan-Dec 2009
Tax items recognized in net income		
Current tax expense relating to current year	-4,357	-474
Underprovided or overprovided current tax expense in prior years	-24	—
Deferred tax expense originated or reversed in current year	5	-5
Total tax expense recognized in net income	-4,376	-479
Tax items recognized in other comprehensive income		
Deferred tax originated or reversed in current year	-23	-17
Total tax recognized in other comprehensive income	-23	-17

Pre-tax income was SEK 29,798 million in 2010 and SEK 12,743 million in 2009. The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	Jan-Dec 2010	Jan-Dec 2009
Swedish income tax rate	26.3	26.3
Underprovided or overprovided current tax expense in prior years	0.1	0.0
Non-deductible expenses	4.7	1.9
Tax-exempt income	-16.4	-24.4
Effective tax rate in net income	14.7	3.8

In 2010, as well as in 2009, tax-exempt income consisted primarily of dividends received from subsidiaries.

Deferred tax assets and liabilities

Deferred tax assets and liabilities changed as follows.

SEK in millions	Dec 31, 2010	Dec 31, 2009
Deferred tax assets		
Carrying value, opening balance	289	311
Comprehensive income period change	-18	-22
Carrying value, closing balance	271	289
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, 2010	Dec 31, 2009
Deferred tax assets		
Fair value adjustments for other financial assets	47	70
Delayed expenses for provisions	224	219
Total deferred tax assets	271	289
Total deferred tax liabilities		
—	—	—
Net deferred tax assets	271	289

In 2010 and 2009, there were no accumulated non-expiring tax loss carry-forwards or unrecognized deferred tax assets. As of December 31, 2010 and 2009, the unrecognized deferred tax liability in untaxed reserves amounted to SEK 3,474 million and SEK 2,168 million, respectively.

Untaxed reserves, appropriations and group contributions

Untaxed reserves in the balance sheet were distributed as follows.

SEK in millions	Dec 31, 2010	Dec 31, 2009
Profit equalization reserves	11,697	6,224
Accumulated excess amortization and depreciation	1,512	2,021
Total	13,209	8,245

Excess amortization and depreciation changed as follows.

SEK in millions	Dec 31, 2010		Dec 31, 2009	
	Intangible assets	Plant and machinery	Intangible assets	Plant and machinery
Opening balance	142	1,879	143	2,256
Reversals	-29	-480	-1	-377
Closing balance	113	1,399	142	1,879

Appropriations brought to income were as follows.

SEK in millions	Jan–Dec	Jan–Dec
	2010	2009
Change in profit equalization reserves	-5,472	-599
Change in accumulated excess amortization and depreciation	509	378
Net effect on income	-4,963	-221

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	Jan–Dec
	2010	2009
Pre-tax group contributions, net received (recognized in net income)	17,948	1,538

P7. Other Comprehensive Income

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan–Dec 2010	Jan–Dec 2009
Cash flow hedges			
Net changes in fair value	Fair value reserve	-22	-8
Transferred to interest expenses in net income	Fair value reserve	109	73
Income tax effect	Fair value reserve	-23	-17
Total cash flow hedges		64	48
Available-for-sale financial instruments			
Net changes in fair value	Fair value reserve	-90	34
Total available-for-sale financial instruments		-90	34
Total other comprehensive income		-26	82
<i>of which total income tax effects (see also Note P6)</i>		-23	-17

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,	Dec 31,	Dec 31,	Dec
	2010	2009	2010	2009
Goodwill				
Accumulated cost	114	114	887	3,680
Accumulated amortization	-113	-112	-329	-2,013
Accumulated impairment losses	-	-	-124	-637
Carrying value	1	2	434	1,030
<i>of which work in progress</i>	-	-	167	279
Carrying value, opening balance	2	11	1,030	1,246
Investments and operations acquired	-	-	290	232
Sales and disposals	-	-	-827	-
Reclassifications	-	-	185	1
Amortization for the year	-1	-9	-196	-348
Impairment losses for the year	-	-	-48	-101
Carrying value, closing balance	1	2	434	1,030

In 2010, network related IT operations were transferred to a subsidiary at gross carrying values. No general changes of useful lives were made in 2010. 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,	Dec 31,
	2010	2009
Capitalized development expenses	266	751
Licenses, contractual agreements, patents, etc.	1	-
Work in progress	167	279
Total carrying value	434	1,030

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, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
SEK in millions								
			Property		Plant and machinery		Equipment, tools and installations	
Accumulated cost	569	537	41,009	41,437	482	748	42,060	42,722
Accumulated depreciation	-259	-226	-36,957	-36,546	-368	-636	-37,584	-37,408
Accumulated impairment losses	-	-	-552	-566	-5	-5	-557	-571
Accumulated write-ups	-	-	6	6	-	-	6	6
Advances	-	-	65	-	-	-	65	-
Carrying value	310	311	3,571	4,331	109	107	3,990	4,749
<i>of which assets under construction</i>	-	-	511	681	-	-	511	681
Carrying value, opening balance	311	245	4,331	4,763	107	82	4,749	5,090
Investments and operations acquired	12	53	543	831	13	30	568	914
Sales and disposals	-	-	-85	-36	-26	-	-111	-36
Reclassifications	20	42	-256	-69	51	26	-185	-1
Depreciation for the year	-33	-29	-1,027	-1,158	-36	-31	-1,096	-1,218
Advances	-	-	65	-	-	-	65	-
Carrying value, closing balance	310	311	3,571	4,331	109	107	3,990	4,749

No general changes of useful lives were made in 2010. For useful lives applied, see "Notes to Consolidated Financial Statements" (corresponding section in Note C2). In the income statement, amortization and impairment losses are, if applicable, included in all expense line items by function as well as in line item Other operating expenses. Accelerated depreciation, to the extent allowed by Swedish tax legislation, is recorded as untaxed reserves and appropriations (see this section in Note P6 "Income Taxes").

Property

As of December 31, 2010, 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.

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, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009
SEK in millions								
			Investments in associated companies		Investments in other equity instruments		Investments in subsidiaries and other non-current financial assets	
Carrying value, opening balance	899	899	148	110	164,043	163,185	165,090	164,194
New share issues and shareholder contributions	-	-	-	2	5	186	5	188
Additions	-	-	-	3	11,007	3,716	11,007	3,719
Divestitures	-	-	-40	-	-282	-83	-322	-83
Impairment losses	-	-	-	-	-6,094	-2,494	-6,094	-2,494
Reclassifications	-	-	-	-	-	-467	-	-467
Changes in fair value	-	-	-90	33	-	-	-90	33
Carrying value, closing balance	899	899	18	148	168,679	164,043	169,596	165,090

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

SEK in millions	Dec 31, 2010		Dec 31, 2009	
	Carrying value	Fair value	Carrying value	Fair value
Investments in other equity instruments available-for-sale	2	2	132	132
Investments in other equity instruments held-for-trading	12	12	12	12
Convertible bonds available-for-sale	4	4	4	4
Interest rate swaps designated as fair value hedges	1,275	1,275	957	957
Interest rate and cross currency interest rate swaps held-for-trading	322	322	1,576	1,576
Currency swaps and forward exchange contracts held-for-trading	3	3	–	–
Subtotal (see Fair value hierarchy levels – Note P20)	1,618	1,618	2,681	2,681
Loans and receivables at amortized cost	0	0	0	0
Subtotal (see Categories – Note P20 and Credit risk – Note P21)/Total fair value	1,618	1,618	2,681	2,681
Investments in subsidiaries	166,925		161,395	
Receivables from subsidiaries	150		111	
Investments in associated companies	899		899	
Investments in other equity instruments at cost	4		4	
Total other financial assets	169,596		165,090	
of which interest-bearing	1,768		2,796	
of which non-interest-bearing	167,828		162,294	

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, 2010	Dec 31, 2009
Swedish companies				
TeliaSonera Skanova Access AB, 556446-3734, Stockholm	100	21,255,000	34,003	34,003
Telia Nätjänster Norden AB, 556459-3076, Stockholm	81	55,201	5,557	5,557
TeliaSonera Sverige AB, 556430-0142, Stockholm	100	3,000,000	2,898	2,898
TeliaSonera Mobile Networks AB, 556025-7932, Nacka	100	550,000	2,698	2,698
Telia International AB, 556352-1284, Stockholm	100	20,000	1,722	1,722
Amber Mobile Teleholding AB, 556554-7774, Stockholm	100	1,000	734	2,806
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
Sense Communications AB, 556582-8968, Stockholm	100	250,000	34	34
Baltic Tele AB, 556454-0085, Stockholm	100	100,000	10	3,096
Sergel Kreditjänster AB, 556264-8310, Stockholm	100	5,000	8	8
Telia International Management AB, 556595-2917, Stockholm	100	1,000	5	5
TeliaSonera Asset Finance AB, 556599-4729, Stockholm	100	1,000	4	4
TeliaSonera Network Sales AB, 556458-0040, Stockholm	100	10,000	3	3
TeliaSonera Norge Holding AB, 556591-9759, Stockholm	100	1,000	0	0
Other operating, dormant and divested companies			0	47

Subsidiary, Corp. Reg. No., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions)	
			Dec 31, 2010	Dec 31, 2009
Non-Swedish companies				
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	98
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
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	3,049
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	5.1	39,895,616	218	218
UAB Omnitel, 110305282, Vilnius	100	39,688,889	2,797	–
UAB Sergel, 125026242, Vilnius	100	1,500	7	7
SIA Telia Latvija, 000305757, Riga	100	328,300	123	123
TeliaSonera International Carrier Latvia SIA, 000325135, Riga	100	205,190	13	13
Latvijas Mobilais Telefons SIA, 000305093, Riga	24.5	140,679	2	2
SIA Sergel, 010318318, Riga	100	1,000	1	1
AS Eesti Telekom, 10234957, Tallinn	100	137,954,528	6,702	3,317
Xfera Móviles S.A., A82528548, Madrid	76.6	517,025,247	2,549	2,549
ZAO TeliaSonera International Carrier Russia, 102780919732, Moscow	100	220,807,825	200	200
TeliaSonera Telekomünikasyon Hizmetleri L.S., 381395, Istanbul	99	79,193	10	10
TeliaSonera International Carrier Telekomünikasyon L.S., 609188-556770, Istanbul	100	55,919	8	8
TeliaSonera International Carrier Germany GmbH, HRB50081, Frankfurt am Main	100	–	1,329	1,329
TeliaSonera International Carrier France S.A.S., B421204793, Paris	100	2,700,000	681	681
TeliaSonera International Carrier Austria, FN191783i, Vienna	100	–	118	118
TeliaSonera International Carrier Switzerland AG, 2171000547-8, Zurich	100	1,000	54	54
Telia Telecommunications International B.V., 34135584, Rotterdam	100	45,000	4,785	–
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	6
TOV TeliaSonera International Carrier Ukraine, 34716440, Kyiv	100	–	6	1
TeliaSonera International Carrier Poland Sp. z o.o., KRS00000186, Warsaw	100	52,500	58	58
TeliaSonera International Carrier Czech Republic a.s., 26207842, Prague	100	20,000	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, Inc., 541837195, Herndon, VA	100	100	136	136
TeliaSonera International Carrier Singapore Pte. Ltd, 200005728N, Singapore	100	1,200,002	1	1
Other operating, dormant and divested companies			0	237
Total			166,925	161,395

TeliaSonera 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 Nätjänster Norden AB. Telia Danmark is a branch of Telia Nätjänster Norden AB. Amber Teleholding A/S holds another 63 percent of the shares in TEO LT, AB. Another 24.5 percent of the shares in Latvijas Mobilais Telefons SIA are owned by a subsidiary. TeliaSonera has a board majority on Latvijas Mobilais Telefons. The remaining shares in TeliaSonera Telekomünikasyon Hizmetleri L.S. are owned by TeliaSonera Finland Oyj which also indirectly controls Fintur Holdings B.V. and TeliaSonera UTA Holding B.V.

Equity participation corresponds to voting rights participation in all companies except Xfera Móviles S.A., where TeliaSonera controls 80 percent of the votes by virtue of a shareholders agreement.

Other operating and dormant companies do not control Group assets of significant value. Holdings of Other Swedish and Other non-Swedish companies for the comparative year (SEK 47 million and SEK 237 million, respectively), refer to Telia Electronic Commerce AB and Telia Fastigheter Telaris AB, which were liquidated in 2010 and to ComHouse AS, which was transferred to a subsidiary in 2010.

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 2010 and 2009, respectively. The carrying value referred to supplies and consumables and was SEK 2 million and SEK 3 million as of December 31, 2010 and 2009, respectively.

P12. Trade and Other Receivables

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

SEK in millions	Dec 31, 2010	Dec 31, 2009
Interest rate and cross currency interest rate swaps at fair value	13	329
<i>of which designated as fair value hedges</i>	13	–
<i>of which designated as cash flow hedges</i>	–	329
Currency swaps and forward exchange contracts held-for-trading	349	123
Subtotal (see Fair value hierarchy levels – Note P20)	362	452
Accounts receivable at amortized cost	117	138
Receivables from associated companies and joint ventures at amortized cost	203	4
Loans and receivables at amortized cost	17	31
Subtotal (see Categories – Note P20 and Credit risk – Note P21)	699	625
Receivables from subsidiaries	51,328	33,600
<i>of which cash-pool balances and short-term deposits</i>	30,643	27,565
<i>of which trade and other receivables</i>	20,685	6,035
Other current receivables	174	352
Deferred expenses	168	135
Total trade and other receivables	52,369	34,712
<i>of which interest-bearing</i>	31,145	28,063
<i>of which non-interest-bearing</i>	21,224	6,649

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, 2010	Dec 31, 2009
Geographical area		
Sweden	336	172
Other countries	1	1
Total carrying value	337	173
Customer segment		
Other operators	248	134
Other customers	89	39
Total carrying value	337	173

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, 2010	Dec 31, 2009
Accounts receivable invoiced	142	583
Allowance for doubtful accounts receivable	-25	-445
Total accounts receivable	117	138
Accounts receivable not due	109	18
Accounts receivable past due but not impaired	8	120
<i>of which less than 30 days</i>	0	0
<i>of which 30–180 days</i>	1	47
<i>of which more than 180 days</i>	7	73
Total accounts receivable	117	138

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, 2010	Dec 31, 2009
Loans and receivables not due	13	26
Loans and receivables past due but not impaired	208	9
<i>of which less than 30 days</i>	–	–
<i>of which 30–180 days</i>	–	–
<i>of which more than 180 days</i>	208	9
Total loans and receivables	220	35

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.

There were no bad debt expenses and no recovered accounts receivable in 2010 and in 2009. The allowance for doubtful accounts receivable changed as follows.

SEK in millions	Dec 31, 2010	Dec 31, 2009
Opening balance	445	200
Provisions for receivables impaired	–	226
Divested operations	–	-175
Receivables written-off as uncollectible	-420	–
Unused amounts reversed	-0	–
Reclassifications	–	194
Closing balance	25	445

P13. Short-term Investments, Cash and Cash Equivalents

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

SEK in millions	Dec 31, 2010	Dec 31, 2009
Short-term investments with maturities over 3 months	900	–
<i>of which bank deposits at amortized cost</i>	<i>900</i>	<i>–</i>
Short-term investments with maturities up to and including 3 months	7,040	8,787
<i>of which bank deposits at amortized cost</i>	<i>7,040</i>	<i>8,787</i>
Total short-term investments	7,940	8,787
Cash and bank	4,733	8,175
Total (see Categories – Note P20 and Credit risk – Note P21)	12,673	16,962
of which Cash and cash equivalents	11,773	16,962

Cash and cash equivalents are defined as the sum of Short-term investments with maturities up to and including 3 months and the balance sheet item Cash and bank. The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. 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. As of December 31, 2010, there were no blocked funds in TeliaSonera AB's 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, 2010	Dec 31, 2009
Carrying value, opening balance	1	3
Depreciation	-1	-2
Carrying value, closing balance	–	1

P15. Provisions for Pensions and Employment Contracts

Pension obligations and pension expenses

The vast majority of employees in TeliaSonera AB are covered by a defined benefit pension plan (the ITP-Tele plan) which means that the individual is guaranteed a pension equal to a certain percentage of his or her salary. The pension plan mainly includes retirement pension, disability pension and family pension. All employees born in 1979 or later are covered by a defined contribution pension plan (the ITP1 plan).

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, 2010	Dec 31, 2009
Opening balance, pension obligations covered by plan assets	9,949	10,051
Opening balance, pension obligations not covered by plan assets	533	551
Opening balance, total pension obligations	10,482	10,602
Current service cost	96	101
Interest cost, paid-up policy indexation	315	600
Benefits paid	-744	-778
Divested operations	-2	-2
Other changes in valuation of pension obligations	-6	-91
Termination benefits	16	50
Closing balance, pension obligations covered by plan assets	9,633	9,949
Closing balance, pension obligations not covered by plan assets	524	533
Closing balance, total pension obligations	10,157	10,482
<i>of which FPG/PRI pensions</i>	<i>6,156</i>	<i>6,107</i>

The fair value of plan assets changed as follows.

SEK in millions, except percentages	Dec 31, 2010	Dec 31, 2009
Opening balance, plan assets	10,775	10,393
Actual return	928	1,252
Payment from pension fund	-850	-870
Closing balance, plan assets	10,853	10,775
<i>Actual return on plan assets (%)</i>	<i>8.6</i>	<i>12.0</i>

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

SEK in millions	Dec 31, 2010	Dec 31, 2009
Present value of pension obligations	10,157	10,482
Fair value of plan assets	-10,853	-10,775
Surplus capital in pension fund	1,220	826
Provisions for pension obligations	524	533

Total pension income was distributed as follows.

SEK in millions	Jan–Dec 2010	Jan–Dec 2009
Current service cost	96	101
Interest cost, paid-up policy indexation	315	600
Less interest expenses recognized as financial expenses	-27	-21
Actual return on plan assets	-928	-1,252
Other changes in valuation of pension obligation	-8	-93
Termination benefits	16	50
Pension income, defined benefit pension plans	-536	-615
Pension premiums, defined benefit/defined contribution pension plans and other pension costs	89	102
Changes in estimates	-16	-3
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring cost	-23	-66
Pension income	-486	-582
Decrease (-)/Increase (+) of surplus capital in pension fund	395	484
Recognized pension income	-91	-98
<i>of which pension premiums paid to the ITP pension plan</i>	<i>33</i>	<i>35</i>

Principal actuarial assumptions

The actuarial calculation of pension obligations and pension expenses is based on principles set by PRI Pensionsgaranti and the Swedish Financial Supervisory Authority, respectively.

The principal calculation assumption is the discount rate which, as a weighted average for the different pension plans

and, as applicable, net of yield tax on pension plan assets, was 3.0 percent in 2010 and 2.9 percent in 2009. Obligations were calculated based on the salary levels prevailing at December 31, 2010 and 2009, respectively.

Plan-asset allocation

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

Asset category	Dec 31, 2010		Dec 31, 2009	
	SEK in millions	Percent	SEK in millions	Percent
Fixed income instruments, liquidity	5,340	49.2	5,495	51.0
Shares and other investments	5,513	50.8	5,280	49.0
Total	10,853	100.0	10,775	100.0
<i>of which shares in TeliaSonera AB</i>	53	0.5	62	0.6

Future contributions and pension payments

As of December 31, 2010, the fair value of plan assets exceeded the present value of pension obligations. Unless the fair value of plan assets during 2011 should fall short of the present value of

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

In 2011, pension payments from the defined benefit plans are expected to be SEK 740 million.

P16. Other Provisions

Changes in other provisions were as follows.

SEK in millions	December 31, 2010					Total
	Payroll taxes on future pension payments	Restructuring provisions	Warranty provisions	Damages and court cases	Insurance provisions	
Opening balance	59	171	9	240	48	527
<i>of which financial liabilities at amortized cost</i>	–	–	9	–	–	9
Provisions for the period	6	31	–	–	–	37
Utilized provisions	-13	-119	–	–	-7	-139
Reversals of provisions	–	–	-5	–	–	-5
Reclassifications	–	-35	–	–	–	-35
Closing balance	52	48	4	240	41	385
of which non-current portion	52	3	–	–	41	96
of which current portion	–	45	4	240	–	289
<i>of which financial liabilities at amortized cost (see Categories – Note P20)</i>	–	–	4	–	–	4

For financial liabilities, the carrying value equals fair value as provisions are discounted to present value. Refer to Note P20 "Financial Assets and Liabilities by Category and Level" for more information on financial instruments classified by category. As of December 31, 2010, 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	Jan–Sep 2011	Oct–Dec 2011	Later years	Total	Carrying value
SEK in millions					
Financial liabilities	–	4	–	4	4

Restructuring provisions mainly refer to staff redundancy costs related to cost saving programs in the Swedish operations, launched by management in 2005 and in 2008. As group-wide initiatives, the programs have been completed, but cost saving activities continued in 2010 on business area level. The remaining provision as of December 31, 2010 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 2011-2024.

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

P17. Long-term and Short-term Borrowings

Open-market financing programs

For information on TeliaSonera AB's open-market financing programs, see "Notes to Consolidated Financial Statements" (corresponding section in Note C21).

Borrowings

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

SEK in millions	Dec 31, 2010		Dec 31, 2009	
	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	16,253	16,253	18,745	18,745
Interest rate swaps at fair value	276	276	416	416
<i>of which designated as hedging instruments</i>	252	252	328	328
<i>of which held-for-trading</i>	24	24	88	88
Cross currency interest rate swaps at fair value	1,448	1,448	172	172
<i>of which designated as hedging instruments</i>	4	4	—	—
<i>of which held-for-trading</i>	1,444	1,444	172	172
Subtotal (see Fair value hierarchy levels – Note P20)	17,977	17,977	19,333	19,333
Open-market financing program borrowings at amortized cost	40,023	43,036	40,140	42,964
Other borrowings at amortized cost	876	881	2,376	2,391
Subtotal (see Categories – Note P20)/Total fair value	58,876	61,894	61,849	64,688
Borrowings from subsidiaries	13,503	—	—	—
<i>of which other borrowings</i>	13,503	—	—	—
Total long-term borrowings	72,379		61,849	
Short-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	464	464	—	—
Interest rate swaps designated as hedging instruments	7	7	—	—
Subtotal (see Fair value hierarchy levels – Note P20)	471	471	—	—
Open-market financing program borrowings at amortized cost	3,983	3,995	7,024	7,092
Subtotal (see Categories – Note P20)/Total fair value	4,454	4,466	7,024	7,092
Borrowings from subsidiaries	49,743	62,341	—	—
<i>of which cash pool balances</i>	48,004	60,883	—	—
<i>of which other borrowings</i>	1,739	1,458	—	—
Total short-term borrowings	54,197		69,365	

As of December 31, 2010 and 2009, fully unutilized bank overdraft facilities had a total limit of SEK 1,089 million and SEK 1,077 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.

For the years 2010 and 2009, SEK 27 million and SEK 46 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,	Dec 31,
	2010	2009
Currency swaps, forward exchange contracts and currency options held-for-trading	1,048	175
Subtotal (see Fair value hierarchy levels – Note P20)	1,048	175
Accounts payable at amortized cost	495	860
Current liabilities at amortized cost	112	227
Subtotal (see Categories – Note P20)	1,655	1,262
Liabilities to subsidiaries	833	553
Other current liabilities	568	730
Deferred income	97	109
Total short-term provisions, trade payables and other current liabilities	3,153	2,654

P18. Long-term Liabilities

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

SEK in millions	Dec 31,	Dec 31,
	2010	2009
Liabilities to subsidiaries	—	2
Prepaid contracts for broadband build-out	254	353
Other liabilities	10	9
Total long-term liabilities	264	364

For Accounts payable and Current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. For additional information on financial instruments classified by category/fair value hierarchy level and on liquidity risks, refer to Note P20 "Financial Assets and Liabilities by Category and Level" and section "Liquidity risk management" in Note P21 "Financial Risk Management." As of December 31, 2010, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2011	Apr–Jun 2011	Jul–Sep 2011	Oct–Dec 2011	Total
Liabilities at amortized cost	582	3	4	18	607

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, 2010	Dec 31, 2009
Financial assets			
Derivatives designated as hedging instruments	P10, P12	1,288	1,286
Financial assets at fair value through profit and loss		686	1,711
Derivatives not designated as hedging instruments	P10, P12	674	1,699
Held-for-trading investments	P10	12	12
Loans and receivables	P12, P13	13,010	17,135
Available-for-sale financial assets	P10	6	136
Total financial assets by category		14,990	20,268
Financial liabilities			
Derivatives designated as hedging instruments	P17	263	328
Derivatives not designated as hedging instruments	P17, P19	2,516	435
Borrowings in fair value hedge relationships	P17	16,717	18,745
Financial liabilities measured at amortized cost	P16, P17, P19	45,493	50,636
Total financial liabilities by category		64,989	70,144

Fair value hierarchy levels

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

SEK in millions	Note	December 31, 2010			December 31, 2009				
		Fair value	of which		Fair value	of which			
			Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Financial assets at fair value									
Investments in other equity instruments available-for-sale	P10	2	2	–	–	132	132	–	–
Investments in other equity instruments held-for-trading	P10	12	–	–	12	12	–	–	12
Convertible bonds available-for-sale	P10	4	–	–	4	4	–	–	4
Derivatives designated as hedging instruments	P10, P12	1,288	–	1,288	–	1,286	–	1,286	–
Derivatives held-for-trading	P10, P12	674	–	674	–	1,699	–	1,699	–
Total financial assets at fair value by level		1,980	2	1,962	16	3,133	132	2,985	16
Financial liabilities at fair value									
Borrowings in fair value hedge relationships	P17	16,717	–	16,717	–	18,745	–	18,745	–
Derivatives designated as hedging instruments	P17	263	–	263	–	328	–	328	–
Derivatives held-for-trading	P17, P19	2,516	–	2,516	–	435	–	435	–
Total financial liabilities at fair value by level		19,496	–	19,496	–	19,508	–	19,508	–

Level 3 financial assets changed as follows.

SEK in millions	December 31, 2010			December 31, 2009		
	Investments in other equity instruments held-for-trading	Convertible bonds available-for-sale	Total	Investments in other equity instruments held-for-trading	Convertible bonds available-for-sale	Total
Level 3, opening balance	12	4	16	8	—	8
Changes in fair value	-5	—	-5	-4	—	-4
<i>of which recognized in net income</i>	-5	—	-5	-4	—	-4
<i> of which related to assets held at reporting period-end</i>	-5	—	-5	-4	—	-4
Purchases	5	—	5	8	4	12
Level 3, closing balance	12	4	16	12	4	16

Changes in fair value recognized in net income are included in line item Financial income and expenses, see specification in Note P5 "Financial Income and Expenses."

P21. Financial Risk Management

Principles, capital management and management of financial risks

For information relevant to TeliaSonera AB, see "Notes to Consolidated Financial Statements" (Note C27).

Credit risk management

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

SEK in millions	Note	Dec 31, 2010	Dec 31, 2009
Other financial assets	P10	1,618	2,681
Trade and other receivables	P12	699	625
Short-term investments, cash and cash equivalents	P13	12,673	16,962
Total		14,990	20,268

As of December 31, 2010, 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 2011	Apr–Jun 2011	Jul–Sep 2011	Oct–Dec 2011	2012	2013	2014	2015	Later years	Total
Open-market financing program borrowings	3,961	1,186	93	1,452	7,818	7,773	10,330	9,953	31,790	74,356
Other borrowings	4	4	4	4	509	377	—	—	—	902
Cross currency interest rate swaps and interest rate swaps										
Payables	1,511	557	243	1,458	5,977	4,857	816	7,759	1,719	24,897
Receivables	-1,652	-837	-105	-1,376	-5,567	-4,876	-1,037	-7,641	-1,865	-24,956
Currency swaps and forward exchange contracts										
Payables	22,932	14,388	2,359	9	30	25	4	—	—	39,747
Receivables	-22,965	-14,303	-2,358	-9	-30	-25	-5	—	—	-39,695
Total, net	3,791	995	236	1,538	8,737	8,131	10,108	10,071	31,644	75,251

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 sub-letting.

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).

Future minimum leasing fees under operating lease agreements in effect as of December 31, 2010 that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2011	Apr–Jun 2011	Jul–Sep 2011	Oct–Dec 2011	2012	2013	2014	Later years	Total
Future minimum leasing fees	79	78	79	78	279	66	20	–	679

In 2010 and 2009, total rent and leasing fees paid were SEK 176 million and SEK 502 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 2010 and 2009, sales to subsidiaries totaled SEK 10,375 million and SEK 12,058 million, respectively, while purchases from subsidiaries totaled SEK 6,647 million and SEK 7,222 million, respectively.

Pension fund

As of December 31, 2010, Telia Pension Fund held 1,549,253 TeliaSonera shares, or 0.03 percent of the voting rights. TeliaSonera AB's share of the fund's assets is 64 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).

As of December 31, 2010, credit guarantees represented the following expected maturities.

Expected maturity SEK in millions	Jan–Jun 2011	Jul–Sep 2011	Oct–Dec 2011	Later years	Total
Credit guarantees	–	1,375	–	–	1,375

Some loan covenants agreed limit the scope for divesting or pledging certain assets. For information on change-of-control provisions included in some of TeliaSonera AB's more recent bond issuances, see "Notes to Consolidated Financial Statements" (corresponding section in Note C30).

For all financial guarantees issued, stated amounts equal the maximum potential future payments that TeliaSonera AB could be required to make under the respective guarantee. For information on the guarantee on behalf of Svenska UMTS-nät, see "Notes to Consolidated Financial Statements" (corresponding section in Note C30).

Guarantees on behalf of subsidiaries include SEK 1,257 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 44 million as TeliaSonera's share to cover payment to a former Xfera shareholder, should the outcome of a legal dispute concerning Xfera's spectrum fee for 2001 be favorable. Guarantees on behalf of subsidiaries also include SEK 525 million related to Swedish pension obligations and SEK 231 million related to the Danish 3G and 4G licenses.

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, 2010, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2011	Apr–Jun 2011	Jul–Dec 2011	Later years	Total
Other intangible assets	24	1	–	–	25
Total (see Liquidity risk – Note P21)	24	1	–	–	25

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).

SEK in millions	Dec 31, 2010	Dec 31, 2009
Credit guarantee on behalf of Svenska UMTS-nät AB	1,375	2,025
<i>Subtotal (see Liquidity risk – Note P21)</i>	1,375	2,025
Guarantees on behalf of subsidiaries	2,695	2,872
Guarantees for pension obligations	135	133
Total financial guarantees	4,205	5,030

P25. Cash Flow Information

Non-cash transactions

In 2010 and 2009, claims on subsidiaries totaling SEK – million and SEK 67 million, respectively, were converted to equity in the companies.

P26. Human Resources

The number of employees decreased to 1,255 at December 31, 2010 (1,937 at year-end 2009), mainly due to operations being transferred to a subsidiary during the year.

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

Country	Jan–Dec 2010		Jan–Dec 2009	
	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	1,396	69.6	1,843	66.6
Total	1,396	69.6	1,843	66.6

The share of female and male Corporate Officers was as follows. Corporate Officers include all members of the Board of Directors, the President, the Executive Vice President and the 9 other members (2009: 8 members) of Group Management employed by the parent company.

Percent	Dec 31, 2010		Dec 31, 2009	
	Board of Directors	Other Corporate Officers	Board of Directors	Other Corporate Officers
Women	27.3	27.3	27.3	20.0
Men	72.7	72.7	72.7	80.0
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 2010	Jan–Dec 2009
Total absence due to illness	2.1	1.7
Absence due to illness for a period of 60 consecutive days or longer	0.9	0.7
Total absence due to illness, men	1.6	1.4
Total absence due to illness, women	3.0	2.3
Total absence due to illness, employees 29 years of age and younger	2.4	2.3
Total absence due to illness, employees 30-49 years of age	1.9	1.4
Total absence due to illness, employees 50 years of age and older	2.3	2.0

Total personnel expenses were distributed by nature as follows.

SEK in millions	Jan–Dec 2010	Jan–Dec 2009
Salaries and other remuneration	913	1,143
<i>of which performance share program</i>	1	–
Social security expenses		
Employer's social security contributions	286	359
<i>of which performance share program</i>	0	–
Pension expenses	-91	-98
Total social security expenses	195	261
Other personnel expenses	38	49
Total personnel expenses recognized by nature	1,146	1,453

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

Country	SEK in millions		Jan–Dec 2010		Jan–Dec 2009	
	Corporate Officers (of which variable pay)	Other employees	Corporate Officers (of which variable pay)	Other employees	Corporate Officers (of which variable pay)	Other employees
Sweden	58 (–)	855	56 (13)	1,087		
Total	58 (–)	855	56 (13)	1,087		

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 9 other members (2009: 8 members) of Group Management employed by the parent company.

Pension expenses and outstanding pension commitments for Corporate Officers were as follows. There are no pension benefit arrangements for external members of the Board of Directors.

SEK in millions	January–December or December 31	
	2010	2009
Pension expenses	21	20
Outstanding pension commitments	176	171

For additional information, see sections "Performance Share Program 2010/2013" and "Remuneration to corporate officers" in "Notes to Consolidated Financial Statements" (Note C32).

P27. Remuneration to Audit Firms

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

SEK in millions	Jan–Dec 2010	Jan–Dec 2009
Remuneration expensed		
PricewaterhouseCoopers AB (PwC)		
Audits	12	8
Audit-related services	1	1
Tax services	0	0
All other services	1	0
Total PwC	14	9
Ernst & Young AB (E&Y)		
Tax services, all other services	2	1
Total E&Y	2	1
KPMG AB (KPMG)		
Tax services, all other services	2	2
Total KPMG	2	2
Other audit firms		
Tax services, all other services	0	2
Total other audit firms	0	2
Total remuneration expensed	18	14
Remuneration included in recognition of capital loss		
E&Y		
All other services	0	–
Total E&Y	0	–
Total remuneration included in recognition of capital loss	0	–
Total remuneration	18	14

Proposed Appropriation of Earnings

At the disposal of the Annual General Meeting:

	SEK
Retained earnings	52,926,974,146
Net income	25,422,032,719
Total	78,349,006,865

The Board of Directors and the President and CEO certify that the consolidated financial statements have been prepared in accordance with IFRSs as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The Board proposes that this sum be appropriated as follows:

	SEK
SEK 2.75 per share ordinary dividend to the shareholders	12,348,757,336
To be carried forward	66,000,249,529
Total	78,349,006,865

The Report of the Directors for the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 8, 2011

Anders Narvinger
Chairman

Timo Peltola
Vice-Chairman

Agneta Ahlström

Magnus Brattström

Stefan Carlsson

Maija-Liisa Friman

Ingrid Jonasson Blank

Conny Karlsson

Lars Renström

Jon Risfelt

Per-Arne Sandström

Lars Nyberg
President and CEO

Our auditors' report was rendered March 9, 2011

PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized Public Accountant
Auditor in charge

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 2010. The company's annual accounts and consolidated accounts are included in the printed version on pages 9-107. The Board of Directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. A corporate governance statement has been prepared. The statutory report of the directors and the corporate governance statement are consistent with the other parts of the annual accounts and 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 9, 2011

PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized Public Accountant
Auditor in charge

Ten-Year Summary Financial Data

TeliaSonera Group Financial Data (IFRS)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Income (SEK in millions)										
Net sales	106,582	109,161	103,585	96,344	91,060	87,661	81,937	82,425	59,483	57,196
Operating income	32,083	30,324	28,648	26,155	25,489	17,549	18,793	14,710	-10,895	5,460
Income after financial items	29,936	27,614	26,411	25,251	25,226	17,019	17,448	13,899	-11,616	4,808
Net income of which attributable to owners of the parent	23,562	21,280	21,442	20,298	19,283	13,694	14,264	10,049	-7,997	1,891
EBITDA excluding non-recurring items	36,977	36,666	32,954	31,021	32,266	29,411	30,196	30,700	15,692	12,915
EBITDA	37,741	35,241	31,658	30,333	31,113	27,508	30,841	32,035	9,421	13,299
Amortization, depreciation and impairment losses	13,479	12,932	12,106	11,875	11,203	13,188	15,596	17,707	20,844	13,975
Financial position (SEK in millions)										
Goodwill and other intangible assets	90,531	100,239	100,968	83,909	74,172	74,367	69,534	61,820	68,106	26,816
Property, plant and equipment	58,353	61,222	61,946	52,602	48,195	48,201	47,212	49,161	56,172	47,314
Financial assets	62,458	60,849	62,265	48,633	41,826	40,526	35,353	42,061	48,534	20,784
Current assets and non-current assets held-for-sale	39,209	47,360	39,107	31,558	35,199	40,681	39,873	37,018	33,844	33,277
<i>Total assets</i>	<i>250,551</i>	<i>269,670</i>	<i>264,286</i>	<i>216,702</i>	<i>199,392</i>	<i>203,775</i>	<i>191,972</i>	<i>190,060</i>	<i>206,656</i>	<i>128,191</i>
Total equity of which attributable to owners of the parent	132,665	142,499	141,448	127,057	127,717	135,694	128,067	115,834	113,949	60,089
Provisions	125,907	135,372	130,387	117,274	119,217	127,049	121,133	112,393	108,829	59,885
Interest-bearing liabilities	65,436	71,833	65,799	43,579	27,729	26,735	24,675	30,554	44,732	29,124
Non-interest-bearing liabilities	29,220	29,713	32,445	29,318	28,475	25,782	25,828	28,375	29,569	25,871
<i>Total equity and liabilities</i>	<i>250,551</i>	<i>269,670</i>	<i>264,286</i>	<i>216,702</i>	<i>199,392</i>	<i>203,775</i>	<i>191,972</i>	<i>190,060</i>	<i>206,656</i>	<i>128,191</i>
Capital employed	186,509	204,908	199,186	153,090	127,195	146,712	147,132	142,235	157,035	90,971
Operating capital	163,889	175,063	178,017	140,925	110,163	125,299	126,198	120,006	137,113	70,150
Net debt	47,309	46,175	48,614	34,155	14,892	7,879	6,580	17,648	38,075	20,004
Net interest-bearing liability	43,573	42,668	44,652	31,830	10,736	5,320	3,741	8,847	25,034	10,661
Cash flows (SEK in millions)										
Cash flow from operating activities	27,434	30,610	25,091	26,529	27,501	26,990	24,403	26,443	12,449	10,416
Cash flow from investing activities	-16,476	-17,627	-19,634	-15,705	-13,084	-12,236	-7,991	-3,443	-5,553	3,632
<i>Cash flow before financing activities</i>	<i>10,958</i>	<i>12,983</i>	<i>5,457</i>	<i>10,824</i>	<i>14,417</i>	<i>14,754</i>	<i>16,412</i>	<i>23,000</i>	<i>6,896</i>	<i>14,048</i>
Cash flow from financing activities	-17,736	-2,187	-2,364	-14,726	-19,382	-15,653	-11,102	-16,412	-10,344	-6,608
<i>Cash flow for the year</i>	<i>-6,778</i>	<i>10,796</i>	<i>3,093</i>	<i>-3,902</i>	<i>-4,965</i>	<i>-899</i>	<i>5,310</i>	<i>6,588</i>	<i>-3,448</i>	<i>7,440</i>
Free cash flow	12,901	16,643	9,333	13,004	16,596	15,594	14,118	17,351	3,877	-6,506
Investments (SEK in millions)										
CAPEX	14,934	14,007	15,795	13,531	11,101	11,583	10,331	9,267	14,345	17,713
Acquisitions and other investments	1,735	2,842	9,060	7,171	3,951	2,732	9,099	2,851	40,093	3,022
<i>Total investments</i>	<i>16,669</i>	<i>16,849</i>	<i>24,855</i>	<i>20,702</i>	<i>15,052</i>	<i>14,315</i>	<i>19,430</i>	<i>12,118</i>	<i>54,438</i>	<i>20,735</i>
Business ratios										
EBITDA margin (%)	34.7	33.6	31.8	32.2	35.4	33.6	36.9	37.2	26.4	22.6
Operating margin (%)	30.1	27.8	27.7	27.1	28.0	20.0	22.9	17.8	-18.3	9.5
Return on sales (%)	22.1	19.5	20.7	21.1	21.2	15.6	17.4	12.2	-13.4	3.3
Amortization, depreciation and impairment losses as a percentage of net sales	12.6	11.8	11.7	12.3	12.3	15.0	19.0	21.5	35.0	24.4
CAPEX-to-sales ratio (%)	14.0	12.8	15.2	14.0	12.2	13.2	12.6	11.2	24.1	31.0
Total asset turnover (multiple)	0.41	0.41	0.43	0.46	0.45	0.44	0.43	0.42	0.36	0.46
Turnover of capital employed (multiple)	0.54	0.54	0.59	0.69	0.67	0.60	0.57	0.55	0.48	0.62
Return on assets (%)	12.7	11.8	12.7	13.1	13.2	9.4	10.5	8.7	-5.7	5.7
Return on capital employed (%)	16.9	15.5	17.3	19.4	19.5	12.6	13.9	11.6	-7.7	7.8
Return on equity (%)	17.8	15.2	17.2	18.6	17.2	10.3	11.6	8.5	-9.7	3.3
Equity/assets ratio (%)	48.0	49.1	50.5	50.3	49.9	58.9	63.8	58.5	54.2	46.4
Net debt/equity ratio (%)	39.3	34.9	36.5	31.3	15.0	6.6	5.4	15.9	34.0	33.6
Net debt/EBITDA rate (multiple)	1.28	1.26	1.48	1.10	0.46	0.27	0.22	0.57	2.43	1.55
Interest coverage ratio (multiple)	10.7	8.3	7.6	14.2	18.1	11.7	7.6	5.1	-4.7	3.0
Self-financing rate (multiple)	1.65	1.85	1.09	1.28	1.83	1.89	1.26	2.18	0.23	0.50
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	4,490.5	4,675.2	4,675.2	4,605.8	3,001.2
– average, basic	4,490.5	4,490.5	4,490.5	4,490.5	4,490.5	4,574.0	4,675.2	4,667.6	3,124.3	3,001.2
– average, diluted	4,490.5	4,490.5	4,490.5	4,490.5	4,490.5	4,574.0	4,675.2	4,668.4	3,125.3	3,001.2
Basic and diluted earnings/loss per share (SEK)	4.73	4.20	4.23	3.94	3.78	2.56	2.77	1.95	-2.58	0.62
Cash dividend per share (SEK) ^{1), 2)}	2.75	2.25	1.80	4.00	6.30	3.50	1.20	1.00	0.40	0.20
Total cash dividend (SEK in millions) ^{1), 2)}	12,349	10,104	8,083	17,962	28,290	15,717	5,610	4,675	1,870	600
Pay-out ratio (%)	58.1	53.6	42.5	101.6	166.5	136.9	43.3	51.4	n/a	32.1
Equity per share (SEK)	28.04	30.15	29.04	26.12	26.55	28.29	25.91	24.04	23.63	19.95

1) For 2010 as proposed by the Board of Directors.

2) For 2007, 2006 and 2005 including extra dividends of SEK 2.20 per share (totaling SEK 9,879 million), SEK 4.50 per share (totaling SEK 20,207 million) and SEK 2.25 per share (totaling SEK 10,104 million), respectively.

Ten-Year Summary Operational Data

TeliaSonera Group Operational Data	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Mobility Services										
Total subscriptions (thousands)	18,384	16,963	15,900	14,501	13,434	13,000	11,545	9,519	9,202	4,936
of which Sweden										
Mobile telephony, total subscriptions (thousands)	5,869	5,666	5,334	4,807	4,603	4,387	4,243	3,838	3,604	3,439
Mobile telephony, total GSM/UMTS (thousands)	5,869	5,666	5,334	4,807	4,489	4,267	4,117	3,706	3,467	3,295
Mobile telephony, total NMT (thousands)	—	—	—	—	114	120	126	132	137	144
Mobile telephony, outgoing traffic (millions of minutes)	9,499	8,493	7,849	6,635	5,335	4,456	3,814	3,313	3,201	3,016
Mobile telephony, incoming traffic (millions of minutes)	4,220	3,983	3,815	3,474	3,058	2,750	2,573	2,400	2,272	2,067
Mobile telephony, MoU (minutes)	237	189	191	178	157	139	131	128	131	127
Mobile telephony, blended churn (%)	17	13	14	15	17	15	11	13	n/a	n/a
Mobile telephony, ARPU (SEK)	196	182	189	194	204	213	227	252	262	285
of which Finland										
Mobile telephony, total subscriptions (thousands)	3,237	2,874	2,676	2,449	2,407	2,507	2,297	2,428	2,790	239
Mobile telephony, outgoing traffic (millions of minutes)	5,575	5,604	5,618	5,473	5,936	5,642	4,820	4,743	n/a	n/a
Mobile telephony, incoming traffic (millions of minutes)	2,896	2,831	2,911	2,656	2,554	2,405	2,147	2,090	n/a	n/a
Mobile telephony, MoU (minutes)	266	255	276	284	285	277	253	232	n/a	n/a
Mobile telephony, blended churn (%)	25	22	17	16	19	24	28	17	n/a	n/a
Mobile telephony, ARPU (EUR)	22	24	26	29	29	30	38	38	n/a	n/a
of which Norway										
Mobile telephony, total subscriptions (thousands)	1,680	1,658	1,581	1,577	1,641	1,651	1,308	1,195	1,089	970
Mobile telephony, MoU (minutes)	276	250	247	236	218	192	175	164	156	133
Mobile telephony, ARPU (NOK)	291	298	330	348	352	333	339	342	330	310
of which Denmark										
Mobile telephony, total subscriptions (thousands)	1,450	1,460	1,493	1,449	1,123	1,154	1,115	472	421	288
of which Baltic countries										
Mobile telephony, subscriptions, Lithuania (thousands)	2,000	1,991	2,012	2,012	2,074	1,889	1,338	1,052	851	—
Mobile telephony, subscriptions, Latvia (thousands)	1,068	1,042	1,056	1,015	803	735	649	534	447	—
Mobile telephony, subscriptions, Estonia (thousands)	797	766	778	765	759	677	595	—	—	—
of which Spain										
Mobile telephony, subscriptions (thousands)	2,283	1,506	970	427	24	—	—	—	—	—
Broadband Services										
Broadband, total subscriptions (thousands)	2,402	2,348	2,284	2,164	1,828	1,278	897	571	411	194
Fixed telephony, total subscriptions (thousands)	4,666	5,212	5,806	6,218	6,497	7,064	8,312	8,087	8,296	6,585
of which Sweden										
Broadband, subscriptions (thousands)	1,129	1,125	1,122	1,061	915	711	526	394	317	194
Fixed telephony, total subscriptions (thousands)	3,214	3,604	4,000	4,295	4,586	5,036	6,115	6,283	6,415	6,585
of which Finland										
Broadband, subscriptions (thousands)	476	458	478	473	412	350	243	150	82	—
Fixed telephony, total subscriptions (thousands)	277	324	420	497	580	647	740	804	722	—
of which Norway										
Broadband, subscriptions (thousands)	195	223	176	177	172	—	—	—	—	—
of which Denmark										
Broadband, subscriptions (thousands)	67	47	34	31	7	5	1	2	1	—
Fixed telephony, prefix and contract customers (thousands)	153	205	226	251	165	195	212	172	223	n/a
of which Baltic countries										
Broadband, subscriptions, Lithuania (thousands)	345	313	298	259	181	105	50	25	11	—
Fixed telephony, subscriptions, Lithuania (thousands)	689	722	769	789	785	798	819	828	936	—
Broadband, subscriptions, Estonia (thousands)	190	182	176	163	141	107	77	—	—	—
Fixed telephony, subscriptions, Estonia (thousands)	333	357	391	386	381	388	426	—	—	—
Eurasia										
Mobile telephony, total subscriptions (thousands)	28,505	22,363	18,272	12,147	7,352	6,146	3,866	2,385	1,614	—
Mobile telephony, subscriptions, Kazakhstan (thousands)	8,921	7,165	7,083	6,017	3,539	3,320	1,795	990	615	—
Mobile telephony, subscriptions, Azerbaijan (thousands)	3,994	3,847	3,471	3,029	2,333	1,741	1,291	912	669	—
Mobile telephony, subscriptions, Uzbekistan (thousands)	6,832	5,074	2,683	690	—	—	—	—	—	—
Mobile telephony, subscriptions, Tajikistan (thousands)	1,723	1,523	1,154	611	—	—	—	—	—	—
Mobile telephony, subscriptions, Georgia (thousands)	2,044	1,892	1,582	1,296	1,032	715	481	307	198	—
Mobile telephony, subscriptions, Moldova (thousands)	907	660	550	504	448	370	299	176	132	—
Mobile telephony, subscriptions, Nepal (thousands)	4,084	2,202	1,749	—	—	—	—	—	—	—
Human Resources										
Number of employees as of December 31	28,945	29,734	32,171	31,292	28,528	28,175	29,082	26,694	29,173	17,149
Average number of full-time employees during the year	27,697	28,815	30,037	28,561	26,969	27,403	25,381	26,188	17,277	24,979
of whom, in Sweden	8,937	9,170	10,152	10,002	10,427	11,061	10,948	11,321	12,593	20,922
of whom, in Finland	4,686	4,981	5,258	5,697	5,936	6,369	6,750	6,408	1,142	775
of whom, in other countries	14,074	14,664	14,627	12,862	10,606	9,973	7,683	8,459	3,542	3,282
of whom, women	12,212	13,111	13,251	12,571	12,164	11,934	11,427	10,936	7,546	9,196
of whom, men	15,485	15,704	16,786	15,990	14,805	15,469	13,954	15,252	9,731	15,783
Salaries and remuneration (SEK in millions)	10,405	11,152	11,011	9,632	8,918	9,023	8,674	8,460	6,732	8,852
Employer's social security contributions (SEK in millions)	1,900	1,995	2,134	1,971	1,903	1,970	1,902	1,950	1,804	2,614
Salaries and employer's social security contributions as a percentage of operating costs	14.8	15.3	15.8	14.8	15.2	15.5	16.4	14.9	14.9	19.4
Net sales per employee (SEK in thousands)	3,848	3,788	3,449	3,373	3,376	3,199	3,228	3,147	3,443	2,290
Operating income per employee (SEK in thousands)	1,158	1,052	954	916	945	640	740	562	-631	219
Change in labor productivity (%)	10.7	10.7	7.8	7.1	11.2	8.3	10.8	-4.9	53.5	31.9
Net income per employee (SEK in thousands)	851	738	714	711	715	500	511	347	-467	75

Definitions

Concepts

Addressable cost base

Comprises personnel costs, marketing costs and all other operating expenses other than purchases of goods and subcontractor 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 debt

Interest-bearing liabilities less derivatives recognized as financial assets and hedging long-term and short-term borrowings, and less short-term investments and cash and bank.

Net interest-bearing liability

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

Free cash flow

Cash flow from operating activities less cash CAPEX.

CAPEX

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

Acquisitions and other investments

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

EBITDA margin

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

Operating margin

Operating income expressed as a percentage of net sales.

Return on sales

Net income expressed as a percentage of net sales.

Total asset turnover

Net sales divided by average total assets.

Turnover of capital employed

Net sales divided by the average capital employed.

Return on assets

Operating income plus financial revenues expressed as a percentage of average total assets.

Return on capital employed

Operating income plus financial revenues expressed as a percentage of average capital employed.

Return on equity

Net income attributable to owners of the parent expressed as a percentage of average adjusted equity.

Equity/assets ratio

Adjusted equity and 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.

Net debt/EBITDA rate

Net debt divided by EBITDA excluding non-recurring items.

Interest coverage ratio

Operating income plus financial revenues divided by financial expenses.

Self-financing rate

Cash flow from operating activities divided by gross investments.

Earnings and equity per share

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

Pay-out ratio

Dividend per share divided by basic earnings per share.

MoU

Minutes of usage per subscription and month.

Blended churn

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

ARPU

Average monthly revenue per user.

Labor productivity

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

Notation conventions

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

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

Annual General Meeting 2011

TeliaSonera's Annual General Meeting (AGM) will be held on Wednesday, April 6, 2011, at 14.00 CET at Cirkus, Djurgårdsslätten 43–45, Stockholm. The complete notification was published on TeliaSonera's website, www.teliasonera.com at the end of February. The meeting will be interpreted into English.

Right to attend

Shareholders who wish to attend the Annual General Meeting shall

- be entered into the transcription of the share register as of Thursday, March 31, 2011, kept by Swedish central securities depository Euroclear Sweden AB and
- give notice of attendance to the Company no later than Thursday, March 31, 2011.

Notice to the Company

Notice of attendance can be made

- in writing to TeliaSonera AB, Box 7842, SE-103 98 Stockholm, Sweden,
- by telephone +46 (0)8 402 90 50 on weekdays between 09.00 CET and 16.00 CET, or
- via the Company's website www.teliasonera.com (only private individuals).

When giving notice of attendance, please state name/company name, social security number/corporate registration number, address, telephone number (office hours) and number of accompanying persons.

Shareholding in the name of a nominee

Shareholders, whose shares are registered in the name of a nominee, must request to be temporarily entered into the share register kept by Euroclear Sweden AB as of March 31, 2011, 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 31, 2011 to be able to participate in the meeting.

Nominee

Shareholders who are represented by proxy shall issue a power of attorney for the representative. Forms for power of attorneys are available at the Company's website www.teliasonera.com. To a power of attorney issued by a legal entity a copy of the certificate of registration (and should such certificate not exist, a corresponding document of authority) of the legal entity shall be attached. The documents must not be older than one year. In order to facilitate the registration at the meeting, powers of attorney in original, certificates of registration and other documents of authority should be sent to the Company at the address above at the latest by Friday April, 1, 2011.

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 2.75 per share be distributed to the shareholders, and that April 11, 2011 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 14, 2011.

Other information

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

Contact TeliaSonera

Contact TeliaSonera

Mailing address:
TeliaSonera AB
SE-106 63 Stockholm
Sweden

Visiting address:
Stureplan 8, Stockholm

Telephone: +46 (0)8 504 550 00
Fax: +46 (0)8 504 550 01

President and Chief Executive Officer

Lars Nyberg
Mailing address:
TeliaSonera AB
SE-106 63 Stockholm
Sweden

Telephone: +46 (0)8 504 550 00
Fax: +46 (0)8 504 550 14

Group Communications

Cecilia Edström
Mailing address:
TeliaSonera AB
SE-106 63 Stockholm
Sweden

Telephone: +46 (0)8 504 550 00
Fax: +46 (0)8 611 46 42

Group Investor Relations

Andreas Ekström
Mailing address:
TeliaSonera AB
SE-106 63 Stockholm
Sweden

Telephone: +46 (0)8 504 550 00
Fax: +46 (0)8 611 46 42
Email: investor-relations@teliasonera.com

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