Annual Report 2006

The Nordic and Baltic telecommunications leader

TeliaSonera

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TeliaSonera AB is a public limited liability company incorporated under the laws of Sweden. TeliaSonera was created as a result of the merger of Telia AB and Sonera Corporation in December 2002. In this annual report, references to "Group," "Company," "we," "our," "TeliaSonera" and "us" refer to TeliaSonera AB or TeliaSonera AB together with its subsidiaries, depending upon the context.

The Year in Brief

- Net sales increased 3.9 percent to SEK 91,060 million (87,661) driven by strong mobile and broadband growth in all TeliaSonera's markets and acquisitions in the home markets.

- Strong subscription growth year on year:
  – 1.5 million new subscriptions in the majority-owned Nordic, Baltic and Eurasian operations.
  – 14.4 million new subscriptions in the associated companies.

- Operating income, excluding non-recurring items, increased to SEK 26,751 million (20,107) million. All operations contributed to the rise. International Mobile operations generated more than 30 percent of group operating income.

- EBITDA margin excluding non-recurring items rose to 35.4 percent (33.6). The improvement was especially due to higher margins in Sweden, Finland and Denmark.

- Free cash flow increased to SEK 16,596 million (15,594).

- Net income attributable to shareholders of the parent company increased to SEK 16,987 million (11,697) and earnings per share to SEK 3.78 (2.56).

- Total proposed dividend of SEK 6.30 per share (SEK 28,291 million) comprising:
  – Proposed ordinary dividend of SEK 1.80 per share (SEK 8,083 million).
  – In addition to the ordinary dividend, a distribution of SEK 10,104 million to the shareholders through an extraordinary dividend of SEK 2.25 per share is proposed.
  – Furthermore, an additional distribution of SEK 10,104 million to the shareholders through an additional extraordinary dividend of SEK 2.25 per share is proposed.

Financial Highlights

SEK in millions, except per share data	2006	2005
Net sales	91,060	87,661
EBITDA, excl. non-recurring items	32,266	29,411
Operating income	25,489	17,549
Operating income excl. non-recurring items	26,751	20,107
Net income	19,283	13,694
of which attributable to shareholders of the parent company	16,987	11,697
Earnings per share (SEK)	3.78	2.56

Dear Shareholders,

2006 was a record year for TeliaSonera with sales, profits and proposed dividends reaching their highest levels to date. Net income to parent company shareholders increased by close to 50 percent, reaching SEK 17 billion. Our market positions developed strongly amid keen competition. A new business structure together with our financial strength and years of strong performance make a solid platform for profitable growth ahead.

Again TeliaSonera demonstrated its strength and the fine performance clearly shows our ability to make strong achievements under continued demanding market conditions. I want to thank all employees for their excellent contributions to our best year ever financially.

Since the merger between Telia and Sonera four years ago, we have generated a free cash flow of SEK 64 billion in markets characterized by strong price pressure, keen competition and constantly developing customer needs. We have at the same time returned SEK 38 billion to our shareholders. During the past four years our share price has almost doubled and, in 2006, the TeliaSonera share by far outperformed the Stockholm Stock Exchange's All-Share Index.

A key factor behind the solid earnings development is our vision of making simplicity our strongest competitive edge. Improved service and simplicity have been at the core of our vision ever since the creation of TeliaSonera. At an early stage we identified one of the strongest trends in the market – the migration from fixed to mobile and Internet based services. Leading and managing that changeover is of paramount importance to our earnings growth.

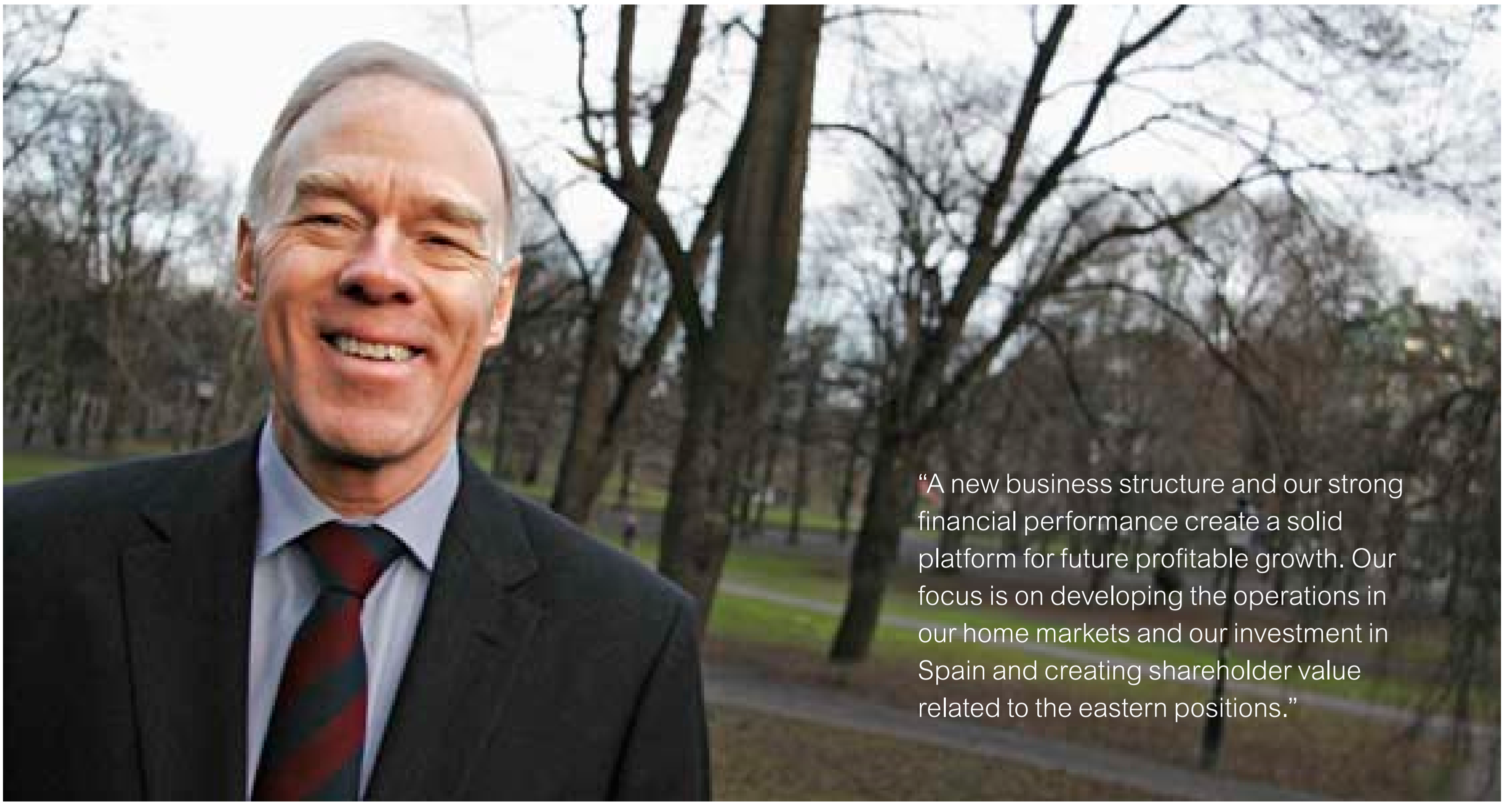
In 2006, all our businesses contributed to the record results. Income growth was driven by strong demand for mobile and broadband services, lower operating costs and synergy gains.

Acquired companies contributed to the strong performance. We paid a total of SEK 3.3 billion net cash in strategic acquisitions that are strengthening our positions in the home markets and extending our reach to new growth areas. We expanded into the Norwegian broadband market by acquiring NextGenTel. The acquisition underlines our strategic direction to focus on mobile and Internet based services. Our intention is to exploit the competence of NextGenTel when driving growth in other countries. We have closed the acquisition of Cygate, a leading supplier of secure and managed IP-network solutions and system integration in the Nordic market. Cygate will strengthen our position in the managed services markets in Sweden and Finland. We have agreed to buy Danish service provider debitel Danmark A/S. The takeover will increase our foothold in Denmark, a highly competitive market where our operations swung to a healthy profit in 2006.

Among our majority-owned operations, Finland showed a particularly impressive improvement in 2006 and posted the largest earnings increase in our home markets. Sales and income reached record levels in Norway and the fast growing markets in Eurasia. Including the operations of our majority-owned company Fintur in Kazakhstan, Azerbaijan, Georgia and Moldova, and our associated companies in Russia and Turkey, the Eurasian operations generated more than 30 percent of group income. The Baltic countries continued their earnings improvement. In Sweden, the migration from traditional fixed voice communication was particularly strong and we maintained our margins despite strong price pressure. Restructuring measures and also a gain deriving from a court ruling on interconnect prices helped lift earnings in Sweden.

We accessed a new market, Spain, by acquiring the majority of Xfera. After a record short period of time following the closing of the acquisition in June we launched our Spanish mobile operation during the brand Yoigo on December 1. Offering easy to use services with transparent and attractive pricing, Yoigo has been very well received in Spain. Customer intake is exceeding all expectations. In Yoigo, we combine our knowledge and experience with a new flexible and cost efficient organization.

Throughout TeliaSonera the level of business activity was high in 2006. We continued to suc-



cessfully execute our strategy at a high pace. Our work to cut costs and improve profitability continued. Still, this is not enough. We need to deliver stronger sales growth to maintain a good profitability. On January 1, 2007, we introduced a new organization comprising four business areas – Mobility Services, Broadband Services, Integrated Enterprise Services and Eurasia. The format will capture the strong growth within mobility and broadband services as well as managed services for enterprises and in addition the high growth in the eastern markets. The new organization is aimed at improving business focus and reducing complexity in order to boost profitable growth and increase the speed of execution. The new business focus is designed to stimulate growth through clear responsibilities. Services will be developed close to customers, competence across borders and units will be utilized more effectively. Migration to new services will be accelerated. Our focus will be on developing the operations in our home markets and our investment in Spain, and creating shareholder value related to the eastern positions. We intend to lead the migration to mobile and Internet based services on our home markets. Focusing our offerings to mobility and broadband services will cannibalize sales of traditional fixed voice communications and that is our intention. The scope for growth is significant when it comes to increasing usage of voice and data communication within personal mobility services both for consumer and enterprise mass markets, and within broadband services for connecting homes and offices and for home communications. Complementary acquisitions are part of our strategy.

We strive to increase our ownership in MegaFon and Turkcell to take control in these companies. In January, 2007, an arbitration tribunal in Geneva found that a binding share purchase agreement was concluded between TeliaSonera and Cukurova in 2005 calling for Cukurova to sell all the remaining shares in Turkcell Holding to TeliaSonera. The ruling is a step in the right direction but TeliaSonera does not yet know if Cukurova is willing, or able, to proceed with a transfer of the shares. In the long term, if we cannot take control of Turkcell or MegaFon, there is no reason to keep our stakes for ever. Shareholder value projections will determine what actions to take related to our Eurasian positions.

2007 has come to an eventful start and we are well positioned for the future. I am convinced that through our new business focus we will strengthen our competitiveness and advance TeliaSonera's positions. In 2007 net sales is expected to continue to grow, reaching the target of approximately SEK 100 billion in two years with maintained good profitability. In 2007 net income is estimated to be somewhat higher than in 2006, adjusted for positive one-off items of SEK 1.7 billion in 2006. The CAPEX-to-sales ratio is expected to grow due to increased investments in broadband and mobile capacity.

In view of the strong development in 2006, and taking into account current cash flow projections and investment plans, the Board of Directors proposes that TeliaSonera increases its ordinary dividend and pays extraordinary dividends to its shareholders. In total, a record SEK 28.3 billion is proposed for distribution to the shareholders during 2007. If approved by the owners, the TeliaSonera share will once again be one of the highest yielding stocks in its industry in Europe.

Stockholm, March 13, 2007

Anders Igel
President and CEO

The Market for Telecom Services

Always being able to be connected, regardless of location, is becoming more and more a matter of course. E-mail via the mobile phone, a mobile Internet connection to the laptop computer and powerful broadband at home are all examples of services driving TeliaSonera's growth.

Through its early investments in Internet based technology, TeliaSonera not only has a strong market position, but is also able to rapidly and cost efficiently meet the customers' growing demand for increased accessibility and higher transfer speeds.

TeliaSonera leading the way in a changing market

The single most visible trend on the telecom market – the migration from fixed to mobile and Internet based services – continued to accelerate during 2006.

The demand for mobile and Internet based solutions is driven by the customer's desire to always be able to be connected, at home, at work and on the move, but also by lower prices and new types of services resulting from new technology. Accelerating e-commerce, continued strong growth in music and video downloads and increased VoIP (Voice over Internet) are also contributing to the continuously growing demand for higher transfer speeds and increased accessibility.

Growth continued to be strong within mobility, broadband and managed services and TeliaSonera is well positioned within all three of these areas. These areas are expected to drive growth in the telecom industry also in the future.

The market development during 2006 was characterized by the breakthrough of mobile data services, which experienced very strong growth during the year. TeliaSonera launched at an early stage services that stimulate mobile data traffic, for example the mobile data service Connect and the mobile portal SurfPort, both well received by the markets. The use of mobile data services is expected to further accelerate in the coming year as transfer speeds in the networks rise and the terminals become increasingly more advanced and user-friendly.

One important event during the year was TeliaSonera's launch of mobile voice in the home via broadband. The solution, based on UMA (Unlicensed Mobile Access) technology, allows the telephone to function as an Internet telephone over the broadband connection in the home and as a mobile telephone outside the home. TeliaSonera was first on the market to launch this type of solution, which clearly illustrates what services based on mobility and Internet may look like in the future.

In general, growth continued to be strong within mobility, broadband and managed services. These areas are expected to drive growth in the telecom sector also in the next few years. TeliaSonera is well positioned in all three areas.

Migration most evident on the home markets

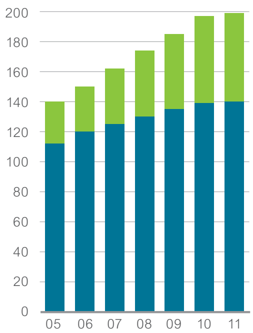
The migration from fixed to mobile and Internet based services during the year was most obvious on TeliaSonera's home markets in the Nordic and Baltic region, and particularly Sweden which has one of the world's highest penetration of fixed voice. On the markets in Eurasia, including Russia and Turkey, the migration is less substantial due to the low penetration of fixed voice. However, the growth of mobile communications on these markets is extremely strong.

Breakthrough for mobile data traffic

Growth during 2006 within mobile communications continued to be strong on all of TeliaSonera's markets. In the Nordic and Baltic regions where mobile penetration is close to 100 percent, growth is driven by increased traffic per customer, while growth for subscriptions and prepaid cards is slowing.

Revenues from mobile services in Western Europe

EUR billion

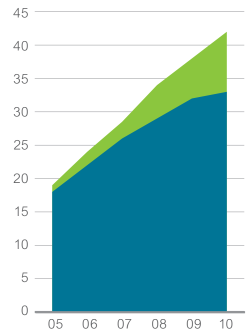


Mobile value added services
Mobile voice services

Source: Analysys Research

Revenues from broadband services in Western Europe

EUR billion



Internet based services
Broadband access

Source: Strategy Analytics

Voice communication has to date been the primary factor behind the increase in traffic. However, 2006 witnessed the breakthrough of data traffic in the mobile network. The strong growth was due to rapidly increasing traffic between laptop computers and companies' internal networks. Data traffic via mobile telephones is also increasing sharply, largely driven by the increased choice of value-added services related to music, news, entertainment, etc.

The analyst firm Analysys Research has estimated that value-added services in Western Europe will represent approximately 30 percent of revenues from mobile communications in 2011. In addition, it is predicted that value-added services primarily within entertainment (e.g. mobile TV), Internet surfing and e-commerce will grow most rapidly.

Internet based solutions gain ground

The users of traditional fixed voice have thus far primarily moved to using mobile voice, although the use of VoIP is gradually increasing on all home markets, and the growth is expected to continue. The analyst firm IDC estimates that more than half of all voice communication in Western Europe will be mobile, or VoIP in 2010. TeliaSonera's service portfolio in Europe includes two extremes: in Finland already 65 percent of total voice minutes are mobile, whereas in Sweden the corresponding share is around 25 percent. Among enterprises, a rapid migration from traditional data communication services (e.g. frame relay and leased lines) to Internet based solutions such as virtual private networks (IP VPN) is underway.

Strong mobile growth in Eurasia, including Russia and Turkey

On TeliaSonera's mobile markets in Eurasia, including Russia and Turkey, both the number of customers and traffic per customer increased sharply. At the end of the year, mobile penetration in Turkey was 69 percent and in Russia 105 percent. Despite the explosive growth of mobile communications the past few years, penetration is still relatively low on the other Eurasian markets. Penetration on Fintur's markets was between 29 and 43 percent, implying that customer growth will continue even if the rate of increase will gradually abate.

Continued growth within broadband

The market for broadband in the household is still far from saturated and demand continued to be strong during the year. Several factors contributed to the development. In addition to music and video downloads, Internet commerce accelerated sharply.

According to the analyst firm Forrester Research, more than half of the Internet users in Western Europe currently shop on the Internet on a regular basis and this number will continue to grow. The most common purchases are vacation trips, followed by books, tickets, CDs and clothes. According to EU's statistical office Eurostat, Norway is the European leader in most widespread e-commerce. Eurostat's surveys also show residents are using the Internet more frequently when communicating with public sector agencies and authorities.

The fact that broadband can also be used for services like telephony and TV contributes to the growth. According to the analyst firm Strategy Analytics, the number of households in Western Europe with IP TV, i.e. digital TV over broadband, totaled approximately 2 million in 2005. By 2010, that number is expected to grow to around 11 million, an annual increase of approximately 40 percent. The switchover from analogue to digital technology for TV broadcasting is a driving factor behind the development.

TeliaSonera is expecting continued strong demand for broadband connections to homes and a rapid increase in the number of broadband services. Of TeliaSonera's home markets, Denmark has developed the most in terms of household access to broadband. Around 60 percent of all Danish households had a broadband connection at the end of 2006. In the Baltic countries, the percentage was significantly lower, between 11 and

> As services within telecommunications and IT on the enterprise market become more advanced, new business opportunities are created.

34 percent. In Norway, Sweden and Finland, the percentage of connected households was 47, 51 and 56 percent, respectively. A comparison with PC penetration data for each country from Eurostat indicates the natural growth potential for broadband is highest in Norway and Sweden.

Managed services a growth area with large potential

As services within telecommunications and IT on the enterprise market become more advanced, new business opportunities are created for suppliers like TeliaSonera. To get the most out of their investments, it is important for enterprises that their systems are integrated, developed and maintained in a cost-efficient manner. TeliaSonera's strength lies especially within communication intense IT solutions.

The market for managed services, i.e. integrated telecom and IT solutions including operations and maintenance, has a considerable growth potential. TeliaSonera has strengthened its position in managed services during the year by acquiring the systems integrator Cygate.

Increased volumes compensate for falling prices

TeliaSonera's markets have been characterized by price pressure during 2006, with the exception of Finland where signs are clear prices within mobile communications are stabilizing and, in some cases, starting to rise after falling sharply in recent years.

Within mobile voice on a group level, the lower prices were, however, offset by increasing sales volumes. TeliaSonera's sales increased 8 percent during 2006, excluding fixed voice. On the Swedish market, the total number of traditional fixed voice subscriptions declined some 5 percent during the year.

Increased investments in Internet and mobility

To meet the demand for increased bandwidth and integrated solutions at competitive prices, telecom operators have continued to invest in Internet based networks and technology platforms, and upgrade the mobile networks with EDGE (Enhanced Data rates for Global Evolution) and HSDPA (High-Speed Downlink Packet Access).

Continued consolidation

The consolidation on the European telecommunications market has continued during the year and a number of cross-border acquisitions were completed. The desire to achieve economies of scale and grow internationally continued to be the primary drivers behind the consolidation.

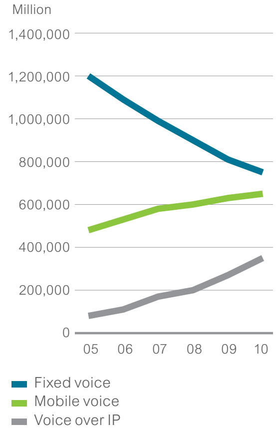
Revised regulatory framework for electronic communications

The EU Commission has published proposals for a revised recommendation concerning markets that may come into focus for sector-specific ex ante regulation. The revised recommendation entails fewer markets for the national regulatory authorities to analyze than the previous recommendation from 2003. It is likely to enter into force mid 2007.

The Commission has also finalized a public consultation on ideas to modernize the EU's telecom rules of 2002 and increase incentives for investments and growth in the telecommunications industry. In the summer of 2007, revised directives will be proposed by the Commission. They are expected to be implemented in Member States by 2009–2010. A new market-based strategy for the allocation of frequencies with increased flexibility in the use and trade of frequencies will also be implemented within the EU.

TeliaSonera's opinion is sector-specific regulations, particularly on the developed Nordic markets, should gradually be withdrawn in order to stimulate investments and innovation, and that the telecom sector should only be regulated by general competition legislation.

Number of voice minutes in Western Europe



Source: IDC

Business Concept, Vision and Strategy

BUSINESS CONCEPT

TeliaSonera offers reliable, innovative and user-friendly services for transferring and packaging of voice, images, data, information, transactions and entertainment. We are present in the Nordic and Baltic countries, Spain and selected Eurasian countries.

VISION

"Simplicity makes everything possible"

We see simplicity and service as the key to creating long-term growth and value. Our customers should experience an unparalleled level of simplicity that will make it possible to do completely new things with telecommunications. Our telecommunication services should be really useful, work well and provide the best level of customer service.

GOAL

Customer perception
Customers perceive TeliaSonera as the service company with the best progress towards fulfilling the customer values stated in our vision.

Leadership and employee behaviour
Employees perceive that they and their colleagues, subordinates, and managers live our values and are committed to our vision.

Profitable growth
Group net sales are expected to continue to grow, reaching the target of approximately SEK 100 billion in two years with maintained good profitability.

TeliaSonera in 2006 continued to successfully execute its strategy at a high pace. On January 1, 2007, TeliaSonera introduced a new organization to capture future growth. Our focus ahead will be on developing the operations in our home markets and our investment in Spain, and creating shareholder value related to the eastern positions.

STRATEGY

TeliaSonera's focus will be on

- Developing the operations in the home markets.
- Developing the investment in Spain.
- Creating value related to the eastern positions.

NEW FOCUSED ORGANIZATION TO CAPTURE FUTURE GROWTH

TeliaSonera introduced as of January 1, 2007, a new organization comprising four international business areas.

Mobility Services
Personal mobility services for consumer and enterprise mass markets.

- Increase usage of voice and data.

Broadband Services
Mass market services for connecting homes and offices and for home communications.

- Exploit triple play and migrate services.

Integrated Enterprise Services
Management of enterprise IT- and telecom infrastructure.

- Build the leading Nordic and Baltic IT- and telecom systems integrator.

Eurasia

- Exploit penetration growth.
- Enhance shareholder value.

The new organization is aimed at improving business focus and reducing complexity in order to boost profitable growth and increase speed of implementation. Customers will still meet one company. Converged and combined services, and content services will be offered.

The new focus is aimed at stimulating growth through clear responsibilities. Services will be developed closer to customers, competence across borders and units will be utilized more effectively and migration to new services will be speeded-up. Efficiency is improved by focusing on cross-border synergies in the international business areas, through faster and easier decision making, the separation of process and IT-support between mass market services and high value enterprise services as well as clearer target setting and benchmarking.

For more information about the new organization see page 20.

The Connect mobile data service has been launched on most of TeliaSonera's home markets and is one of the drivers behind the strong increase in mobile data traffic in TeliaSonera's networks. Omnitel in Lithuania has launched an attractive offer under which the Omni Connect service is combined with a laptop computer. The offer has turned into a major sales success. The Gudaitis family in Vilnius is one of the customers and very pleased with the service. Skirmantė uses the mobile Internet primarily for travel planning while her husband Dainius uses the services to connect to the Internet, find and collect the necessary information and data for his work, exchange e-mails and send offers. Their son Karolis often uses the Omni SurfPort, to play mobile games and send music and pictures.

Focused activities strengthen the market position

Investments in services that increase the flexibility for customers – and are easy to use – contributed to continued growth during the year. The number of subscriptions grew by 1.5 million to more than 30 million in TeliaSonera's majority owned operations, and by 14.4 million to nearly 66 million in the associated companies.

Efforts to focus TeliaSonera's service profile continued during 2006. The many services launched in 2005 were further developed at the same time as a number of new services were introduced on the market. The number of subscriptions increased during the year by 1.5 million customers in the majority-owned operations in the Nordic region, the Baltic region and Eurasia and by 14.4 million in the associated companies. TeliaSonera has during 2006 defended and in some cases strengthened its position in the majority of its markets.

TeliaSonera's overall focus for its service portfolio is to increase the share of mobile and Internet based services and develop common services for the home markets, and produce these services on shared platforms in order to generate synergies and economies of scale.

Launching mobile services in Spain

TeliaSonera decided in June 2006, to increase its ownership in Xfera Móviles from 16.5 to 76.6 percent and launch its mobile services on the Spanish market. On December 1, Xfera launched low price easy-to-use mobile services to private customers and small enterprises under the Yoigo brand.

Initially, the same prices are offered for both subscriptions and prepaid cards. The services are distributed via Yoigo's web site and call centers, and at The Phone House, which has 400 stores across Spain.

Yoigo's 3G network covered around 26 percent of the population at the end of the year. National 2G coverage is ensured by a roaming agreement with Vodafone.

Yoigo has a streamlined organization with a large portion of functions outsourced, including network build-out, operations and maintenance, customer service, logistics and stock-keeping.

Yoigo's total financial need, including investments in networks and Internet service platforms, start-up costs and spectrum fees (including accrued spectrum fees from 2002), are estimated to be less than SEK 9 billion during the first five years. Within the same time period, the operations are expected to be cash flow positive and earnings accretive.

TeliaSonera is one of the founders of Xfera, which was awarded a UMTS license in 2000 for the build-out of a 3G network in Spain.

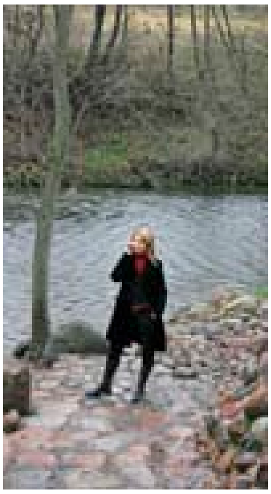
Spain has 44 million inhabitants. In addition to Yoigo, there are three established mobile operators on the market: Telefónica (48 percent market share), Vodafone (28 percent) and Amena (24 percent).

The Connect mobile data service introduced on most home markets

The Connect mobile data service is one of the drivers behind the strong increase in mobile data traffic in TeliaSonera's network during 2006. Automatically connecting the laptop computer to the fastest connection available, the service is one of the most easy-to-use mobile data solutions on the market. Introduced in Sweden, Finland, Norway and Lithuania in 2005, Connect is now available on most of TeliaSonera's home markets.

SurfPort largest portal for mobile services

The SurfPort mobile Internet portal is another driver behind the growth of mobile data traffic. The portal was also introduced during the year in Lithuania and Estonia and is now available on all of



The easy-to-use service Connect was awarded a Gold Mobile as the best 3G data solution of the year at the annual Mobile Gala in Stockholm.

After 150 days of intense preparations, TeliaSonera's Spanish mobile operator Yoigo launced its services on December 1. Yoigo offers low price mobile services for both post and prepaid customers. One of the first targets for Yoigo is to reach a market share of less than one percent in Spain at the end of 2007. The long-term target is a market share of around 10 percent. A central part of Yoigo's strategy is to keep costs down by outsourcing a large part of functions including network roll-out, maintenance and operations, customer care, logistics and warehousing.

TeliaSonera's home markets except Latvia. The portal has in a short time reached over one million unique users per month and is the most used mobile portal in the Nordic and Baltic region.

SurfPort gives mobile customers fast access to a large number of content services, within information, news and entertainment, and offers functions such as chat and e-mail. Customers can watch TV, download music and listen to the radio in the mobile.

Additional services were added to the portal during the year. The mobile operator Omnitel in Lithuania offers, for example, banking services via Omni SurfPort. Carrying out transactions and checking bank accounts by using the mobile phone is becoming increasingly popular, and also the mobile operators Geocell in Georgia and K'Cell in Kazakhstan introduced mobile banking services during 2006.

Music downloading continued to grow

Meeting a steadily growing demand for downloading music TeliaSonera and its partners developed a number of new music services during the year. For example, in Sweden Telia launched Telia Schlager (Telia Song) and Grammisbutiken (The Grammy Store), which can be reached from the mobile via SurfPort as well as from a computer at home.

Mobile TV – a future growth service

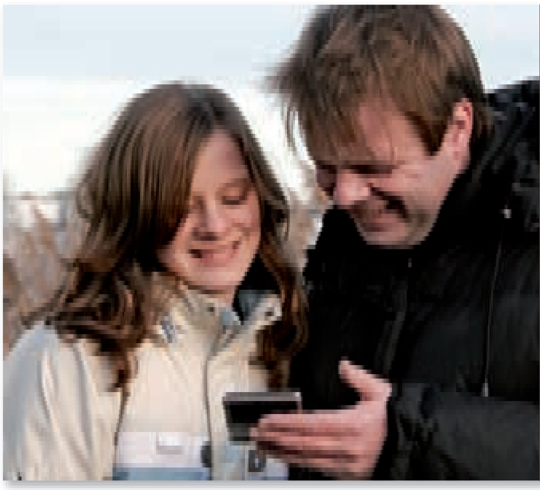
Mobile TV is widely expected to become a major service in the future. TeliaSonera offers mobile TV via SurfPort and its use has increased rapidly.

TeliaSonera's mobile TV is distributed today via the mobile network, although tests with terrestrially broadcasted mobile TV were conducted in Finland and Sweden during the year. The signal is broadcast in a similar way to normal TV broadcasting, with the exception that the program is received by mobile telephones equipped with DVB-H receivers (Digital Video Broadcasting Handheld). Tests have been positive and provide valuable information about areas of use and willingness to pay.

Digital TV and triple play launched on additional markets

Internet based digital TV over broadband in the home is a growth area for TeliaSonera. The service, which was launched in 2005 in Sweden, was also introduced in Estonia, Lithuania and Norway in 2006. Demand is strong, particularly in combination with other services.

In Estonia, the fixed network operator Elion launched a triple play solution containing an Internet connection, fixed voice, digital TV and video on demand. Digital TV over broadband was also introduced by the fixed network operator TEO in



Approximately 50 families in Hammarby Sjöstad, in Stockholm, tested mobile TV based on DVB-H technology during the fall. Two of the test users, Johan Åkesson and his 14-year old daughter Caisa, both found the service worked well and was easy to use. The picture and sound were just as good as “real” TV and much better than over the 3G network, they say. The test users had access to approximately 15 TV channels. Johan and Caisa believe mobile TV is best suited for sports, news and docusoaps, and primarily used the service while traveling – by bus, boat and train – to stay up to date and pass the time. Caisa also notes the battery lasts long and appreciates that it doesn’t need to be charged that often. She would like to keep the service, but says that it naturally depends on what it costs.

Lithuania, which is planning to supplement the offer with VoIP in 2007.

In Denmark, Telia Stofa was the first on the market with HDTV via the cable TV-network and efforts to upgrade the Internet accesses to 100 Mbps are underway. The intention is to offer customers HDTV, video on demand and VoIP in 2007.

The acquisition during the year of NextGenTel, Norway’s second largest broadband provider, means that TeliaSonera now offers triple play on the Norwegian market. The acquisition is strategically important since it enhances TeliaSonera’s ability to deliver pan-Nordic solutions to the business segment. At year-end NextGenTel had 172,000 subscriptions, of which 29,000 were VoIP customers.

TeliaSonera extended its wireless broadband and mobile data services in Norway further by launching NextGenTel HomeRun, which provides customers with access to more than 1,000 wireless zones throughout the Nordic region. The number of user locations in Norway will increase considerably in the future and TeliaSonera is planning to facilitate access to the Internet at a large number of strategically placed locations in Norway.

Rapid migration to mobile and Internet among large companies

A rapid migration from traditional fixed services to mobile and Internet based solutions is currently underway among business customers. The migration is occurring most rapidly among the largest companies.

TeliaSonera has a large number of Internet based solutions for businesses and the majority of the solutions sold today support Internet based communication, including voice. TeliaSonera is able to support a global approach by cooperating with external partners.

TeliaSonera continued to strengthen its offers within the growth area managed services through its acquisition of 98.8 percent of the shares in Cygate in January 2007. Cygate is one of the leading systems integrators in the Nordic region.

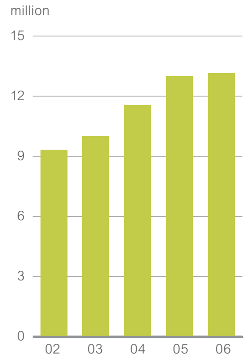
The concept of the wireless office has been further developed, and in Sweden, Telia introduced an offer including delivery, operation and maintenance of mobile telephones and traffic at a fixed price per employee.

Another area with continued strong growth is TeliaSonera’s services that are built around the latest Internet technology and provides high-quality data, video and voice communication.

Home Free launched in Denmark

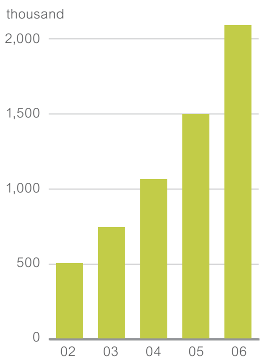
TeliaSonera is focusing resources to make it possible for customers to use all their services at all times, regardless of access and terminal. During the year, Telia launched the Home Free service in

Number of mobile subscriptions in the home markets



Following successful tests in the Danish market, TeliaSonera as the first operator in the world commercially launched a voice solution that combines mobile communications and wireless broadband. Based on UMA, the solution allows the mobile phone to function as an Internet telephone over the broadband connection in the home and as a mobile telephone outside the home. Interest in the service, called Home Free, has after a short period of time exceeded all expectations.

Number of broadband subscriptions in the home markets



Denmark, a solution where the telephone functions as an Internet telephone over the broadband connection in the home and as a mobile telephone outside the home. The customer pays a fixed monthly fee and can then make unlimited VoIP calls to all fixed telephones in Denmark. Outside the home, ordinary mobile prices apply. With Home Free, all types of calls between the members of the household can also be free of charge. The interest in the service has exceeded all expectations.

Home Free is based on UMA, Unlicensed Mobile Access, and the telephone is connected to the broadband wirelessly using WiFi technology. TeliaSonera was first in the world to launch this type of technical solution. UMA offers households a low-cost and simple communications solution, and allows TeliaSonera to compete with suppliers of traditional fixed voice. The rate of success in Denmark will determine when the service will be launched also on other markets.

Access-independent VoIP test for private customers in Estonia

VoIP offers for private customer are still relatively limited, but TeliaSonera intends to launch services on a larger scale as soon as the market is ready, and the business models are in place. Elion conducted comprehensive VoIP tests in Estonia during the year. TeliaSonera has tested different platforms for access-independent Internet based services, and started procurement negotiations.

Continued strong demand for broadband

The broadband market continues to show strong growth. TeliaSonera offers broadband access via ADSL on all home markets and, more frequently, fiber-based solutions to new residential areas. During the year, the number of broadband subscriptions increased 40 percent to 2,091,000. TEO in Lithuania is one of the fixed network operators that had the strongest growth. TEO's subscription base increased by 76,000 subscriptions, or 72 percent, during 2006.

In Finland, Sonera launched broadband with up to 100 Mbps, which is the most powerful offer on the Finnish private customer market. Sonera also changed its focus during the year in terms of broadband delivery. In the areas where Sonera does not have its own access network, only broadband with speeds of 1 Mbps or higher is offered.

Despite the strong demand during recent years, broadband penetration among households is still low. Penetration is lowest in Lithuania at 11 percent and highest in Denmark at around 60 percent.

Additional security services as standard

Security solutions for the Internet is another area with large growth potential at the same time as it is an effective competitive tool. TeliaSonera's strategy is to include security functions, like firewalls and antivirus programs in the broadband offer.

For example, Telia during the year introduced a service in Sweden for safe storage of digital information, including pictures. Storage capacity of 50 MB for private customers and 100 MB per employee for business customers is included in the broadband offer. A similar solution was also launched by Sonera in Finland for private customers and smaller companies. Sonera also introduced Sonera Internet Assistant, a software program that allows the customer to identify and solve broadband connection problems.

Strategic pricing to simplify for customers

Pricing and bundling of services are important competitive tools and TeliaSonera further developed its price offers in order to simplify for custom-

TeliaSonera's research and development is built on cost-efficient and innovative pacts with partners, customers, universities and institutions. In Finland, Sonera developed a system in cooperation with TietoEnator and Nokia where the mobile telephone is used to pay for public transportation. Here, during a test in Tampere, a bus trip is easily paid for by holding the telephone in front of a reader and the ticket is re-charged via the telephone.

The objective is that the customer shall receive support from one and the same contact regardless of service; fixed, mobile or broadband.

ers, stimulate use of various services and reward loyal customers and major users.

For example, Telia in Sweden continued to purge its large selection of price plans and customers can now choose between three clear price alternatives within fixed and mobile voice.

In Finland, Sonera introduced a totally new price model for mobile services that helped stabilizing prices after their dramatic fall in 2005. Sonera introduced an opening charge for all mobile calls and introduced a flat monthly fee for calls between fixed voice customers.

In order to stimulate use of mobile data services and give customers the opportunity to control costs, Telia in Sweden has offered a maximum cost for mobile data traffic via SurfPort since 2005. For the same reason, Sonera in 2006 switched from volume-based to time-based pricing for mobile data services in Finland.

Offering lower prices for calls within an operator's own network has become more common. In addition to successfully launching such offers in its home markets, TeliaSonera is taking similar action in emerging markets. During 2006 the mobile operator Moldcell in Moldova launched lower prices for calls within Moldcell's network. The mobile operators in Eurasia have further adapted their prices during the year in order to target specific groups. Geocell and Moldcell introduced prepaid cards with lower fees for SMS and MMS for customers with hearing and speech disabilities.

In Azerbaijan, the mobile operator Azercell introduced a subscription where the minute price falls the longer the call lasts. This offer is unique on the market and Azercell has increased its share of subscription customers during the year.

A number of price offers targeted to specific groups were implemented also in the Baltic countries. Omnitel introduced, for example, a special price offer for students in Lithuania.

New regulations have entered into force in Russia which only allows MegaFon and other mobile operators to charge customers for outgoing calls and not, as previously, also for incoming calls.

Additional bundled offers

TeliaSonera's wide selection of services on the home markets makes it possible to offer bundled solutions at attractive prices. Bundled packages were also launched during the year in Finland where it is now allowed to bundle subscriptions and terminals for 3G. Sonera offers 3G packages consisting of subscriptions, mobile telephones and a number of services such as video calls, music and mobile TV.

In Lithuania, Omnitel launched in cooperation with Hewlett Packard a unique offer consisting of unlimited use of the mobile data service Omni Connect and a laptop computer. The offer has been a major success and during the year the number of Connect customers of Omnitel nearly tripled to 32,921.

Continued investments in service and simplicity

All of TeliaSonera's companies continued to improve service and increase simplicity for their customers during the year. The objective is that the customer shall receive support from one and the same contact regardless of whether the question is related to fixed, mobile or broadband services.

Price segmentation and clear, target-group adjusted offers are important competition tools in the mobile markets in Eurasia. TeliaSonera's mobile operators in the region therefore introduce offers designed for specific groups. One example is the prepaid card with lower fees for SMS and MMS that Geocell and Moldcell recently launched for customers with hearing and speech disabilities.

As a part of these efforts, Telia in Denmark created a shared customer service function for fixed and mobile communications and at the same time the service level was upgraded for high-value customers. In Lithuania, TEO organized its customer service unit so that both private and business customers receive help for all types of questions via a single contact.

Telia in Sweden has made large efforts to improve customer service and increase simplicity for customers. The response has been positive. According to the Swedish Quality Index, Telia is one of the highest ranked telecom operators in Sweden in terms of customer satisfaction. Telia is also the operator that improved its customer service the most during 2006, through a string of initiatives. As the first telecom operator in the Nordic region, Telia successfully implemented speech-activated voice response for private customer support. Self-service increased both over the telephone and the Internet, and customer service personnel broadened its competence in order to better handle all types of inquiries.

Expanded distribution channels

TeliaSonera expanded its distribution channels during the year, including the acquisition by mobile operator LMT of DT Mobile, Latvia's leading distributor of mobile telephones and subscriptions. A 33 percent stake was acquired in Norwegian retail chain ComHouse and in Finland, Sonera increased its ownership in the retailer Päämieskauppiaat from 49.6 to 100 percent.

TeliaSonera more than doubled the number of shops in Denmark through the acquisition of 29 stores of Telekaeden, Denmark's leading retailer for telecommunications services. Under the Telia brand, the stores will help increase sales of products like Home Free and grow TeliaSonera's share of the highly competitive Danish market. In January 2007, TeliaSonera extended its reach further through an exclusive agreement with electronics chain Merlin. At its 48 outlets in Denmark, Merlin will market TeliaSonera services only.

"Simplicity makes everything possible" is the core of TeliaSonera's vision for 2010. TeliaSonera will at that point have become a genuine service company with simplicity as the strongest competitive edge. To ensure that the company develops in the desired direction, interim goals were established for 2008. The most recent survey shows that all operations are progressing to meet the final target for how customers rate the level of service and simplicity.

Increased capacity in the mobile network

During the year, TeliaSonera increased the number of mobile subscriptions by 22 percent to 87 million, including subscriptions with customers of associated companies. To meet the increase in traffic and the use of mobile data services, capacity in the mobile network was increased.

TeliaSonera offers 3G service on all of its home markets in the Nordic and Baltic regions with the exception of Denmark, where the start-up is underway to build out the 3G network, and services have yet to be launched commercially. In Georgia Geocell launched the 3G offering in December. Azercell in Azerbaijan and MegaFon in Russia have applied for 3G licenses, while license distribution has not yet been initiated in Kazakhstan and Turkey. In Moldova the 3G licensing process is ongoing.

With HSDPA technology, the capacity in the 3G network can increase to over 3 Mbps and Estonia, Latvia and Lithuania all introduced the technology during 2006 in selected areas. Upgrading the 3G network is one way to meet the growing demand for mobile Internet services in countries with low penetration of fixed broadband connections.

Fixed broadband penetration is also low in Eurasia, where the implementation of HSDPA is planned as soon as the 3G network is up and running. In Georgia, the upgrade to HSDPA has started and a commercial launch is planned in the near future. Tests with HSDPA are also underway in Finland.

With the introduction of EDGE in Georgia, the technology is now used in all of TeliaSonera's markets, in order to quadruple the capacity of the GSM networks.

During the year, TeliaSonera strengthened its leading position in the Nordic region in wireless broadband access. Through its acquisition of the Danish WLAN company YesIHotspot, TeliaSonera can now offer wireless broadband access via HomeRun also in Denmark, and thereby in all Nordic markets and Lithuania. TeliaSonera offers HomeRun services at more than 1,000 locations in the Nordic region and at over 25,000 locations via roaming agreements.

R&D for continued growth

TeliaSonera's R&D is built on cost-efficient and innovative collaborations with partners, customers, universities, colleges and research institutions. In order to speed up the development of services, TeliaSonera founded Innovation World in 2006 – an arena for testing and evaluating new research findings. The focus areas for TeliaSonera's R&D are machine-to-machine wireless communication, services for the home and family, new content services and customer terminals as carriers for new services.

The trend is quickly moving toward the digital home, where all information is stored digitally and can be reached regardless of the terminal: TV, computer or telephone. To make it simpler for the users, TeliaSonera is testing Home Manager – an electronic "assistant", enabling family members to create, synchronize and share information whether they are at home or away.

Within machine-to-machine wireless communication, an area with large growth potential, TeliaSonera, in collaboration with its partners, has developed solutions based on the international RFID (Radio Frequency IDentification) standard.

In Finland, Sonera developed a system in cooperation with TietoEnator and Nokia where the mobile telephone is used to pay for public transportation. A trip is easily paid for by holding the telephone in front of a reader and the ticket is re-charged via the telephone.

Sonera has also developed in cooperation with Skanska a solution for locating construction goods under transport, which gives project managers full control over deliveries to construction sites.

In Sweden, Telia developed a solution for the registration of entry and exit for personnel in the home-help service sector and other industries.

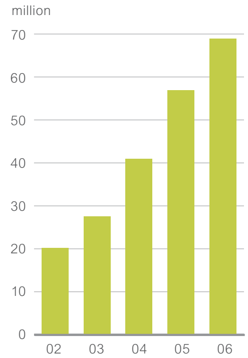
Cost Efficiency Initiatives Continue

The restructuring programs initiated in 2005 in Sweden and Finland were continued. The yearly effect from cost savings measures implemented by the end of 2006 total SEK 2.8 billion in Sweden and SEK 2 billion in Finland. The goal is to have reduced the cost levels by SEK 4–5 billion in Sweden and SEK 3 billion in Finland annually as of 2008 compared to 2004. The costs for the restructuring are estimated at approximately SEK 5 billion in Sweden and SEK 1–1.5 billion in Finland.

Despite good results from implemented market initiatives, the intense competition has continued to place pressure on TeliaSonera's margins during the year. Streamlining measures and utilization of economies of scale will therefore continue to be a determining factor for TeliaSonera's success.

Efforts to create economies of scale entered a second phase in 2006 with the implementation of certain common production in the wholly owned operations in the Nordic and Baltic region.

Number of mobile subscriptions outside the home markets[1]



[1] Refers to the consolidated operations in Eurasia and Spain and the associated companies MegaFon and Turkcell.

During the year, 34 employees participated in the program at TeliaSonera Business School, which educates managers and key personnel in finance, strategy, marketing and leadership. Part of the program is to complete a project related to a current business case. Carl Knudsen from TeliaSonera's headquarters, Dan-Anders Strömberg from the Finnish organization and Viktoria Byback from the Swedish organization had the task of developing a strategy and business model for the digital home. Strategy manager Kerstin Frenning from Sweden (right) was their mentor.

New organization to secure growth and efficiency

TeliaSonera is an international telecommunications company with 28,528 employees in its majority-owned operations. TeliaSonera is strongly committed to develop its competence and leadership. To secure profitable growth and efficiency, a new organization was introduced on January 1, 2007.

With its solid expertise and strong positions within mobility, broadband, Internet based communication and fixed communication, TeliaSonera is determined to take the lead in the ongoing migration from fixed to mobile and Internet based services. The migration is particularly evident in the Nordic and Baltic region. In these markets, telecom operators are in a transition phase that places high demands on their ability to lead the business in a changing environment, and operate towards established visions and goals.

Systematic efforts to develop managers and strengthen competence

TeliaSonera is implementing an internal, systematic program to develop the company's managers and strengthen employee competence. TeliaSonera has in general considerable knowledge about the technology used in mobility, broadband, Internet based and fixed communication and integrated enterprise services. Initiatives are currently underway to further capitalize on this knowledge. A Group wide program, the TeliaSonera IP/IT Program, is being implemented to enhance the knowledge of certain specialists. In addition, investments are being made to commercialize the technology into attractive customer solutions, through internal training, external recruiting, partnerships and acquisitions.

TeliaSonera is carrying out two additional Group-wide educational programs. TeliaSonera Top Talent Program, introduced in 2005, targets potential top-level managers, while TeliaSonera Business School teaches business and leadership to current managers and key personnel. To ensure the long-term supply of future leaders, TeliaSonera will also offer a Management Trainee program that alternates theory and practice and is aimed for top students from universities and colleges.

TeliaSonera is working on initiatives designed to meet the specific needs in different countries. Telia has established a virtual education and training center in Sweden. The training, TeliaSonera Skolan, is designed to adapt employee competence and skills to the rapidly changing market conditions.

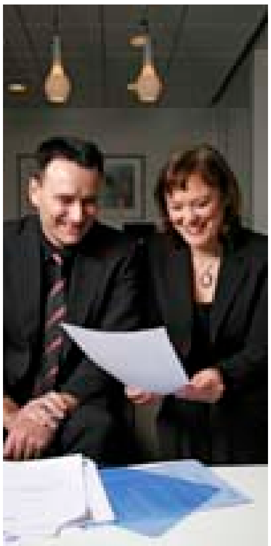
Another example is Omnitel's initiative where employees who do not have direct contact with customers in their daily work are educated in Omnitel's offerings and business focus, in order to better serve as ambassadors for the company.

In Denmark, the initiatives have focused on improving the managers' ability to create a common culture based on TeliaSonera's vision and values.

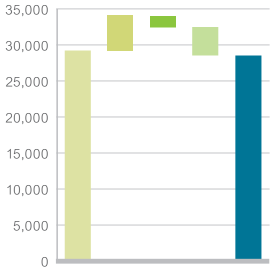
Regular employee surveys

A shared vision and shared values were developed after the merger between Telia and Sonera. The shared values – Add value, Show respect and Make it happen – guide the employees and managers in their daily work and decisions both internally and externally.

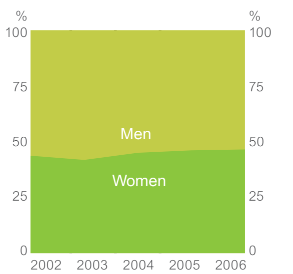
To develop leadership and the working methods, TeliaSonera regularly conducts employee surveys. The surveys are connected to TeliaSonera's vision of simplicity and its ambition to create the best customer service possible. The surveys indicate that TeliaSonera's vision and values are firmly anchored among its employees. A majority of employees considers customer service and sim-



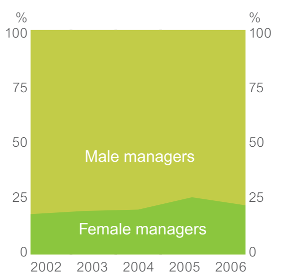
Development of number of employees



Development of percentage of men and women



Development of percentage of male and female managers



plicity to be highly important and sees room for considerable improvement in these areas.

Increased productivity after the merger

After the merger between Telia and Sonera at the end of 2002, productivity, i.e. sales per employee at a fixed price level, has increased by an average of more than 5 percent per year. In 2006, the increase in productivity was more than 10 percent.

The number of employees has decreased since 2002 by 645 in the majority-owned operations. Divestitures entailed a decrease of 1,591 while 3,945 employees have left the Group as a result of streamlining and other changes. At the same time, the Group has added 4,981 new employees through acquisitions. In 2006, the number of employees in the majority-owned operations increased by 770 as a result of acquisitions and 417 employees left the company as a result of streamlining and other changes.

Equality and diversity

TeliaSonera has clearly stated it will strive for equal opportunity and equal treatment not only between genders but also between age and ethnic groups. An even distribution between men and women is also important from a business perspective since half of TeliaSonera's customers are women.

In the majority-owned operations, the number of women has increased from 42 to 45 percent since the merger. The percentage of women is highest in Azerbaijan (59 percent), Kazakhstan (53 percent), Georgia and Moldova (both 52 percent), but significantly lower in Denmark (31 percent) and Norway (30 percent).

On management level the percentage of women has increased from 19 to 22 percent in recent years.

Efficient processes for redundancy management

TeliaSonera has efficient processes for redundancy management. In Sweden and Finland, which have the most comprehensive cost-savings programs, TeliaSonera in agreement with the union established special units for redundancy management.

The redundant employees are transferred to the redeployment units where they are offered competence development, and support in applying for new positions both inside and outside TeliaSonera. In Sweden, the turnover in the redeployment unit has thus far been 96.5 percent.

New focused organization to capture future growth

Until and including 2006, the TeliaSonera Group was organized by country-based profit centers and a corporate headquarter. The corporate headquarter set guidelines and coordinated group-wide business and was responsible for the realization of synergies and economies of scale. The profit centers had full profit responsibility for their respective operations and operational responsibility for marketing, sales, network operations and product and service development.

On January 1, 2007, a new organization entered into force. The format will capture the strong growth within mobility and broadband services as well as managed services for enterprises and in addition the high growth in the eastern markets. The new organization is aimed at improving business focus and reducing complexity in order to boost profitable growth and increase speed of implementation. Customers will still meet one company. Converged and combined services and content services will be offered.

TeliaSonera's operations are divided into four business areas; Mobility Services, Broadband Services, Integrated Enterprise Services, and Eurasia. Services will be developed closer to customers, competence across borders and units will be utilized more effectively and migration to new services will be speeded up. Efficiency is improved by focusing on cross-border synergies in the international business areas, through faster and easier decision making, the separation of process and IT-support between mass market services and high value enterprise services as well as clearer target setting and benchmarking.

Mobility Services

Business area Mobility Services is responsible for personal mobility services for the consumer and enterprise mass markets. Products and services in focus include mobile voice & data, mobile content, WLAN Hotspots, mobile over broadband, mobile/PC convergence and Wireless Office. The operations comprise the mobile operations in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania and Spain.

Broadband Services

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

Integrated Enterprise Services

Business area Integrated Enterprise Services is responsible for all Nordic and Baltic business where TeliaSonera is engaged in managing the internal IT and telecom infrastructure of the enterprises. The business area also takes on responsibilities for enterprises' total telecommunications needs. Customer offerings include networked IT services, voice & data solutions, systems integration and converging services as well as highly standardized solutions for the SME segment. Example of services are management of LAN, servers, work stations, IP PABXs and call centers, mobility and security solutions and horizontal standard applications, e.g. e-mail services. The business area offers end-to-end management solutions with service guarantees.

Eurasia

Business area Eurasia comprises the majority-owned Fintur operations in Kazakhstan, Azerbaijan, Georgia and Moldova. The business area is also responsible for developing TeliaSonera's shareholding in Russian MegaFon (44 percent) and Turkish Turkcell (37 percent). The main responsibility is to create shareholder value and to exploit penetration growth in the respective countries.

The new focused organization will capture the strong growth within mobility and broadband services as well as managed services for enterprises and in addition the high growth in the eastern markets.

TeliaSonera's sustainability work internationally recognized

TeliaSonera shall be a "good corporate citizen" by acting ethically and responsibly and promoting sustainable development in the marketplace, workplace, environment and community at large. During the year, TeliaSonera was elected to the Dow Jones global sustainability index, confirming that TeliaSonera is a telecom leader in terms of sustainability.

TeliaSonera's business ethics in brief

- Behave respectfully, honestly and in good faith with individuals inside and outside the Group who are affected by TeliaSonera's operations.
- Do not pursue activities that require violating legislation or corporate policies.
- Only undertake activities that may be submitted to public scrutiny and debate.
- Treat each other with mutual trust and respect and create an environment where individuals may question Group practices without suffering repercussions.
- Follow local and international competition laws.
- Do not make or receive payments that are illegal or unethical in the given environment.
- Do not make political contributions.

The purpose of the sustainability index is to identify companies with operations that fulfill strict requirements on the management of risks and opportunities in finance, the environment and the social community. Dow Jones Sustainability Index (DJSI) is one of the world's most well-reputed sustainability indexes – only 10 percent of the world's most prominent companies in each industry are given the opportunity to be included in DJSI.

TeliaSonera's entry into DJSI means that asset managers specializing in sustainability portfolios are now able to invest more broadly in TeliaSonera shares. In the past five years, DJSI has yielded a higher return than the comparison index MSCI World.

TeliaSonera is also included in a number of other global sustainability-related indexes, such as Oekom Research Ag and FTSE4Good Index.

Guidelines and policies

To ensure ethical and responsible behavior, TeliaSonera's Board of Directors adopted a number of guidelines and policies for everyone in the Group to follow.

The United Nation's Universal Declaration of Human Rights and the main International Labor Organization conventions form the basis for TeliaSonera's Corporate Social Responsibility guidelines and policies. Another important foundation is that TeliaSonera shall respect national and international legislation and only undertake operations that could withstand public scrutiny and an open debate.

The responsibility of being a significant player in the creation of the information society also includes protecting private and personal information and preventing abuse or illegal use of telecommunication services.

Continuous reporting

The guidelines apply to wholly owned operations, although the goal is to also apply them to companies where TeliaSonera does not have one hundred percent ownership. TeliaSonera also encourages suppliers and other partners to follow the guidelines.

Each Group unit continuously reports its progress in CSR, which allows TeliaSonera to share "best practices" with all of the company's employees and stakeholders.

TeliaSonera publishes a CSR report every year, which outlines goals and successes within CSR. The report is based on the international Global Reporting Initiative standard, GRI. The CSR report can be found at www.teliasonera.com.

Southern Sweden hit by two major storms

TeliaSonera demonstrated the responsibility of being a significant player in society by reacting swiftly to the damages caused by the two major storms that hit parts of Sweden the past winters.

In addition to some 2,300 technicians repairing damages caused by the latest storm in 2007, TeliaSonera has offered a number of alternatives to its customers to reduce the inconveniences caused by these storms, including the possibility to redirect incoming calls to a mobile phone free of charge.

Reducing carbon dioxide emissions

TeliaSonera is active on many levels which can contribute to the reduction of greenhouse gases and has action plans and targets for how to reduce carbon dioxide emissions, for operations repre-

The sustainability work within TeliaSonera is based on "best practice" and ongoing reporting of the progress of the work. This way, routines that are successfully established in one department will also be used in other parts of the Group. One example is the increasing use of telecommunication based meetings. The progress in this area has diminished the impact of the Group on the environment, and at the same time can enable TeliaSonera to become a role model for customers as well as other companies.

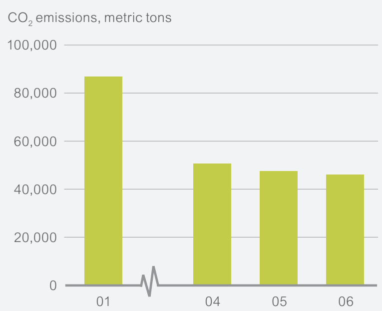
senting over 40 percent of total revenue. Work to establish similar plans and targets across the group will be initiated during 2007. Between 2001 and 2006 carbon dioxide emissions were reduced by nearly 50 percent in Sweden, partly because of changed meeting patterns, more efficient usage of office space and a number of energy efficiency projects related to the telecommunication infrastructure.

According to the meeting policy at TeliaSonera's operations in Sweden all employees should ask themselves whether it is necessary to travel to a meeting or if they can hold a virtual meeting. Since 2005 one third of all flight trips in Sweden have been replaced by phone or Internet meetings. In 2006 TeliaSonera in Sweden held 150,000 phone meetings.

TeliaSonera introduced in 2006 fuel cell technology as emergency backup and today there are three systems operating using hydrogen and methanol as energy carrier.

TeliaSonera is an active member of the Sustainability group of the European fixed telecommunications operations association (ETNO). In 2006, the group produced a set of Energy and Climate Change Policy recommendations for telecom companies to maximize energy efficiency and minimize carbon dioxide emissions per service. In addition, TeliaSonera is one of the partners in The Center for Sustainable Communications, a center of excellence in Sweden that aims to create and develop new, innovative tools and methods for communication, including providing viable alternatives to physical travel and transportation.

Since 2001 TeliaSonera in Sweden has reduced CO_2 emissions by nearly 50 percent.



One example of the sustainability work within the Group is the environment work at TeliaSonera in Sweden. Here, the carbon dioxide emissions from the operations nearly halved in five years, partly because of changed meeting patterns.

20 billion in extraordinary dividends to shareholders

The TeliaSonera share rose 32 percent during 2006, while the Stockholm Stock Exchange's All-Share Index increased 24 percent. The Board of Directors proposes to the Annual General Meeting an increase of the ordinary dividend to SEK 1.80 per share (1.25).

During 2006, an average of 17.6 million TeliaSonera shares were traded per trading day, corresponding to a value of SEK 804 million per day. TeliaSonera's share price rose during the year to SEK 56.25, an increase of 32 percent.

Since early 2003, just after the merger between Telia and Sonera until early 2007, TeliaSonera's share price has increased from around SEK 25 to above SEK 60.

Compared to the Dow Jones STOXX Telecommunications Index, which includes the large telecom operators in Europe, the TeliaSonera share has developed since the start of 2003 largely in line with the index, and ended 2006 slightly above the index. Since the start of 2003, the TeliaSonera share has developed on average weaker than the Stockholm Stock Exchange.

TeliaSonera's market capitalization totaled at year-end SEK 253 billion, which is 6 percent of the total market value on the Stockholm Stock Exchange. In terms of market value, TeliaSonera is the fourth largest company on the Stockholm Stock Exchange, the second largest company on the Helsinki Stock Exchange and Europe's seventh largest telecommunications operator.

Dividends and dividend policy

Based on TeliaSonera's strong earnings development during the year, the Board of Directors proposes that TeliaSonera's ordinary dividend for 2006 be increased to SEK 1.80 per share (1.25), equaling SEK 8.1 billion, or 48 percent of net income attributable to shareholders of the parent company. TeliaSonera's policy is to distribute 30–50 percent of net income attributable to shareholders of the parent company. Thus, the proposed dividend for 2006 lies at the upper end of the interval.

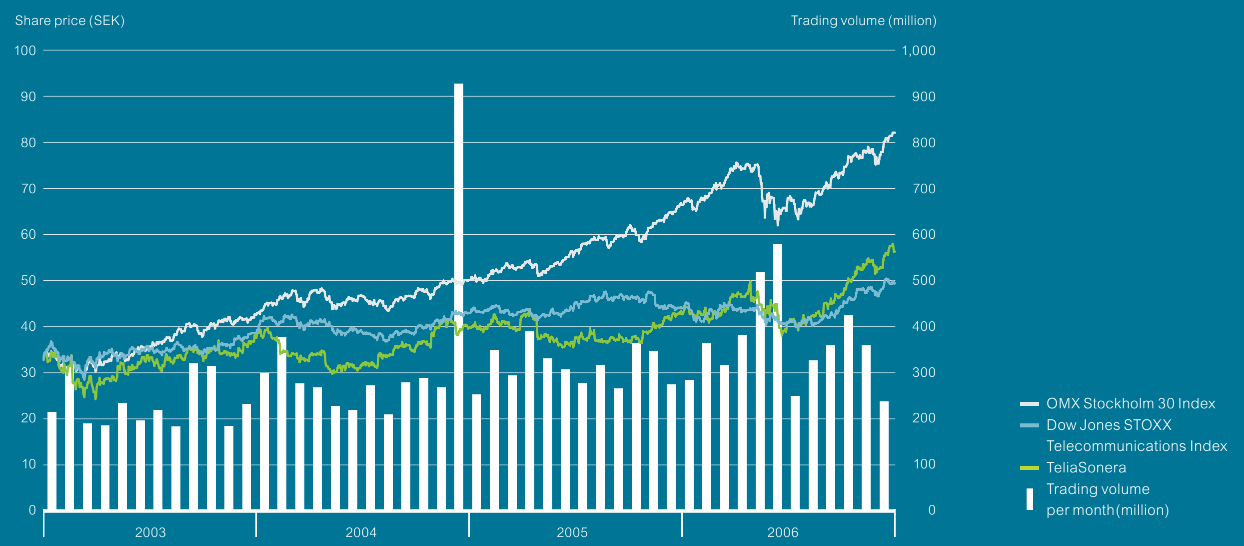
In conjunction with a review of the dividend policy during 2006, the Board of Directors expressed its intention to propose an annual distribution of capital to the shareholders in addition to the ordinary dividend. The additional distribution will be reviewed annually and take into consideration cash flow and cash flow projections as well as investment plans. The Board of Directors, as a result, proposes for 2006 an extraordinary dividend of SEK 10.1 billion, which corresponds to SEK 2.25 per share.

In addition, based on the strong development during the year, the Board of Directors also proposes an additional extraordinary dividend for 2006 of SEK 10.1 billion.

This means that the proposed extraordinary dividends for 2006 total SEK 20.2 billion, which corresponds to SEK 4.50 per share.

Number of shareholders

The number of shareholders decreased during the year from 745,172 to 691,106. Ownership by the Swedish and Finnish governments as a percentage of outstanding shares remained unchanged at 45.3 and 13.7 percent, respectively. Holdings outside of Sweden and Finland increased from 12.8 percent to 16.7 percent. At year-end, Swedish private investors owned 3.2 percent (3.2) and Finnish private investors 2.2 percent (2.2) of the outstanding shares. Swedish institutional investors owned 15.9 percent (19.7) of the outstanding shares and Finnish institutional investors owned 3.0 percent (3.2).



The Largest Shareholders, as of December 31, 2006

Shareholder	Number of outstanding shares[1]	Percent of outstanding shares/votes
Swedish State[2]	2,033,547,131	45.3
Finnish State[2]	616,128,221	13.7
Swedbank Robur	96,760,585	2.2
Cevian Capital LP	71,698,500	1.6
SEB Funds	69,370,399	1.5
Nordea Investment Funds	57,880,195	1.3
SHB/SPP Funds	55,137,689	1.2
Skandia Liv	47,059,181	1.0
Alecta	34,346,000	0.8
SEB Trygg Försäkring	31,152,500	0.7
Other shareholders outside Sweden and Finland[3]	676,066,977	15.1
Other shareholders	701,309,835	15.6
Total shares outstanding	4,490,457,213	100.0

Source: SIS Ägarservice AB
1) Each share of TeliaSonera represents one vote at the annual general meeting of shareholders and no shareholder has any special voting rights.
2) In connection with the merger between Telia and Sonera, the Kingdom of Sweden and the Republic of Finland entered into a shareholders' agreement with respect to their shareholdings in TeliaSonera, and consult with each other from time to time on certain matters related to shareholdings.
3) Of which as nominees: State Street Bank and Trust 92,298,927 shares and JP Morgan Chase Bank 71,450,059 shares.

The Largest Countries by Number of Shares, as of December 31, 2006

Country	Number of outstanding shares	Percent of outstanding shares/votes
Sweden	2,891,167,424	64.4
Finland	851,524,312	19.0
United Kingdom	243,341,833	5.4
United States	227,278,147	5.1
Cayman Islands	63,776,781	1.4
Luxembourg	48,837,183	1.1
France	27,195,779	0.6
Denmark	17,860,314	0.4
Germany	17,811,498	0.4
Norway	14,198,120	0.3
Other	87,456,822	1.9
Total shares outstanding	4,490,457,213	100.0

Source: Swedish Central Security Depository (VPC)

Changes in Issued Share Capital

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

The TeliaSonera Share

Listing: Stockholm Stock Exchange and Helsinki Stock Exchange	
Stockholm Stock Exchange	
Ticker Symbol	TLSN
Highest Price 2006	SEK 58.25
Lowest Price 2006	SEK 37.90
At close 2006	SEK 56.25
Shares traded 2006, volume	4,420 million
Shares traded 2006, value	SEK 202 billion
Market capitalization Dec 31, 2006	SEK 253 billion
Helsinki Stock Exchange	
Ticker Symbol	TLS1V
Shares traded 2006, volume	440 million
Shares traded 2006, value	EUR 2.2 billion

Striving towards the same goals

TeliaSonera's corporate governance system 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.

Introduction

TeliaSonera has in the opinion of the Board of Directors followed the Swedish Code of Corporate Governance during 2006 apart from the following deviations.

The Board and the CEO did not give a special declaration regarding the company's Annual Report 2005 immediately before signing it (the Code's item 3.6.2). According to the Board, the Board and the CEO are responsible for the correctness of the Annual Report which is confirmed by the signatories in the report. A special declaration in accordance with the Code, does not, according to the Board, bring any added value to the governance of the company but brings unnecessary bureaucracy. Accordingly, the Board and the CEO do not give a special declaration in the Annual Report 2006 either.

The Board of Directors did not propose that the Annual General Meeting 2006 should adopt principles for remuneration to the management (the Code's item 4.2.2). The Board has adopted a policy for remuneration to the Executive Management. One of the most important tasks for the Board is to continuously make sure that the company has a management which, considering the company's line of business and strategic development, is highly qualified to manage the company. The Board has also to make sure that the costs for running the company are kept on reasonable levels. This applies to both the costs for employees as well as other costs. The Board is of the opinion that it is not appropriate to change the responsibility of the Board in this respect. The Board intends to propose that the Annual General Meeting 2007 adopts principles for remuneration to the management.

The corporate governance report, including the report on internal controls, does not form part of the official Annual Report and has not been examined by the company's auditors.

TeliaSonera's corporate governance system

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

The Shareholders' meeting

The shareholders' meeting is the company's highest decision-making forum. Among other issues, the shareholders' meeting elects the members of the Board of Directors.

The Board of Directors

The Board of Directors is responsible for the company's organization and the management of the company's business, including internal financial controls, which means that the Board of Directors determines the general strategy for the business and makes strategic decisions of greater importance. The Board of Directors appoints the CEO and issues guidelines for the management of the Group.

The CEO

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

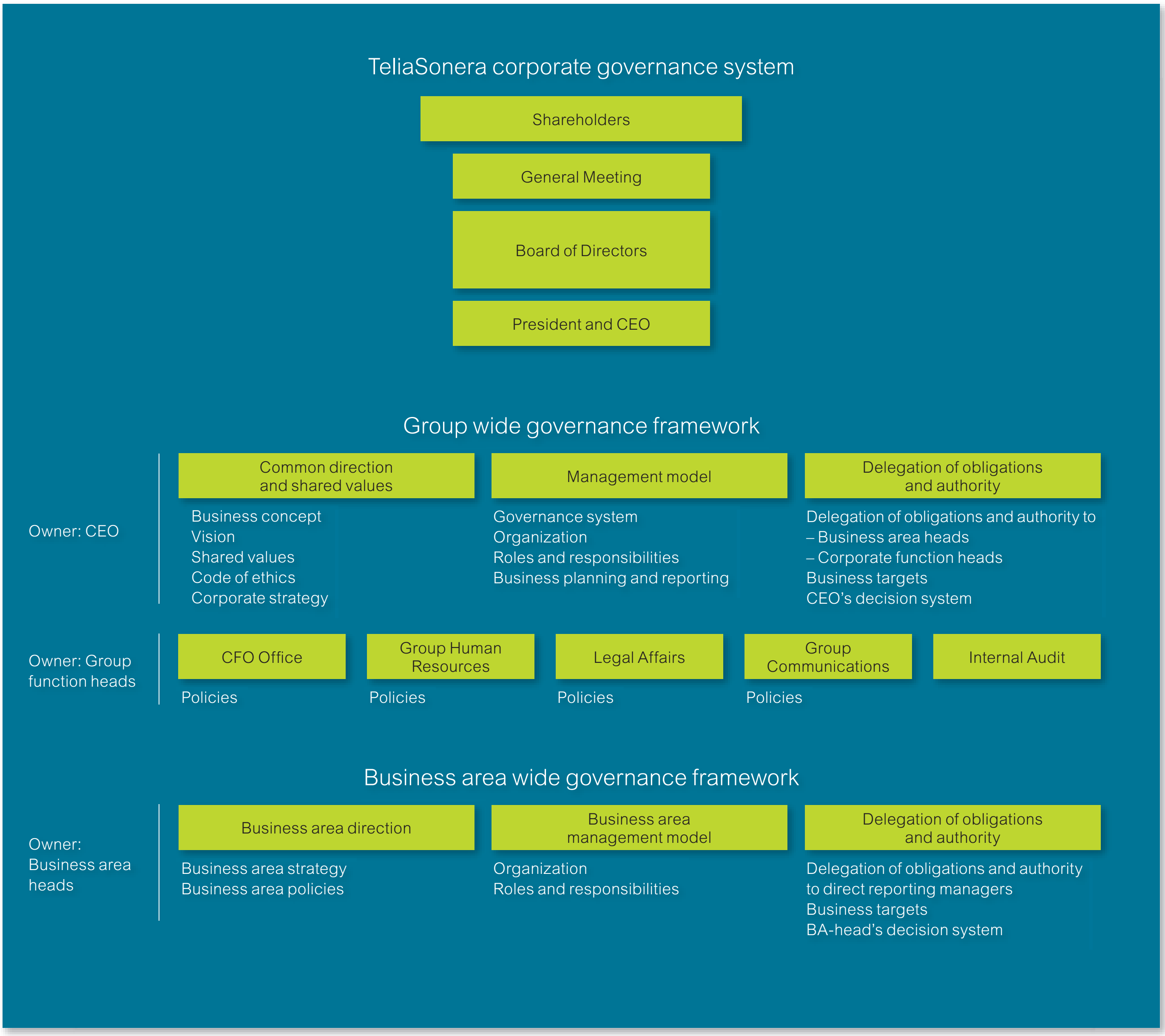
Group wide governance framework

The group wide governance framework comprises Common direction and shared values, Management model and Delegation of obligations and authority as well as Corporate functions' policies.

Common direction and shared values

In order go give a general guidance to all employees in the Group the following documents have been issued.

- Business concept
  – Our business concept defines what services TeliaSonera provides and where.
- Vision
  – Our vision, "Simplicity makes everything possible", is what we want to achieve by 2010.
- Shared values
  – Our shared values, "Add value", "Show respect" and "Make it happen", focus on the behaviour we want to promote.


TeliaSonera corporate governance system
Shareholders
General Meeting
Board of Directors
President and CEO
Group wide governance framework
Owner: CEO
Common direction and shared values
Business concept
Vision
Shared values
Code of ethics
Corporate strategy
Management model
Governance system
Organization
Roles and responsibilities
Business planning and reporting
Delegation of obligations and authority
Delegation of obligations and authority to
– Business area heads
– Corporate function heads
Business targets
CEO's decision system
Owner: Group function heads
CFO Office
Policies
Group Human Resources
Policies
Legal Affairs
Policies
Group Communications
Policies
Internal Audit
Business area wide governance framework
Owner: Business area heads
Business area direction
Business area strategy
Business area policies
Business area management model
Organization
Roles and responsibilities
Delegation of obligations and authority
Delegation of obligations and authority to direct reporting managers
Business targets
BA-head's decision system

- Code of ethics
  – Our Code of ethics sets out the ethical standards within which we act.
- Corporate strategy
  – Our Corporate strategy sets out the general direction of the Group.

Management model

The management model describes

- The governance system
- The organization
- The roles and responsibilities within the organization
- Business planning and reporting

Delegation of obligations and authority

- Delegation of obligations and authority
  – Sets out the obligations imposed on the heads of business areas and corporate functions and within which limits they may take decisions.
- Business targets
  – Set out yearly targets as well as targets for Wanted position 2008, measured each quarter, for the Group as a whole and for each business area and is directed to the heads of business areas and corporate functions.
- CEO's decisions system
  – Sets out how decisions by the CEO are taken in individual cases.

Corporate functions' policies

- The heads of corporate functions may issue policies within their area of responsibility.

Business area wide governance framework

The Business area wide governance framework shall be set within the boundaries of the Group wide framework. The Business concept, the Vision, Shared values and Code of ethics are common for the whole Group as well as a common business planning process and reporting.

Organization

TeliaSonera is an international group of companies, providing telecommunication services in the Nordic and Baltic countries as well as in Spain, certain Eurasian countries, including Russia and Turkey.

Organizational structure

TeliaSonera's largest growth areas are mobility services, broadband services, integrated enterprise services and the holdings of TeliaSonera in Russia, Turkey and Eurasia. In order to ensure strong leverage for profitable growth, TeliaSonera is organized in four international business areas focusing on these growth opportunities. The business areas have full profit and loss responsibilities for their assigned businesses. Customers will meet TeliaSonera as one company, via operation under the respective local brand, common local web sites and common local customer service entrances and customer engagement registers. (See page 21 for chart).

Business areas

Mobility Services

Business area Mobility Services is responsible for personal mobility services for the consumer and enterprise mass markets. Products and services in focus include mobile voice and data, mobile content, WLAN Hotspots, mobile over broadband, mobile/PC convergence and Wireless Office. The operations comprise the mobile operations in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania and Spain.

Broadband Services

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

Integrated Enterprise Services

Business area Integrated Enterprise Services is responsible for all Nordic and Baltic business where TeliaSonera is engaged in managing the internal IT and telecom infrastructure of the enterprises. The business area also takes on responsibilities for enterprises' total telecommunications needs. Customer offerings include networked IT services, voice & data solutions, systems integration and converging services as well as highly standardized solutions for the SME segment. Example of services are management of LAN, servers, work stations, IP PABXs and call centers, mobility and security solutions and horizontal standard applications, e.g. e-mail services. The business area offers end-to-end management solutions with service guarantees.

Eurasia

Business area Eurasia comprises the majority-owned Fintur operations in Kazakhstan, Azerbaijan, Georgia and Moldova. The business area is also responsible for developing TeliaSonera's shareholding in Russian MegaFon (44 percent) and Turkish Turkcell (37 percent). The main responsibility is to create shareholder value and exploit penetration growth in the respective countries.

Head office

The Corporate Head Office assists the CEO in setting the framework for the activities of the business areas and provides the head office and the business areas with certain support functions.

Shareholders' General Meeting

TeliaSonera is a Swedish, public, limited liability company and is governed by the Swedish Companies Act and the company's Articles of Association. According to the Companies Act, the shareholders' general meeting is the company's highest decision-making forum where the owners exercise their shareholder power.

The TeliaSonera share is listed on the Stockholm and the Helsinki Stock Exchanges. TeliaSonera has only one type of shares. Each share of TeliaSonera represents one vote at the general meeting of shareholders. TeliaSonera had 691,106 shareholders at year-end 2006.

The company announced in the Interim Report January–September 2006 that the Annual General Meeting will be held on April 24, 2007, in Stockholm.

Information about the shareholders' right to have an issue addressed at the general meeting and the deadline for when such a request must have been received by the company to ensure that it is included in the notice of the ordinary AGM can be found on the company's website.

Shareholders had the opportunity to register for the AGM 2006 in several ways, for example via e-mail and on the company's website.

The AGM 2006 was held on April 27, 2006, in Stockholm. The day before, a shareholders' information meeting had been held in Helsinki, at which the company's management and parts of the Board attended.

The entire Board of Directors, apart from Paul Smits, all members from the Executive Management and the chief auditors attended the AGM 2006. After nomination from the Nomination Committee, attorney Sven Unger was elected chairman of the AGM 2006. Henrik Sandell, representing Nordea Investment Funds, and Ossian Ekdahl, representing Första AP-fonden, were appointed to approve the minutes. None of them were members of the Board or employees in the company.

The AGM was held in Swedish and the materials for the meeting were in Swedish. Due to the company's international ownership, the meeting was simultaneously interpreted to Finnish and English and the material for the meeting was also available in Finnish and English. The shareholders were given the opportunity to ask questions, comment and make proposals for decisions. The minutes from the meeting are available on the company's web site in Swedish, Finnish and English.

The Board of Directors has established principles for remuneration and other terms of employment for the Executive Management. These principles were presented at the meeting.

Nomination Committee

After the AGM 2006, TeliaSonera's Nomination Committee consists of the company's four largest shareholders at the time of the notice of the AGM and the Chairman of the Board. Up until October 20, 2006, the Nomination Committee consisted of Jonas Iversen, Chairman (the Swedish state), Markku Tapio (the Finnish state), KG Lindvall (Robur), Lennart Ribohn (SEB) and the Chairman of the Board Tom von Weymarn. Within the scope of its instructions, the Nomination Committee decided on October 20, 2006, to increase the number of representatives of shareholders in the Nomination Committee and elected Christer Gardell (Cevian Capital) as a new member. Information about the Nomination Committee's composition and changes in the composition has been made public when they have occurred.

The Nomination Committee shall in accordance with its instruction nominate the Chairman and other members of the Board as well as propose the Board remuneration that is divided among the Chairman and other members and remuneration for serving on committees. The Nomination Committee shall also nominate the Chairman of the AGM and the auditors. The Nomination Committee has reported to the company that the Committee is following the Code's guidelines and that it intends to report its activities at the AGM and on the company's web site.

Shareholders are welcome to send nomination proposals to the Nomination Committee. Proposals can be sent by e-mail 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 AGM.

External auditors

PricewaterhouseCoopers AB was appointed auditor at the AGM 2004 and Göran Tidström (born 1946) is the auditor in charge.

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

Göran Tidström is also an auditor of Securitas, Trelleborg and Volvo. He is the Chairman of the Board of PricewaterhouseCoopers AB, the Nordic audit profession's Board representative in International Federation of Accountants, IFAC, and chairman of the Board of the European Financial Reporting Advisory Group, EFRAG.

During 2006, PricewaterhouseCoopers provided non-audit services for a fee of SEK 5 million. See Note 32 to the consolidated financial statements.

Board of Directors

As of the AGM 2006 TeliaSonera's Board of Directors consisted of eight members elected by the AGM, serving one-year terms, and three employee representatives from the Swedish operations. An additional Finnish employee representative is present at Board meetings, but without voting rights. The AGM 2006 elected Tom von Weymarn as Chairman of the Board and Carl Bennet as Deputy Chairman.

On December 8, 2006, TeliaSonera's Nomination Committee informed TeliaSonera that it had finalized its work regarding nominations for the Board of Directors. The committee proposed re-election of Mr. Tom von Weymarn, Ms. Caroline Sundewall and Mr. Timo Peltola. The committee also proposed new election of Ms. Maija-Liisa Friman, Mr. Conny Karlsson, Mr. Lars G Nordström and Mr. Jon Risfelt. The Nomination Committee further proposed that Mr. Tom von Weymarn should be elected to be Chairman of the Board and that no vice chairman should be appointed.

As the proposed changes in the composition of the Board were substantial, the shareholders represented at the Nomination Committee requested TeliaSonera's Board of Directors to call for an extraordinary shareholders meeting to elect new board members. Such a meeting was held on January 17, 2007. The Nomination Committee further declared its intention that the board members elected at the extraordinary shareholders meeting shall be re-elected at the AGM in Stockholm on April 24, 2007.

The Board of Directors' composition is presented on pages 32–33. The members elected by the AGM are considered to be independent in relation to the company and to 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 (at least five per calendar year), 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 carried out in committees.

To improve efficiency of its work, the Board has appointed a Remuneration Committee and an Audit Committee.

The Remuneration Committee handles issues regarding salary and other remuneration to the CEO, Executive Management and others reporting directly to the CEO and incentive programs that target a broader group of employees. During 2006 the committee consisted of Tom von Weymarn (chairman), Carl Bennet, Lennart Låftman and Timo Peltola. Since January 31, 2007, the committee consists of Tom von Weymarn (chairman), Lars G Nordström and Timo Peltola.

The Audit Committee reviews the company's external financial reporting, internal financial reporting processes and systems for internal financial controls. Up until April 27, 2006, the committee consisted of Caroline Sundewall (chairman), Eva Liljeblom, Sven-Christer Nilsson and Tom von Weymarn. On April 27, 2006, Lars-Erik Nilsson was elected to the committee. Since January 31, 2007, the committee consists of Caroline Sundewall (chairman), Conny Karlsson and Tom von Weymarn.

The Board of Directors' committees prepare decisions for the Board. The Remuneration Committee has the authority to approve remuneration to persons who report directly to the CEO. The Audit Committee – and in some cases its chairman – has the right to make decisions regarding purchasing of services from the company's auditors within the framework decided by the Board.

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

Work of the Board of Directors during 2006

The Board of Directors held eight ordinary meetings during 2006 as well as six 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
- Defining targets for the operations
- Associated companies in Russia and Turkey
- Control over financial reporting
- Restructuring of the Group's organization
- Development of competencies and succession planning
- Company acquisitions
- Remuneration issues

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

Remuneration to the Board of Directors

At the AGM 2006, annual remuneration to the Chairman of the Board of Directors was set at SEK 800,000 and SEK 550,000 to the Deputy Chairman. Other Board members elected by the AGM receive annual remuneration of SEK 400,000. No remuneration is paid to members who are employed within the TeliaSonera Group.

The AGM furthermore determined to set annual remuneration to the Chairman of the Board's Audit Committee at SEK 150,000 and to other members of the Audit Committee at SEK 100,000. The Chairman of the Remuneration Committee should be paid an annual fee of SEK 40,000 and other members of the Remuneration Committee an annual fee of SEK 20,000.

Remuneration structure in TeliaSonera

According to the remuneration policy established by the Board of Directors, TeliaSonera shall offer a competitive package of rewards and remuneration to executives, managers and employees without being market leaders in this area.

The salary consists of a base part and a variable part. The base salary follows the salary structure in each respective country while the objectives of the variable salary are established in a plan for each calendar year and are based on the Group's financial performance, the profit center's financial performance and individual performance objectives. The level of the variable salary varies depending on the employee's position in the company.

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

The Board of Directors determines the base salary and other remuneration for the CEO. The Remuneration Committee approves, after proposals from the CEO, base salaries and other remuneration to those persons who report directly to the CEO.

During 2006 the CEO had a base salary of SEK 6,814,500. The CEO's variable salary may be a maximum of 50 percent of the base salary. Remuneration to the CEO and Executive Management is further presented in note 31 to the consolidated financial statement.

Internal controls

The Board of Directors is according to the Swedish Companies Act and the Swedish Code of corporate governance responsible for the internal control. The description below is limited to internal control over financial reporting.

Internal control over financial reporting is an integral part of TeliaSonera's corporate governance. It includes methods and procedures to safeguard the Group's assets, to ensure and control the reliability and correctness of financial reporting in accordance with applicable legislation and guidelines, to improve operational efficiency, and to control the level of risk in the business operations.

According to the company policy adapted by the Board of Directors, the financial reporting of TeliaSonera shall be in line with high professional standards and be full, fair, accurate, punctual and understandable.

TeliaSonera has during 2006 actively strived to further improve the control environment and to ensure that the Group fulfils future demands on internal control over financial reporting, among others according to Section 404 of the U.S. Sarbanes-Oxley Act. TeliaSonera's policy for internal control over financial reporting is based on the international COSO internal control framework.

Control environment

During 2006, a new code of ethics for senior management directly involved in financial reporting was issued. The purpose of the code is to further promote honest and ethical conduct; full, fair, accurate, timely and understandable disclosure in periodic financial reports and other public communications; compliance with applicable governmental rules; the prompt internal reporting of violations of the code and accountability for adherence to the code.

The rapid changes in the market require a flexible planning system. Planning and follow-up are done in rolling seven-quarter plans. The CEO sets goals for the operations based on the guidelines of the Board of Directors. To ensure performance, managers have targets for their particular operations.

Each unit of operations has a controller responsible for ensuring that the monthly and quarterly financial reporting follows policies and that the reports are delivered on time, that sufficient internal controls exist and are performed, that required reconciliations are properly done and that larger business and financial risks are identified and reported.

TeliaSonera is currently implementing a common system in all large wholly owned units of operation for standardized control and reporting. During 2006, TeliaSonera also established a financial shared services unit that aims at taking care of the standardized financial accounting processes across all large wholly owned units.

Risk management

Risk management is an integral part of the Group's business control and monitoring. Risks that may pose a threat to achieving business objectives are identified and measures to control these risks are introduced. A process exists to regularly identify risks that could lead to material misstatements of financial information.

The Group's security unit works with preventive security measures and crisis management to protect the Group's assets, IT systems, personnel and for safeguarding telecom networks, services and customers against infringements and fraud. The Group's insurance coverage is managed by central guidelines.

Control activities

To mitigate risks, TeliaSonera performs control activities, both automated and manual, to ensure that necessary actions are taken to either prevent or detect material misstatements and to safeguard the assets of the company.

Processes have been described in a common and structured way, and key controls that are critical in mitigating the financial reporting risks have been identified and documented. During 2006, testing activities were performed to assure that these key controls are functioning as intended. Remediation activities have been taken to correct or improve controls where such activities were necessary. Testing activities are performed by the Group's internal audit function, on behalf of management. The scope and detail of the documentation and testing activities have been determined based on requirements according to, among others, Section 404 of the U.S. Sarbanes-Oxley Act.

Monitoring of control activities

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

The Board of Directors receives monthly financial reports from the CEO. The Board of Directors and its Audit Committee go through all external financial reports before they are made public. The Audit Committee receives direct reports from the external and internal auditors and discusses and follows up the viewpoints stated by the external and internal auditors. Both the external and internal auditors are represented at the meetings of the committee. At least once a year, the entire Board of Directors meets with the external auditors, in part without the presence of management.

The Board of Directors and its Audit Committee receive regularly risk reports compiled by management. Every year, the Audit Committee also meets and talks with responsible persons from TeliaSonera's risk management, business control, treasury control, legal department, tax department, and representatives for the control of the financial reporting from the largest business units. The purpose of these meetings is to increase the Board's understanding of all perspectives related to TeliaSonera's risk management and controls. The Audit Committee addresses, among other issues, impairment valuations, interpretations of accounting principles of special importance for the Group, legal matters that could have a significant impact on the financial statements and evaluation of the auditors' performance.

TeliaSonera also has an internal disclosure committee that reports to the CEO and CFO and that exercises additional control over TeliaSonera's responsibilities regarding external financial reporting. This committee includes responsible persons from corporate control, internal audit, legal department, corporate finance and treasury, risk management, tax department and investor relations.

During 2006, TeliaSonera implemented a structured monitoring process, systematic testing activities of key controls, and periodic monitoring on the performance of internal controls at both the business units and the Group level. At Group level, the meetings regarding monitoring of internal controls are chaired by the CFO and all finance officers responsible for large business units are participating as well as the responsible persons from corporate control, internal audit, legal department, IT department and risk management. The meetings are also attended by the external auditors. The CFO is regularly reporting to the Audit Committee on the monitoring of the internal controls. TeliaSonera is currently reviewing its monitoring and testing approach to adapt it to the Group's new business organization and to streamline the activities where appropriate.

Internal audit

The Group has an internal audit function that reviews various parts of the Group's operations and proposes measures to improve internal controls, to streamline processes and to increase efficiency. In addition to testing of key controls over financial reporting, the internal audit function has during 2006 ensured the quality in the Group's internal controls by reviewing selected parts of the control environment and recommending improvements. The head of corporate internal audit reports to the CEO, who decides in consultation with the Audit Committee on the function's tasks and priorities. The internal audit's tasks and priorities as well as findings are reported to and discussed on a regular basis at the Audit Committee meetings.

Board of Directors

Tom von Weymarn (Born 1944)
Chairman of the Board. Elected to the Board of Directors in 2002. Mr. von Weymarn participated in all 14 meetings of the Board in 2006. He is the Chairman of the Remuneration Committee of TeliaSonera and participated in all three meetings of the Committee in 2006. He is also a member of the Audit Committee of TeliaSonera and participated in all its seven meetings in 2006. In addition, Mr. von Weymarn is the Chairman of the Board of Directors of Lännen Tehtaat Plc and Turku Science Park AB, a board member of OKO Pankki Oyj, Kaukomarkkinat Oy, CPS Color Group Oy, Hydrios Biotechnology Oy, a member of the Supervisory Board of IndustriKapital and a shareholder and board member of Boardman Oy. Mr. von Weymarn served as President and CEO of Oy Rettig Ab between 1997 and 2004, and as Executive Vice President of Cultor Plc between 1991 and 1997. He was a Director of Oy Karl Fazer Ab between 1983 and 1991, the last two years as President and CEO. Mr. von Weymarn holds a Master of Science in Chemical Engineering. Shares in TeliaSonera: 15,316.

Caroline Sundewall (Born 1958)
Elected to the Board of Directors in 2001. Ms. Sundewall participated in all 14 meetings of the Board in 2006. She is the Chairman of the Audit Committee of TeliaSonera and participated in all seven meetings of the Committee in 2006. In addition, Ms. Sundewall is a board member of Swedbank AB, Electrolux AB, Haldex AB, Lifco AB, Pågengruppen AB and Aktiemarknadsbolagens Förening. Ms. Sundewall has previously served as business editor for Finanstidningen and business commentator and business editor for Sydsvenska Dagbladet. She has also held the position of business controller of Ratos AB. Ms. Sundewall holds a Bachelor of Science in Economics. Shares in TeliaSonera: 4,000*.

Timo Peltola (Born 1946)
Elected to the Board of Directors in 2004. Mr. Peltola participated in 13 of the Board's 14 meetings in 2006. He is a member of the Remuneration Committee of TeliaSonera and participated in all three meetings of the Committee in 2006. In addition, Mr. Peltola is the Chairman of the Boards of Directors of Neste Oil Oyj and AW-Energy Oy, Deputy Chairman of the Board of Directors of Nordea Bank AB, member of the Board of SAS AB, Chairman of the Management Council for Mutual Pension Fund Ilmarinen, and a member of the Management Council for Suomen Messut. He is also a member of the Advisory Board of CVC Capital Partners. Mr. Peltola served as President and CEO of Huhtamäki Oyj between 1989 and 2004. Mr. Peltola holds a Doctor degree in Economics hc. Shares in TeliaSonera: 3,000.

Lars G Nordström (Born 1943)
Elected to the Board of Directors in 2007. Mr. Nordström is a member of the Remuneration Committee of TeliaSonera. In addition, he is a board member of Nordea Bank AB, of which he was President and CEO between 2002 and 2007. He is the chairman of the Finnish-Swedish Chamber of Commerce, the European Financial Management & Marketing Association (EFMA), and the Royal Swedish Opera. He is also a member of the boards of the Swedish-American Chamber of Commerce and Viking Line Abp. Mr. Nordström studied law at Uppsala University. Shares in TeliaSonera: 0.

Maija-Liisa Friman (Born 1952)
Elected to the Board of Directors in 2007. In addition, Ms. Friman is the CEO of Aspocomp Group Oyj. She is also a member of the Boards of Directors of Metso Oyj and Sponda Oyj. Ms. Friman holds a Master of Science degree in Engineering. Shares in TeliaSonera: 5,597*.

Conny Karlsson (Born 1955)
Elected to the Board of Directors in 2007. Mr. Karlsson is a member of the Audit Committee of TeliaSonera. In addition, he is the Chairman of the Boards of Lindex AB, SEB Investment Management AB and Zodiak Television AB. He is also a member of the Board of Directors of Swedish Match AB. He has previously been CEO of Duni AB and has held several management positions in Procter & Gamble. Mr. Karlsson holds a Master of Business Administration. Shares in TeliaSonera: 0.

Jon Risfelt (Born 1961)
Elected to the Board of Directors in 2007. In addition, Mr. Risfelt is a Senior Advisor for the Gambro Group and holds board assignments at Enea Data AB, Bilia AB and Svensk Fastighetsförmedling AB. He has earlier served as CEO of Europolitan AB and Nyman & Schultz AB. He has held various managerial positions within the American Express Group, Scandinavian Airlines and Ericsson. Mr. Risfelt holds a Master of Science in Chemical Engineering. Shares in TeliaSonera: 1,000.

Berith Westman (Born 1945)
Employee representative, appointed by the trade union to the Board of Directors in 1993. Ms. Westman participated in 12 of the Board's 14 meetings in 2006. In addition, Ms. Westman is the Chairman of the Swedish Union of Clerical and Technical Employees in Industry, telecommunications section (SIF-TELE) and a board member of Telia Pension Fund. Shares in TeliaSonera: 1,000.

Elof Isaksson (Born 1942)
Employee representative, appointed by the trade union to the Board of Directors in 2000. Mr. Isaksson participated in all 14 meetings of the Board in 2006. In addition, Mr. Isaksson is the Chairman of the Union of Service and Communication Employees within TeliaSonera, SEKO TELE, and a board member of the Telia Pension Fund. Shares in TeliaSonera: 750*.

Yvonne Karlsson (Born 1959)
Employee representative, appointed by the trade union to the Board of Directors in 2002. Ms. Karlsson participated in all 14 meetings of the Board in 2006. In addition, Ms. Karlsson is the Vice Chairman of SIF-TELE. Shares in TeliaSonera: 175.

* Including shareholdings by spouse, minor and/or affiliated persons.

Auditors

PricewaterhouseCoopers AB

Göran Tidström (Born 1946)
Authorized Public Accountant. Auditor in Charge. Shares in TeliaSonera: 0.

Håkan Malmström (Born 1965)
Authorized Public Accountant. Shares in TeliaSonera: 0.

Executive Management









Anders Igel (Born 1951)
President and Chief Executive Officer of TeliaSonera since 2002. Mr. Igel is also a board member of Turkcell and a member of the boards of the Confederation of Swedish Enterprise and the World Childhood Foundation. He previously served as CEO of Esselte AB and, before that, as Executive Vice President of Telefonaktiebolaget LM Ericsson. While at Ericsson, Mr. Igel was, over the course of his career, the Head of Infocom Systems, which was one of Ericsson's three global business areas comprising fixed networks, Internet and IP communications, the Head of Ericsson's Public Networks business area, the Head of Ericsson UK and an operations executive for Ericsson in the Middle East, Southeast Asia and Latin America. Mr. Igel left Ericsson to become CEO of Esselte in 1999. Mr. Igel holds a Master of Science in Electrical Engineering and a Bachelor of Science in Business Administration and Economics. Shares in TeliaSonera: 33,696.

Kim Ignatius (Born 1956)
Executive Vice President and Chief Financial Officer of TeliaSonera. Mr. Ignatius was appointed Executive Vice President and CFO of Sonera in 2000. Prior to joining Sonera, Mr. Ignatius was CFO and a member of the executive board of Tamro Corporation. Mr. Ignatius has also held various management positions at Amer Group Plc. Mr. Ignatius holds a Bachelor of Science in Business Administration and Economics. Shares in TeliaSonera: 3,028.

Jan Henrik Ahrnell (Born 1959)
Group Vice President and General Counsel of TeliaSonera. Mr. Ahrnell has been employed by TeliaSonera since 1989 and has served as General Counsel since 1999. Prior to his service as General Counsel, Mr. Ahrnell was the head of various legal departments within the TeliaSonera Group and served as corporate counsel in various TeliaSonera companies. Mr. Ahrnell holds a Master of Law. Shares in TeliaSonera: 2,500.

Anders Bruse (Born 1954)
President of business area Broadband Services. Mr. Bruse has been employed by TeliaSonera since 1989 and has served in a number of senior positions. Prior to his time at TeliaSonera he was employed by, amongst others, Ericsson and Vattenfall AB. Mr. Bruse holds a Master of Science, Engineering Physics. Shares in TeliaSonera: 1,680.

Erdal Durukan (Born 1954)
President of business area Eurasia. Mr. Durukan was appointed President of TeliaSonera in Eurasia in 2002. Mr. Durukan is the Chairman of the Board of Directors of Fintur Holdings B.V. and also a member of the Board of Directors in Turkcell. Previously Mr. Durukan has served as the CEO of Fintur Holdings B.V. He has held different managerial positions in Azercell, Turkcell and Ericsson (Sweden). Mr. Durukan is also the Honorary Consul of the Kingdom of Sweden to the Republic of Azerbaijan since 1998. Mr Durukan holds a degree in Computer Sciences. Shares in TeliaSonera: 0.

Kenneth Karlberg (Born 1954)
President of business area Mobility Services. Mr. Karlberg has been employed by TeliaSonera since 1987. Mr. Karlberg previously held several executive positions in TeliaSonera, including Executive Vice President of Telia and head of the Telia Mobile business area. Mr. Karlberg has undergone the Senior Officer program at the Swedish Military Academy. Shares in TeliaSonera: 1,600*.

Ewa Lagerqvist (Born 1958)
Group Vice President and Head of Group Communications, from March 12, 2007. Prior to joining TeliaSonera, Ms. Lagerqvist was Group Vice President and Head of Corporate Communications at SJ AB, Head of Group Marketing at Fritidsresor Group/TUI Nordic, Director of Sales and Marketing at Grand Hotel Holdings and Marketing and Product Manager of Ving. Ms. Lagerqvist holds a Master of Journalism, a university degree in political science and a diploma in Strategic Marketing. Shares in TeliaSonera: 1,000.

Juho Lipsanen (Born 1961)
President of business area Integrated Enterprise Services. Mr. Lipsanen has been employed by TeliaSonera since 2005. Mr. Lipsanen was previously President and CEO of Alma Media Corporation. He has held several management positions at ABB Ltd Switzerland and ABB Finland, including President of ABB New Ventures Ltd and CFO of Automation Segment. Mr. Lipsanen holds a Master of Science in Business Administration and Economics. Shares in TeliaSonera: 8,000.

Rune Nyberg (Born 1949)
Group Vice President and Head of Group Human Resources. Mr. Nyberg has been employed by TeliaSonera since 2003. Prior to joining TeliaSonera, Mr. Nyberg was Group Vice President of Human Resources at Sandvik AB, President of Pair Ltd. and Personnel Manager at Sandvik Coromant, JS Saba and Distributions AB DAGAB. Mr. Nyberg holds a Bachelor of Science in Business Administration and Economics. Shares in TeliaSonera: 1,000.

* Including shareholdings by spouse, minor and/or affiliated persons.

The leading telecommunications company in the Nordic and Baltic region

Group	Country	Net sales (SEK in millions)	Percentage of Group Net Sales	Operating income[1] (SEK in millions)	Percentage of Group Operating Income[1]	Ownership[2] (percent)	Trademarks
Majority-owned companies	Sweden	37,003	40	11,242	42	100	Telia, Halebop
						100	Telia
						100	Telia
	Finland	16,744	18	1,781	7	100	Sonera
						100	Sonera
						100	Sonera
	Norway	9,432	10	2,425	9	100	NetCom, Chess
						100	NextGenTel
	Denmark	7,413	8	500	2	100	Telia
						100	Telia
						100	Telia
	Estonia	3,754	4	578	2	53.7	EMT, Diil
						53.7	Elion
						53.7	Elion
	Latvia	2,495	3	910	3	60.3	LMT
	Lithuania	4,391	5	1,086	4	100	Omnitel, Ezys
						60	TEO
						60	TEO
	Spain	5	0	–388	n/a	76.6	Yoigo
	Eurasia	4,803	5	3,848[4]	14[4]	51	K'Cell
		2,453	3			51.3	Azercell
		945	1			83.2	Geocell
		317	0			100	Moldcell
Associated companies	Latvia			209	1	49	Lattelecom
						49	Lattelecom
	Russia			2,773	10	43.8	MegaFon
	Turkey			2,009	8	37.3	Turkcell
	Ukraine[5]						Life

1 Operating income excluding non-recurring items.
2 For Kazakhstan, Azerbaijan, Georgia and Moldova, the number indicates Fintur Holding B.V.'s ownership in the four companies. TeliaSonera holds directly and indirectly 74.0 percent in Fintur Holdings. For other companies, the number indicates TeliaSonera's share of net income of the company, including both direct and indirect ownership.
3 TeliaSonera estimates based on the share on the number of subscriptions, except for Sweden where the estimate is based on the share of net sales.
4 Total for Kazakhstan, Azerbaijan, Georgia and Moldova.
5 Turkcell's GSM subsidiary in Ukraine, in which Turkcell holds a 54 percent indirect stake.

TeliaSonera is the leading telecommunications company in the Nordic and Baltic region, with strong positions within mobile communications in the fast growing markets in Eurasia, including Turkey and Russia. In 2006, the Group strengthened its positions in several key markets and improved profitability further. At the end of 2006, TeliaSonera launched mobile services in Spain. TeliaSonera provides a wide range of reliable, innovative and easy-to-use services for transferring and packaging voice, images, data, information, transactions and entertainment. The majority of TeliaSonera's operations in the home markets are wholly owned. Outside the Nordic and Baltic region, TeliaSonera offers mobile services in Spain, Kazakhstan, Azerbaijan, Georgia and Moldova and, through associated companies, in Russia and Turkey. TeliaSonera had at the end of 2006 a subscription base of more than 30 million subscriptions in the majority-owned operations and nearly 66 million in the associated companies.

The TeliaSonera share is listed on the Stockholm Stock Exchange and the Helsinki Stock Exchange.

Services	Number of Subscriptions (thousands)	Market share[3] (percent)	Main Competitors
Mobile	4,603	46	Tele2, Telenor, "3"
Fixed Voice	4,586	55	Tele2, Telenor, Ventelo
Datacom and Broadband	1,547	40	Telenor, Com Hem
Mobile	2,407	42	Elisa, DNA
Fixed Voice	580	31	Elisa, Finnet
Datacom and Broadband	453	31	Elisa, Finnet, HTV
Mobile	1,641	32	Telenor, Tele2
Broadband	172	14	Telenor, UPC, Tele2
Mobile	1,123	20	TDC, Telenor
Fixed Voice	165	5	TDC, Tele2
Cable TV, Datacom and Broadband	162	11	TDC, Telenor
Mobile	759	47	Tele2, Elisa
Fixed Voice	381	84	Elisa, Starman, STV
Datacom and Broadband	148	56	Starman, STV, Norby
Mobile	803	43	Tele2, Bite Latvia, ZetCom
Mobile	2,074	48	Bite GSM, Tele2
Fixed Voice	785	99	–
Datacom and Broadband	192	49	Balticum TV, LRTC, Bite Lietuva
Mobile	24	0	Telefónica, Vodafone, Orange
Mobile	3,539	56	Vimpelcom
Mobile	2,333	76	Bakcell
Mobile	1,032	50	Magticom
Mobile	448	45	Voxtel
Fixed Voice	619	97	–
Datacom and Broadband	101	32	Baltkom TV, IZZI
Mobile	29,749	19	MTS, Vimpelcom
Mobile	31,800	60	Vodafone, Avea
Mobile	4,620	11	Kyivstar, UMC

Report of the Directors

Highlights of the Year

TeliaSonera reported record sales and earnings in 2006, increasing net sales by 3.9 percent to SEK 91.1 billion and net income by 41 percent to SEK 19.3 billion. The number of subscriptions increased by 5 percent to 30 million in the majority-owned operations. In TeliaSonera's associated companies, the number of subscriptions increased by 28 percent to 66 million.

Operating income, excluding non-recurring items, increased by 33 percent to SEK 26.8 billion through improvement in all operations. International Mobile operations represented more than 30 percent of operating income. EBITDA margin, excluding non-recurring items, rose to 35.4 percent (33.6 percent in 2005). The improvement was especially due to higher margins in Sweden, Finland and Denmark.

Earnings per share increased by 48 percent to SEK 3.78.

The Board of Directors proposes a total dividend of SEK 6.30 per share, including ordinary and extraordinary dividends, equaling a total of SEK 28.3 billion, the highest ever annual distribution paid by TeliaSonera to its shareholders.

During 2006, TeliaSonera expanded into the Norwegian broadband market by acquiring NextGenTel, and entered the Spanish mobile market by acquiring majority in Xfera and launching 3G operations. After year-end, TeliaSonera strengthened its position in the managed services market by acquiring Cygate, and strengthened its mobile market position in Denmark by signing an agreement to acquire the service provider debitel Danmark.

On January 1, 2007, TeliaSonera changed its organization. This Report of the Directors presents TeliaSonera's segment results for the country-based organization that was in place up to the end of 2006.

Financial Results

SEK in millions, except earnings per share and margins	**2006**	**2005**
Net sales	91,060	87,661
Operating expenses (except depreciation, amortization and impairment losses)	–59,947	–60,153
Depreciation, amortization and impairment losses	–11,203	–13,188
Income from associated companies and joint ventures	5,579	3,229
Operating income	25,489	17,549
Financial revenues and expenses, net	–263	–530
Income after financial items	25,226	17,019
Income taxes	–5,943	–3,325
Net income	19,283	13,694
Attributable to:		
Shareholders of the parent company	16,987	11,697
Minority interests in subsidiaries	2,296	1,997
Earnings per share (SEK)	3.78	2.56
EBITDA excluding non-recurring items [1) 2)]	32,266	29,411
Margin (%)	35.4	33.6
Operating income excluding non-recurring items [2)]	26,751	20,107
Margin (%)	29.4	22.9

1) EBITDA is an abbreviation for Earnings Before Interest, Tax, Depreciation and Amortization. TeliaSonera defines EBITDA as Operating income before Depreciation, amortization and impairment losses, and before Income from associated companies and joint ventures.
2) For details of non-recurring items, see "Non-recurring items" below.

Net sales

Net sales increased 3.9 percent to a record high SEK 91,060 million. Acquisitions and divestitures affected positively by 1.7 percent. The net effect from exchange rate fluctuations was zero percent in 2006. Organic growth was 2.2 percent and increased from the 1.1 percent in 2005 (–0.1 percent excluding exchange rate fluctuations). The increase in organic growth rate was mainly due to significantly smaller sales decline in Finland in 2006.

In mobile communications, net sales increased in Eurasia (34 percent), Norway (19 percent), the Baltics (9 percent) and Denmark (5 percent). Growth in Norway was positively affected by the acquisition of service provider Chess in late 2005. In Finland, net sales decreased 6 percent, mainly due to the service provider Saunalahti's withdrawal from Sonera's network in late 2005. In Sweden, volumes grew strongly, but net sales decreased 1 percent due to lower prices.

In fixed communications, demand for broadband services remained strong in all TeliaSonera's markets. The acquisitions of NextGenTel in Norway and MicroLink in Estonia affected sales positively. Still, net sales from fixed communications as a total decreased slightly, mainly due to the migration to mobile and IP based services, which especially affected sales in Sweden.

The number of subscriptions increased almost 20 percent, bringing the total number of subscriptions at the end of the year to 30.2 million in TeliaSonera's majority-owned operations and 65.9 million in the associated companies.

Profitability

EBITDA, excluding non-recurring items, increased to SEK 32,266 million (SEK 29,411 million in 2005) as net sales rose and the margin improved to 35.4 percent (33.6). The margin improvement was especially due to higher margins in Sweden, Finland and Denmark.

Operating income, excluding non-recurring items, increased 33 percent to SEK 26,751 million (20,107) due to improvements in all profit centers, except in Spain, where TeliaSonera launched its commercial mobile offerings in December 2006.

In the majority-owned operations, operating income increased 25 percent to SEK 21,076 million (16,858), with the strongest improvement in Finland, followed by Eurasia, Denmark and Norway. The increase includes SEK 900 million from adjusted depreciation schedules, mainly in Sweden and Finland.

A SEK 389 million release of a reserve related to historical interconnect fees in Sweden affected operating income positively in 2006. The release follows a ruling by the Swedish Administrative Court of Appeal on February 8, 2007 in favor of a reduction of the historical interconnect fees that Tele2 had demanded from TeliaSonera.

Income from associated companies and joint ventures increased 73 percent to SEK 5,579 million (3,229). Income from MegaFon increased to SEK 2,780 million (1,176). The improvement includes SEK 340 million in gains from exchange rates and divestments, and negative revaluations of loans in 2005. Turkcell continued its positive operational trend and, despite a depreciation of the Turkish lira against the Swedish krona, TeliaSonera's income from Turkcell rose to SEK 2,020 million (1,761). Additionally, the divestment of the mobile operator MTN Uganda had a positive effect of SEK 562 million.

Non-recurring items affecting operating income totaled SEK –1,262 million (–2,558), and were related mainly to restructuring in Sweden and Finland. Non-recurring items in 2006 were positively impacted by a SEK 500 million reversal of a provision related to the settlement of a dispute regarding a potential co-location site in London (West Ferry Road).

Financial items totaled SEK –263 million (–530) and were positively impacted by a non-recurring capital gain of SEK 183 million (nil) from the sale of shares in Elisa Corporation.

Income taxes increased to SEK –5,943 million (–3,325). The effective tax rate increased to 23.6 percent (19.5). The increase is mainly due to the expiration of the tax holiday in Kazakhstan.

Net income attributable to shareholders of the parent company increased 45 percent to SEK 16,987 million and earnings per share increased 48 percent to SEK 3.78 (2.56).

Return on capital employed rose to 19.5 percent (12.6) and return on equity to 17.2 percent (10.3), due to record results and also due to lower amount of equity.

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

Non-recurring items

The following table presents non-recurring items for 2006 and 2005:

SEK in millions	2006	2005
Within EBITDA	**–1,153**	**–1,903**
Restructuring charges, synergy implementation costs, etc.:		
Sweden	–1,255	–2,095
Finland	–288	–111
Denmark	–77	62
International Carrier	77	216
Other, including SEK 500 million release of provision in 2006	383	–36
Capital gains:		
Telia Finans	7	61
Within Depreciation, amortization and impairment losses	**–13**	**–636**
Impairment losses, accelerated depreciation:		
Sweden	–	–405
Norway	–	–121
Denmark	–	40
International Carrier	–13	–150
Within Income from associated companies and joint ventures	**–96**	**–19**
Impairment losses, capital gains/losses, provisions and other:		
Finland	–96	–
Infonet Services	–	–19
Within Financial net	**183**	**–**
Capital gains:		
Sale of Elisa shares	183	–
Total	**–1,079**	**–2,558**

The ongoing restructuring and streamlining programs have led to significant implementation costs and provisions in 2005 and 2006, mainly related to Sweden and Finland. In 2005, SEK 2.5 billion of restructuring costs were recorded in Sweden, of which SEK 1.8 billion related to redundancies and SEK 0.7 billion related to impairment charges on the network and costs for surplus office space. In 2006, restructuring costs in Sweden decreased to SEK 1.3 billion, of which SEK 1.1 billion related to redundancies and SEK 0.2 billion related to costs for surplus office space. In Finland, the restructuring costs were SEK 0.1 billion in 2005 and increased to SEK 0.3 billion in 2006 due to the implementation of the turnaround plan.

In 2005 and 2006, parts of restructuring provision related to the international carrier operations were reversed due to better than expected success in restructuring activities. In 2006, SEK 500 million was reversed after a settlement of a dispute regarding a real estate in London (West Ferry Road).

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

Review of the Profit Centers

Profitability maintained in Sweden

The migration to IP-based services accelerated and usage of mobile services based on 3G and WLAN increased. By concentrating new offerings to mobile and IP based services, TeliaSonera maintained its market position despite increased competition and changing market conditions. The mobile market was characterized by strong price pressure and a focus on flat rate offerings. Broadband prices remained fairly stable as competitors focused on offering more bandwidth at the same prices.

SEK in millions, except margins, ARPU and number of subscriptions	2006	2005
Net sales	37,003	38,710
EBITDA excl. non-recurring items	14,829	15,183
Margin (%)	40.1	39.2
Operating income	9,987	8,302
Operating income excl. non-recurring items	11,242	10,803
Mobile communications		
Net sales	11,974	12,104
EBITDA excl. non-recurring items	5,033	5,081
Margin (%)	42.0	42.0
CAPEX	800	787
ARPU (SEK)	204	213
Number of subscriptions, end of period (thousands)	4,603	4,387
Fixed communications		
Net sales	25,029	26,606
EBITDA excl. non-recurring items	9,796	10,102
Margin (%)	39.1	38.0
CAPEX	2,765	3,260
Number of subscriptions, end of period (thousands):		
Retail excl. broadband	5,211	5,758
Broadband	922	717
Wholesale PSTN subscriptions	1,002	858
Wholesale copper access, LLUB	520	374

Mobile communications

Strong volume growth – both in outgoing traffic, which rose 20 percent, and the use of mobile data services – nearly offset price erosion of slightly more than 20 percent. Net sales decreased 1 percent.

The number of mobile subscriptions rose by 216,000 to 4,603,000. Postpaid churn remained unchanged at 11 percent.

Volume growth and positive restructuring effects had a positive effect on EBITDA and almost compensated for lower price levels, increased sales costs and increased costs for the purchase of capacity from the joint venture Svenska UMTS-nät AB. The release of a reserve related to historical interconnect fees affected EBITDA positively by SEK 79 million. The EBITDA margin remained unchanged.

CAPEX-to-sales ratio remained unchanged and during the year TeliaSonera continued investments in EDGE and the roll-out of the GSM network, thereby extending its geographic reach to 90 percent. Svenska UMTS-nät has invested SEK 4.1 billion in the 3G infrastructure in Sweden so far and has fulfilled the license conditions set by the regulator PTS.

Fixed communications

Despite strong growth within broadband, net sales decreased 6 percent. The number of broadband subscriptions increased by 29 percent to 922,000, which compensated for the decline in all other areas except fixed voice. Fixed voice sales decreased due to the decline in fixed voice traffic, a lower number of subscriptions and price pressure.

Positive effects from the ongoing restructuring program and a SEK 310 million release of a reserve related to historical interconnect fees more than compensated for the decrease in fixed voice sales and the EBITDA margin increased.

Despite increased investments in broadband, CAPEX decreased year on year mainly due to lower investments in the circuit-switched telephony network and in the transport network.

Restructuring program

The restructuring program started in the beginning of 2005 was expected to reduce annual gross costs by SEK 4–5 billion as of 2008, compared to the cost level of 2004. During 2006, the savings effect was SEK 2.3 billion (SEK 800 million in 2005), and the restructuring measures already implemented by to date are estimated to give an annual gross savings effect of SEK 2.8 billion in 2007. Additional measures will be implemented in 2007.

The program was also expected to reduce the amount of personnel by approximately 3,000 through early retirement and other measures. By the end of 2006, a total of 1,209 employees had accepted the offer for early retirement and 468 employees had been transferred to the re-deployment unit. Of these, a total of 1,512 had left the company by the end of 2006. In addition, hired personnel have decreased by approximately 670.

The restructuring costs for the program during 2005–2007 were expected to be SEK 5 billion. The cumulative costs, reported as non-recurring items, totaled SEK 3.8 billion (2.5) at year-end 2006, of which redundancy costs were SEK 2.9 billion (1.8) and other costs were SEK 0.9 billion (0.7), consisting of impairment charges for network and costs for surplus office space.

The targets for the program and the remaining activities have been allocated to TeliaSonera's new business areas effective January 1, 2007.

Turnaround measures strongly improved profitability in Finland

TeliaSonera's shift in focus to customer loyalty, quality and services led to a stabilization of the entire Finnish telecommunications market. Improved profitability at all major operators was the clearest evidence of an ongoing market recovery. Prices stabilized and in some cases average prices and ARPUs started to rise. In the mobile market, the amount of ported numbers fell more than 60 percent, improving churn levels at all mobile operators. In April, sales of bundled 3G packages started and significantly increased the demand for 3G mobile phones. Within broadband, double-digit market growth continued, although at a more moderate pace than in 2005.

TeliaSonera's turnaround strategy resulted in rising net sales and strongly improved profitability in the second half of the year. As anticipated, TeliaSonera's mobile market share in terms of subscriptions decreased slightly.

SEK in millions, except margins, ARPU and number of subscriptions	**2006**	**2005**
Net sales	16,744	17,002
EBITDA excl. non-recurring items	4,326	3,641
Margin (%)	25.8	21.4
Operating income	1,397	337
Operating income excl. non-recurring items	1,781	448
Mobile communications		
Net sales	9,427	9,993
EBITDA excl. non-recurring items	2,286	1,985
Margin (%)	24.2	19.9
CAPEX	392	763
ARPU (EUR)	28.7	30.1
Number of subscriptions, end of period (thousands)	2,407	2,507
Fixed communications		
Net sales	7,317	7,009
EBITDA excl. non-recurring items	2,040	1,656
Margin (%)	27.9	23.6
CAPEX	1,015	1,157
Number of subscriptions, end of period (thousands)	1,033	1,073

Mobile communications

Total net sales decreased 6 percent. Excluding effects from Saunalahti's withdrawal from TeliaSonera's network (SEK –470 million), sales decreased 1 percent. Increased sales of new handsets and higher average prices and ARPU over the year partly offset the effect of inherited price erosion (SEK –200 million).

The number of subscriptions decreased by 100,000 to 2,407,000, mainly because of the cancellation of new sales of Tele Finland's low price subscriptions. Including subscriptions through service providers, the total number of subscriptions was 2,420,000. Postpaid churn declined to 18 percent (26 percent in 2005).

EBITDA and EBITDA margin rose, as turnaround measures helped compensate for Saunalahti's withdrawal. In 2005, among other things, a settlement on historical mobile interconnect fees, together with the takeover of the service provider ACN's customers, burdened earnings by SEK 460 million.

CAPEX was almost halved due to increased purchasing efficiency and a lower need for additional network capacity following Saunalahti's withdrawal.

Fixed communications

Net sales increased 4 percent due to strong growth in equipment sales. Around half of the growth was due to the consolidation of Data-Info, an ICT solutions provider for enterprises. Sales of broadband and managed IT services also rose, while sales of traditional data services and fixed voice decreased.

The number of broadband subscriptions increased by nearly 20 percent to 412,000.

EBITDA rose 23 percent and EBITDA margin improved strongly due to the successful execution of profitability enhancing measures, which have in particular reduced subcontracting and personnel expenses.

CAPEX declined 12 percent as broadband growth continued at a high but more moderate pace than in 2005. Investment focus was on building IP networks and extending coverage of fiber access networks. TeliaSonera has the most extensive fiber access network in Finland.

Cost efficiency programs

A savings program of SEK 1 billion was initiated and completed in 2005, with full effects in 2006 already. Additionally, a turnaround program was initiated at the end of 2005 to secure future growth and restore profitability. The program included cost savings measures targeted at lowering annual gross cost level by SEK 2 billion as of 2008, compared to the cost level of 2005. During 2006, the savings effect from the turnaround program was SEK 0.7 billion (none in 2005), and the restructuring measures already implemented by to date are estimated to give an annual gross savings effect of approximately SEK 1 billion in 2007. Additional measures will be implemented in 2007. The targets for the program and the remaining activities have been allocated to TeliaSonera's new business areas effective January 1, 2007.

Record year in Norway

Competition in the Norwegian mobile and broadband market remained intense. Mobile activities were focused on price segmentation and cost reduction. Within mobile, TeliaSonera increased its market share in terms of revenue. Broadband prices remained fairly stable as competitors focused on offering more bandwidth at the same prices. NextGenTel maintained its position as the second largest broadband provider in Norway.

SEK in millions, except margins, ARPU and number of subscriptions	**2006**	**2005**
Net sales	9,432	7,481
EBITDA excl. non-recurring items	3,427	2,614
Margin (%)	36.3	34.9
Operating income	2,425	1,682
Operating income excl. non-recurring items	2,425	1,803
Mobile communications		
Net sales	8,926	7,481
EBITDA excl. non-recurring items	3,328	2,614
Margin (%)	37.3	34.9
CAPEX	645	876
ARPU (NOK) *	368	338
Number of subscriptions, end of period (thousands)	1,641	1,651
Fixed communications		
Net sales	506	–
EBITDA excl. non-recurring items	99	–
Margin (%)	19.6	–
CAPEX	84	–
Number of subscriptions, end of period (thousands)	172	–

* Refers to NetCom

Mobile communications

Net sales rose 19 percent to SEK 8,926 million (SEK 7,481 million in 2005) due to the acquisition of Chess (consolidated as of November 7, 2005), and higher sales at NetCom. A changed customer mix, with a higher proportion of postpaid subscriptions, and increased traffic contributed to the positive sales development at NetCom. Lower interconnect fees implemented as of July 1, 2006 impacted sales negatively.

NetCom's customer mix improved and the total number of postpaid subscriptions in Norway increased by 83,000, while the number of prepaid subscriptions decreased by 93,000. As a result, ARPU increased significantly. Chess' main focus during the year was to move its customers over to the NetCom network. Postpaid churn declined to 15 percent (18).

EBITDA increased to SEK 3,328 million (2,614) due to higher sales and synergy gains from the consolidation of Chess. Lower interconnect fees impacted EBITDA negatively by approximately SEK 55 million.

CAPEX decreased mainly due to large investments in UMTS and EDGE in 2005.

Fixed communications

Net sales were SEK 506 million and the EBITDA margin was 20 percent as a result of the acquisition of NextGenTel (consolidated as of June 1, 2006). At year-end, NextGenTel had 172,000 subscriptions, of which 29,000 were VoIP subscriptions.

Strong earnings improvement in Denmark, driven by mobile communications

Prices in the Danish mobile market were stable and focus remained on customer retention and customer loyalty. Mobile marketing activities were focused on data services and content offerings, such as mobile music shops. On the broadband market, prices stabilized gradually over the year and the focus was on delivering more bandwidth at the same prices. TeliaSonera maintained its position in the market.

SEK in millions, except margins, ARPU and number of subscriptions	2006	2005
Net sales	7,413	7,178
EBITDA excl. non-recurring items	1,422	817
Margin (%)	19.2	11.4
Operating income	423	–174
Operating income excl. non-recurring items	500	–277
Mobile communications		
Net sales	5,199	4,965
EBITDA excl. non-recurring items	982	391
Margin (%)	18.9	7.9
CAPEX	353	682
ARPU (DKK)	252	247
Number of subscriptions, end of period (thousands)	1,123	1,154
Fixed communications		
Net sales	2,214	2,213
EBITDA excl. non-recurring items	440	426
Margin (%)	19.9	19.2
CAPEX	177	151
Number of subscriptions, end of period (thousands)	537	550

Mobile communications

Net sales increased 5 percent to SEK 5,199 million (SEK 4,965 million in 2005) due to higher ARPU and handset sales. Lower interconnect fees impacted net sales negatively.

The number of subscriptions decreased by 31,000 to 1,123,000, mostly due to a decline in the number of prepaid subscriptions as TeliaSonera continued focusing on high-value customers. Postpaid churn remained unchanged at 33 percent.

EBITDA improved significantly to SEK 982 million (391) due to increased net sales, synergy gains from the consolidation of Orange and other efficiency gains. Lower interconnect fees affected EBITDA negatively by approximately SEK 40 million. In 2005, EBITDA was burdened by costs for the re-branding of Orange.

CAPEX declined. In 2005, CAPEX had been driven higher by investments to increase network capacity.

Fixed communications

Net sales remained unchanged. Increased sales within broadband and cable TV offset a continued decline in sales of traditional fixed telephony.

EBITDA and EBITDA margin increased slightly due to efficiency gains, mainly in the form of reduced administration costs.

CAPEX increased mainly due to the upgrade of the cable-TV and broadband networks.

Good development in the Baltics

Competition remained fierce in the mobile and broadband markets, with new entrants increasing the pressure on prices. Mobile operators focused on upgrading their 3G networks with HSDPA. Growth within broadband continued, creating a growing demand for VoIP services, IP TV and triple play services. TeliaSonera was very active within all growth areas and maintained its market positions.

SEK in millions, except margins and number of subscriptions	2006	2005
Net sales	9,950	9,293
EBITDA excl. non-recurring items	4,403	4,255
Margin (%)	44.3	45.8
Income from associated companies	208	220
Operating income	2,781	2,303
Operating income excl. non-recurring items	2,781	2,303
Mobile communications		
Net sales	6,978	6,380
of which Lithuania	2,412	2,302
of which Latvia	2,495	2,252
of which Estonia	2,071	1,826
EBITDA excl. non-recurring items	2,953	2,799
Margin (%), Lithuania	40.3	40.1
Margin (%), Latvia	47.5	49.4
Margin (%), Estonia	38.4	41.8
CAPEX	753	667
Number of subscriptions, end of period (thousands)	3,636	3,301
Fixed communications		
Net sales	3,661	3,500
of which Lithuania	1,978	1,970
of which Estonia	1,683	1,530
EBITDA excl. non-recurring items	1,468	1,473
Margin (%), Lithuania	47.3	48.3
Margin (%), Estonia	31.7	34.1
CAPEX	650	418
Number of subscriptions, end of period (thousands)		
in subsidiaries	1,506	1,433
in associated companies	720	692

Mobile communications

Net sales increased 9 percent to SEK 6,978 million (SEK 6,380 million in 2005) due to a higher number of subscriptions in all three markets and increased traffic per user in Latvia and Estonia. In Lithuania traffic per user decreased slightly due to the high intake of new prepaid subscriptions.

The number of subscriptions rose in all markets by a total of 335,000 to 3,636,000. Average Baltic postpaid churn increased to 14 percent (13).

EBITDA improved in all Baltic markets driven by higher net sales. The EBITDA margin was maintained in Lithuania, but increased price pressure, together with higher costs for sales and marketing, weakened the EBITDA margin in Estonia and Latvia.

CAPEX increased in Lithuania and Estonia, mainly due to investments in EDGE and UMTS/HSDPA. In Latvia, CAPEX decreased, mainly due to reduced investments in 2G capacity and IT.

Fixed communications

Net sales increased 5 percent to SEK 3,661 million (3,500), partly due to the acquisition of MicroLink in Estonia. Higher broadband net sales contributed to the rise and more than compensated for lower fixed voice sales.

In Estonia and Lithuania, the number of broadband subscriptions rose more than 50 percent to 322,000. The number of fixed voice subscriptions decreased 2 percent to 1,166,000.

The weakened EBITDA margin in Estonia is mainly due to the expansion into the managed services market. Increased sales of low margin products, including computers, to support the underlying business also weighed on the margin. In Lithuania, the slightly lower margin is explained by increased costs for sales and marketing and costs related to re-branding.

CAPEX increased due to the expansion of broadband in all markets and the build-out of digital terrestrial television in Lithuania.

TeliaSonera's income from the associated company Lattelecom, in Latvia, was SEK 208 million (220).

Successful launch in Spain – customer intake exceeding expectations

After a record short period of time following TeliaSonera's acquisition of Xfera in June 2006, Xfera launched its Spanish operation under the brand Yoigo on December 1, 2006.

SEK in millions, except number of subscriptions	2006	2005
Mobile communications		
Net sales	5	–
EBITDA excl. non-recurring items	–337	–
CAPEX	181	–
Number of subscriptions, end of period (thousands)	24	–

The Yoigo offering, based on easy to use services with transparent and attractive pricing, has been very well received in Spain. At the end of the year, the number of subscriptions had reached 24,000, out of a total of 34,000 orders received after only one month of operation.

EBITDA was SEK -337 million. Costs were mainly incurred in the fourth quarter of the year and mainly related to the market launch, network and new customer intake.

The Xfera operation is based on a flexible and cost efficient organization. Major functions such as network roll-out and maintenance, customer care, sales and logistics are outsourced.

Record year in International Mobile with continued strong growth and profitability

SEK in millions, except margins and number of subscriptions	2006	2005
Net sales	8,508	6,367
of which Kazakhstan	4,803	3,509
of which Azerbaijan	2,453	1,902
of which Georgia	945	719
of which Moldova	317	243
EBITDA excl. non-recurring items	4,787	3,519
Margin (%), total	56.3	55.3
Margin (%), Kazakhstan	57.8	55.8
Margin (%), Azerbaijan	61.4	63.2
Margin (%), Georgia	47.9	46.6
Margin (%), Moldova	44.2	52.3
Income from associated companies	4,800	2,937
of which Russia	2,780	1,176
of which Turkey	2,020	1,761
Operating income	8,557	5,692
Operating income excl. non-recurring items	8,557	5,692
CAPEX	2,699	2,449
Number of subscriptions, end of period (thousands)		
Eurasia	7,352	6,146
Russia	29,749	22,836
Turkey	30,800	26,700
Ukraine	4,620	1,205

Eurasia

Net sales increased 34 percent due to strong subscription growth and higher ARPU.

The number of subscriptions rose by 20 percent to 7.4 million. In Kazakhstan, the subscription growth was slowed by the requirement to register prepaid subscriptions. The registration by the customers was completed at the end of the third quarter and a total of 725,000 prepaid subscriptions were deactivated.

EBITDA rose 34 percent, mainly due to higher net sales and the EBITDA margin increased.

CAPEX remained high in order to maintain high network and service quality as well as coverage leadership in the region. TeliaSonera's first 3G roll-out in the region is ongoing in Georgia. The commercial launch took place in December.

All four Fintur companies are dividend payers and during 2006 the companies paid a total of approximately SEK 1,400 million in dividends, of which approximately SEK 660 million to minority shareholders. In addition, SEK 350 million in extraordinary dividends were declared in December 2006 and paid in January 2007, of which approximately SEK 172 million to minority shareholders.

Russia

The Russian mobile market continued to show strong volume and revenue growth. The total market grew by 26 million to 152 million subscriptions. Mobile SIM card penetration rose from 87 to 105 percent. After several years of decline, prices leveled out during the year and ARPU improved. MegaFon strengthened its market position in terms of revenue among the three main operators, from 26 to 29 percent. In Moscow, MegaFon improved its market share of subscriptions from 14 to 19 percent. The Calling Party Pays (CPP) regulatory regime was introduced in July. The 3G license procedure was announced in December.

MegaFon (associated company, 43.8 percent holding) reported strong sales and earnings growth and TeliaSonera's income from Russia rose 136 percent to SEK 2,780 million (SEK 1,176 million in 2005). SEK 340 million of the improvement is due to gains from exchange rates and divestments, and a negative revaluation of loans in 2005.

The number of subscriptions increased by 6.9 million to 29.7 million subscriptions. Growth was strongest in Moscow, where the number of subscriptions increased by 56 percent to 5.0 million.

MegaFon has so far paid no dividend to its shareholders. The cash generated from operations was invested to expand the business.

Turkey

The Turkish mobile market continued to expand and the number of subscriptions grew by 9 million to over 51 million. Mobile SIM card penetration rose from 57 to 69 percent.

In Turkey, Turkcell's (associated company, 37.3 percent holding, reported with a one-quarter lag) subscriptions increased by 4.1 million to 30.8 million. In Ukraine, the number of subscriptions increased by 3.4 million to 4.6 million.

Despite a depreciation of the Turkish lira against the Swedish krona, TeliaSonera's income from Turkcell rose to SEK 2,020 million (1,761) due to a higher number of subscriptions and increased usage.

During 2006, TeliaSonera received SEK 1,501 million (175) in dividends from Turkcell and Turkcell Holding (which owns 51 percent of Turkcell and is jointly owned by TeliaSonera and Cukurova Holding).

Other operations *

SEK in millions,	2006	2005
Net sales	4,826	4,575
EBITDA excl. non-recurring items	7	151
Income from associated companies	694	84
Operating income	1,046	171
Operating income excl. non-recurring items	498	73
CAPEX	394	247

* Includes TeliaSonera Holding and TeliaSonera International Carrier

Net sales increased mainly due to increased voice sales in the international carrier operations.

Income from associated companies in 2006 was affected by a SEK 562 million gain from the sale of MTN Uganda that was made by TeliaSonera's associated company Overseas Telecom.

Non-recurring items were positively impacted by a SEK 500 million reversal of a provision related to the settlement of a dispute regarding a potential co-location site in London (West Ferry Road). A further positive impact of SEK 101 million was recorded from the reversal of provisions related to integration and restructuring in the carrier operations.

CAPEX increased due to expansion of the international carrier operations into new regions and markets.

Financial Position, Liquidity and Capital Resources

Balance Sheet

SEK in millions	2006	2005
Assets		
Goodwill and other intangible assets	74,172	74,367
Property, plant and equipment	48,195	48,201
Investments in associated companies and joint ventures, deferred tax assets and other financial assets	41,826	40,526
Total non-current assets	*164,193*	*163,094*
Current assets (except cash and cash equivalents)	23,586	23,661
Cash and cash equivalents	11,603	16,834
Total current assets	*35,189*	*40,495*
Non-current assets held-for-sale	*10*	*186*
Total assets	**199,392**	**203,775**
Equity and liabilities		
Shareholders' equity	119,217	127,049
Minority interests	8,500	8,645
Total equity	*127,717*	*135,694*
Long-term borrowings	24,311	20,520
Other long-term liabilities	17,017	17,291
Total non-current liabilities	*41,328*	*37,811*
Short-term borrowings	3,418	6,215
Other current liabilities	26,929	24,055
Total current liabilities	*30,347*	*30,270*
Total equity and liabilities	**199,392**	**203,775**

Goodwill and other intangible assets increased in 2006 due to the acquisitions of Xfera and NextGenTel, but the growth was more than offset by negative exchange rate differences and by amortization.

Property, plant and equipment increased through capital expenditures (CAPEX) and the acquisitions, however offset by depreciation and negative exchange rate differences.

CAPEX decreased to SEK 11.1 billion in 2006 (SEK 11.6 billion in 2005) and the CAPEX-to-sales ratio decreased to 12.2 percent (13.2). CAPEX decreased in all the Nordic markets, especially within fixed communications in Sweden and mobile communications in Finland. In the Baltics and Eurasia CAPEX increased and, due to the commercial launch of Yoigo in December, investments were made for the build-out of a network in Spain.

The carrying value of associated companies and joint ventures increased due to income from these companies, but was almost fully offset by negative exchange rate differences and by dividends received especially from Turkcell.

Net deferred tax asset decreased to SEK 1.9 billion (2.7). The amount was increased by the acquisition of Xfera, however more than offset by the utilization of assets and negative exchange rate differences.

Net working capital (inventories and non-interest-bearing receivables, less non-interest-bearing liabilities) remained stable at SEK –4.5 billion. Increases due to sales growth and timing effects were offset by negative exchange rate differences and negative working capital through acquisitions.

Total equity decreased by SEK 8.0 billion mainly due to the negative exchange rate differences totaling SEK 9.6 billion (positive SEK 9.5 billion in 2005). Net income was higher than the dividends paid during the year. See the Consolidated Statement of Changes in Equity for further details.

The equity/assets ratio, adjusted for proposed dividends, decreased to 49.9 percent (58.9).

Net debt increased to SEK 15.0 billion (8.4) primarily due to acquisitions. The net debt/equity ratio, adjusted for proposed dividends, increased to 15.0 percent (7.0).

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

Cash Flows

SEK in millions	2006	2005
Cash from operating activities	27,501	26,990
Cash used in capital expenditure	–10,905	–11,396
Free cash flow	*16,596*	*15,594*
Cash used in other investing activities	–2,179	–840
Cash flow before financing activities	*14,417*	*14,754*
Cash used in financing activities	–19,382	–15,653
Cash and cash equivalents, opening balance	16,834	17,245
Net cash flow for the period	–4,965	–899
Exchange rate differences	–266	488
Cash and cash equivalents, closing balance	11,603	16,834

Cash flow from operating activities increased in 2006, mainly due to improved EBITDA and increased dividends from the associated companies. The improvement was limited mainly by an increase in working capital, higher cash payments out of restructuring provisions and higher cash payments for pensions.

Cash used in capital expenditure (cash CAPEX) decreased slightly in 2006.

As a result, free cash flow (cash flow from operating activities less capital expenditure) increased in 2006 due to higher cash flow from operating activities and lower capital expenditures.

Net cash used in other investing activities increased in 2006, mainly due to higher cash payments for acquisitions and due to lower proceeds from asset sales.

Net cash used in financing activities increased in 2006, due to net repayment of loans in 2006 (net borrowing in 2005) and higher dividends paid to minority shareholders. Cash return paid to shareholders of the parent company was approximately at the same level as in 2005.

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

Acquisitions, Investments and Divestitures

During 2005 and 2006, TeliaSonera has made a number of significant acquisitions and divestitures.

- In February 2005, TeliaSonera sold its 20 percent holding in Infonet Services Corporation to British Telecom for SEK 1.3 billion, and recorded a capital loss of approximately SEK 20 million on the sale. TeliaSonera had in 2003 recorded a SEK 1.0 billion impairment loss on its investment in Infonet.
- In November 2005, TeliaSonera acquired the mobile service operator Vollvik Gruppen AS in Norway, subsequently renamed TeliaSonera Chess Holding AS. The total purchase price was SEK 2.3 billion.
- In June 2006, TeliaSonera entered the Spanish mobile market by acquiring the majority of Xfera for a net payment of SEK 617 million. TeliaSonera increased its ownership from 16.6 percent to 76.6 percent. TeliaSonera also assumed additional debt of SEK 3.8 billion through the consolidation of Xfera.
- In June 2006, TeliaSonera expanded into the Norwegian broadband market by acquiring NextGenTel for a purchase price of SEK 2.3 billion. NextGenTel is a strategic acquisition, strengthening TeliaSonera's position in the home markets. TeliaSonera's intention is to exploit the competence and operations of NextGenTel when driving growth in other countries.

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 12.8 billion at the end of the year (SEK 18.4 billion at the end of 2005). In addition, the aggregate principal unutilized amount available under the committed credit facilities amounted to SEK 10.1 billion at year end (10.3).

TeliaSonera currently has a credit rating from Moody's Investors Service of A2 for long-term borrowing and Prime-1 for short-term borrowing. From Standard & Poor's Ratings Services TeliaSonera has a rating of A- for long-term borrowing and A2 for short-term borrowing.

TeliaSonera generally seeks to arrange its financing through the parent company TeliaSonera AB. The primary means of external borrowing are described in Note 21 to the consolidated financial statements.

Financial Risk Management

TeliaSonera's primary sources of funds are shareholders' equity, cash flows from operating activities, and borrowing. The interest-bearing borrowing exposes the Group to ***interest rate risk;*** that is, the risk that a change in interest rates will negatively affect the Group's net interest expenses and/or cash flows. TeliaSonera 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. TeliaSonera's current policy is that the duration of interest of the debt portfolio should be from six months to four years.

TeliaSonera uses Swedish krona as its accounting currency. TeliaSonera's borrowings are therefore normally swapped into or denominated in Swedish krona, unless directly linked to international operations.

TeliaSonera typically uses its uncommitted facilities for the financing needs.

TeliaSonera's operational currency ***transaction exposure*** is not significant at present, but it is expected to increase over time. Weakening of the Swedish krona by one percentage point against all the transaction currencies would have had a negative impact of SEK 16 million (SEK 13 million in 2005) on pre-tax income in 2006 on a full-year basis, provided that no hedging measures were taken and excluding any potential impact on income due to currency translation of other income statement items.

TeliaSonera's ***conversion exposure*** is expected to continue to grow due to the ongoing expansion of business operations outside Sweden. Any loss in value of currencies of such areas against the Swedish krona will have a negative impact on the shareholders' equity in TeliaSonera's Swedish krona-denominated financial statements. TeliaSonera does not typically hedge its conversion exposure.

As of December 31, 2006, the conversion exposure amounted to SEK 147 billion (143). As of December 31, 2006, TeliaSonera did not hedge any of its conversion exposure. Strengthening of the Swedish krona by one percentage point against all currencies in which TeliaSonera has conversion exposure would have had a negative impact of SEK 1.5 billion (1.4) on the TeliaSonera group's equity as of December 31, 2006.

The ***credit risk*** with respect to TeliaSonera's trade receivables is diversified among a large number of customers, both private individuals and companies in various industries. Solvency information is required for credit sales to minimize the risk of unnecessary bad debt expense and is based on group-internal information on payment behavior and, if necessary, credit and business information derived from external sources. Bad debt expense in relation to consolidated net sales was 0.4 percent (0.3) in 2006.

As of December 31, 2006, TeliaSonera had ***pension obligations*** with a net present value of SEK 21.5 billion (22.0). TeliaSonera maintains pension funds to secure these obligations, with plan assets totaling SEK 19.0 billion (18.5), based on market values as of December 31, 2006. A decrease of one percentage point in the weighted average discount rate would have increased the pension obligations by SEK 3.6 billion (3.2) as of December 31, 2006. The effect would, however, be partly offset by a positive impact from the fixed income assets in the pension funds. A similar reduction in the interest rates would have increased the value of the fixed-income plan assets by SEK 1.0 billion (1.0).

See Notes 21 and 22 to the consolidated financial statements for further details on financial instruments and the financial risk management.

Other 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. See "Risk Factors" for a description of some of the factors that may affect TeliaSonera's business, financial condition and results of operations.

TeliaSonera has an established risk management process in place to regularly identify, analyze and 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.

Research and Development

TeliaSonera's research and development (R&D) activities are built on cost-efficient and innovative cooperation with partners, customers, universities, colleges and research institutions. The focus areas for TeliaSonera's R&D in 2006 were enhanced usability and simplicity, machine-to-machine wireless communication, services for the home and family, new content services, and customer terminals as carriers for new services. In 2006, TeliaSonera incurred R&D expenses of SEK 2,564 million (SEK 2,875 million in 2005).

As of December 31, 2006, TeliaSonera had approximately 560 patent "families" and approximately 2,400 patents and patent applications, none of which, individually, is material to its business.

Environment

During 2006, TeliaSonera dealt with many energy related issues that strive to reduce carbon dioxide and thus to combat climate change. For example, TeliaSonera has piloted to use fuel cells for backup power, to achieve environmental benefits. Fuel cells may partially replace current lead acid batteries and diesel-powered generators.

Parent Company

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

The parent company's financial statements are prepared and presented in accordance with the Swedish Annual Accounts Act, other Swedish legislation, and standard RR 32 and statements issued by the Swedish Financial Accounting Standards Council and its Emerging Issues Task Force.

Net sales for the year were SEK 19,705 million (SEK 21,363 million in 2005), of which SEK 14,424 million (16,046) was billed to subsidiaries. Earnings before appropriations and taxes decreased to SEK 7,631 million (11,526), mainly due to lower dividends from subsidiaries. Net income was SEK 3,228 million (1,853).

The balance sheet total increased to SEK 148,755 million (142,400). Following the dividend payment in 2006, shareholders' equity decreased to SEK 71,262 million (83,656) and retained earnings decreased to SEK 52,595 million (63,432).

Free cash flow decreased to SEK 6,221 million (8,478), and cash flow before financing activities was SEK -6,927 million (6,753). Net debt increased to SEK 42,051 million (20,901). Cash and cash equivalents totaled SEK 7,593 million (12,528) at year-end.

The equity/assets ratio (including the equity component of untaxed reserves and adjusted for proposed dividends) was 37.3 percent (54.8).

Total investments for the year amounted to SEK 17,332 million (7,009), including SEK 2,382 million (2,754) in property, plant and equipment, primarily for the fixed network. The acquisition price for NextGenTel Holding was SEK 2,335 million. Other investments totaling SEK 12,615 million (4,255) were mainly attributable to capital infusions in subsidiaries and other equity holdings. Of the capital infusions, SEK 12,113 million (921) was provided through debt conversion.

Due to ongoing restructuring program, the number of employees at December 31, 2006 decreased to 2,408 from 2,503 at year-end 2005.

Cancellation of Treasury Shares

In July 2005, TeliaSonera executed a share repurchase program for SEK 10.2 billion, resulting in 184,774,856 treasury shares held by TeliaSonera AB. The Annual General Meeting of April 27, 2006 decided that the treasury shares will be canceled and that share capital will be reduced accordingly. On September 6, 2006, the treasury shares were canceled and TeliaSonera's issued share capital was reduced by SEK 591 million to SEK 14,369 million.

See Note 20 to the consolidated financial statements.

New Business Organization

To further speed up sales growth and to maintain continued good profitability, TeliaSonera launched a new organization on January 1, 2007, designed to match the most visible and powerful trends driving market growth in the future. With the four new focused international business areas – Mobility Services, Broadband Services, Integrated Enterprise Services, and Eurasia – TeliaSonera has a new structure in place that will meet these trends, fit customer needs and bring new offerings faster to the markets. The new focus will help TeliaSonera perform at maximum efficiency, step up the execution of its strategy and achieve further natural cross-border synergies.

TeliaSonera believes that the new focus will enable it to reach annual net sales of around SEK 100 billion in two years with maintained good profitability.

New Board Members Elected in January 2007

TeliaSonera's Nomination Committee informed TeliaSonera in December 2006 that it had finalized its work regarding nominations for the Board of Directors. As the proposed changes in the composition of the Board of Directors were substantial, the shareholders represented in the Nomination Committee requested TeliaSonera's Board of Directors to call an extraordinary shareholders meeting to elect new board members.

The Extraordinary General Meeting (EGM) of TeliaSonera AB was held on January 17, 2007, and the EGM decided to elect the following persons as new members to the Board of Directors: Maija-Liisa Friman, Conny Karlsson, Lars G Nordström and Jon Risfelt.

The General Meeting decided to relieve the following Board members of their duties: Carl Bennet, Eva Liljeblom, Lennart Låftman, Lars-Erik Nilsson and Sven-Christer Nilsson.

The General Meeting decided that the number of Board members elected by the General Meeting be seven without deputy members.

Caroline Sundewall, Timo Peltola and Tom von Weymarn will continue as Board members. Tom von Weymarn will continue as the Chairman of the Board.

Other Significant Events after Year-End

On January 26, 2007, TeliaSonera announced that an arbitration tribunal of the International Chamber of Commerce had issued an award finding that a binding share purchase agreement was concluded between TeliaSonera and Cukurova in 2005, calling for Cukurova to sell all the remaining shares in Turkcell Holding to TeliaSonera. The award results from an arbitration proceeding in Geneva that TeliaSonera commenced in May 2005 against Cukurova after Cukurova withdrew from the transaction. TeliaSonera hopes to conclude the transaction with Cukurova but, even if the share purchase agreement is binding, TeliaSonera does not yet know if Cukurova is willing, or able, to proceed with a transfer of the shares to TeliaSonera.

On January 26, 2007, TeliaSonera closed the acquisition of 98.8 percent of Cygate Group AB for a cash consideration of SEK 639 million. The acquisition strengthens TeliaSonera in the managed services market.

On January 31, 2007, TeliaSonera signed a share purchase agreement to acquire 100 percent of debitel Danmark A/S in Denmark. The purchase price, on a debt free basis, may at most reach approximately SEK 1,270 million, of which TeliaSonera will pay SEK 860 million in cash at closing. The remaining purchase price is capped at SEK 410 million and is dependent on the development during the next six months. In addition to the stand alone valuation, the transaction is based on transferring debitel's traffic from other mobile networks into Telia Denmark's mobile network. Closing of the transaction is subject to approval from the Danish Competition Authority.

Outlook for 2007

The Group's net sales are expected to continue to grow, reaching the target of approximately SEK 100 billion in two years with maintained good profitability.

Net income for 2007 is estimated to be somewhat higher than in 2006, when excluding the positive one-off items of approximately SEK 1.7 billion in the 2006 net income. These positive one-off items of SEK 1.7 billion in 2006 included the following after-tax amounts:

- SEK 562 million gain from the sale of MTN Uganda (no tax effect)
- SEK 360 million from the reversal of a London real estate dispute provision (SEK 500 million pre-tax)
- SEK 320 million gains from exchange rate development and divestments in Russia (no tax effect)
- SEK 280 million from the reversal of historical interconnect provisions in Sweden (SEK 389 million pre-tax)
- SEK 135 million gain from the sale of Elisa shares in Finland (SEK 183 million pre-tax)

CAPEX-to-sales ratio is expected to grow due to increased investments in broadband and mobile capacity.

Ordinary Dividend and Capital Distribution to Shareholders

The Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 1.80 per share (SEK 1.25 per share for 2005), totaling SEK 8.1 billion (5.6). In light of the strong results in 2006, the proposed ordinary dividend is in the upper range of the dividend policy interval. TeliaSonera's dividend policy is to distribute 30–50 percent of net income attributable to shareholders of the parent company.

In addition to the ordinary annual dividend, the Board of Directors proposes an annual additional distribution to shareholders. The additional distribution will be reviewed annually taking into consideration cash flow and its projections as well as investment plans. Based on the current assessment, the additional distributions would be on the same level as the current distribution of approximately SEK 10 billion. Accordingly, for 2006, the Board of Directors has decided to propose to the AGM an extraordinary dividend of SEK 2.25 per share (2.25), totaling SEK 10.1 billion.

On top of this, the Board of Directors, in view of the strong development during the year 2006, proposes to the AGM an additional extraordinary dividend for 2006 of SEK 2.25 per share, totaling SEK 10.1 billion.

Therefore, the total dividend proposed is SEK 6.30 per share (3.50), equaling a total of SEK 28,290 million (15,717).

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

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

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

See also "Proposed Appropriation of Earnings."

Risk Factors

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

Risks related to the industry and market conditions

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.

TeliaSonera is subject to substantial and historically increasing competition and price pressure. 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.

Virtually all of TeliaSonera's markets are characterized by direct and indirect competition. TeliaSonera has, for example, experienced significant competition in mobile voice services from new market entrants. TeliaSonera is also experiencing increased competition from service providers and mobile virtual network operators (MVNOs). The market for mobile communications has also become increasingly penetrated and many of TeliaSonera markets are shifting from customer acquisition to customer retention. For example, the Nordic countries have among the highest mobile penetration rates and lowest mobile calling tariffs in the world. The high penetration rates in most of TeliaSonera's markets may make it more difficult to match the previous growth rates.

TeliaSonera's fixed network businesses face competition from mobile and Internet operators as a result of the trend of the users of traditional fixed network services switching some or all of their demand to mobile and Internet based services. TeliaSonera's fixed network businesses also face increasing competition from cable TV companies, broadband companies and Internet service providers.

There is also a risk that TeliaSonera's revenues will decline as market prices for services decrease further. Furthermore, TeliaSonera's conversion to IP technology may not result in corresponding savings in the production cost and traffic might be redirected to such new or existing competitors that provide IP networks at a much lower cost. The reduction in traffic and revenues may also lead to impairment losses on the existing platforms.

In order to meet the increased competition TeliaSonera has launched a program to focus its service portfolio to reduce technical and organizational complexity, with the aim to seek growth in the selected services and to achieve a competitive cost level. There is, however, a risk that TeliaSonera will not be successful in implementing its program due to operational or regulatory reasons or otherwise.

Further, TeliaSonera's international carrier business has historically been subject to fierce competition and severe price pressure, which may continue.

TeliaSonera operates in a highly regulated industry and changes in, or adverse applications of, the regulations affecting TeliaSonera could harm its business, financial condition and results of operations.

TeliaSonera's mobile and fixed line operations are subject to regulatory and licensing requirements at both the national level and the transnational level, such as by the European Union. If TeliaSonera is found not to have complied with applicable regulations, it may be subject to damage awards, fines, penalties, injunctions or suspensions.

The regulations to which TeliaSonera is subject impose significant limits on its flexibility to manage its business. For example, in both Sweden and Finland, TeliaSonera has been designated as a party with significant market power in certain markets in which it operates, including the fixed and mobile telecommunications markets. As a result, TeliaSonera is required to provide certain services on non-discriminatory, cost-based and transparent terms, 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 competition and other regulatory authorities or courts, including granting, amending or revoking of licenses to TeliaSonera or other parties, could adversely affect TeliaSonera's business and results.

TeliaSonera is subject to emerging market risks including that the value of its investments in telecommunications companies may be adversely affected by political, economic and legal developments.

TeliaSonera has made a number of significant investments in telecommunications providers with operations in countries such as Kazakhstan, Azerbaijan, Georgia, Moldova, Russia and Turkey. The political, economic, legal and regulatory systems in these countries historically have been less predictable than in countries with more developed institutional structures. Each of these nations has in the past experienced financial difficulties, including weak local currencies and high external debt, and there is a risk that these types of issues may arise in the future. Additionally, the political situation in each of the Eurasian countries in which TeliaSonera has operations has been unstable in the past and may also be in the future.

Other risks associated with operating in emerging market countries include foreign exchange restrictions, which could effectively prevent TeliaSonera from receiving profits or selling its investments. While none of the countries in which TeliaSonera's international subsidiaries or associated companies are located currently have foreign exchange controls that affect TeliaSonera significantly, all of these countries have had such controls in the recent past and there can be no assurance that they will not reinstitute such controls in the future. Another risk is the potential establishment of foreign ownership restrictions or other potential actions against entities with foreign ownership, formally or informally.

Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to decreased mobile communications usage.

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

Risks related to TeliaSonera's operations and strategic activities

Changes in the economic, political, legal and regulatory environment and in TeliaSonera's business plans or the business plans of its associated companies or joint ventures could cause TeliaSonera to record impairment losses or otherwise adversely affect its results of operations and financial condition.

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

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

In addition to affecting TeliaSonera's results of operations, these actions may adversely affect TeliaSonera's ability to pay dividends. Under Swedish law, the amount of dividends that TeliaSonera may pay is generally limited to profits and other non-restricted reserves available at the end of the preceding fiscal year for the parent company. Any write-down of intangible or other assets would have the effect of reducing, or possibly eliminating, TeliaSonera's dividend capacity.

TeliaSonera may not realize the benefits it expects to derive from the investments that have been made in networks, licenses and new technology.

TeliaSonera has made investments in 3G licenses and has invested and expects to invest substantial amounts over the next several years in the upgrading and expansion of networks. The success of these investments will depend on a variety of factors beyond TeliaSonera's control, including the availability of new and attractive services, the costs associated with providing these services, the timing of their introduction, and competition. For example, TeliaSonera cannot be certain that new services will achieve acceptance in the market, or that the demand for such services will justify the related costs to develop, upgrade and maintain the networks, or the related costs of developing and providing such services.

In Spain, TeliaSonera has acquired control in Xfera Móviles S.A. and started a 3G mobile operation in 2006. Xfera is a start-up operation and will require substantial investments and expenditure. The total financing need of the start-up is currently estimated to be less than SEK 9 billion for the first five years. TeliaSonera's goal is that the operation is cash flow positive and earnings accretive within the same time frame. The long-term goal is to reach a market share of approximately 10 percent by 2015 and an EBITDA margin of around 30 percent, excluding non-recurring items. There can be no guarantees that TeliaSonera reaches its goals in terms of cash flows, profitability or market share.

TeliaSonera may participate in the consolidation of the telecommunications industry through acquisitions, strategic alliances or business combinations. A failure in such transactions could harm TeliaSonera's business and results of operations.

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

TeliaSonera is reliant upon a limited number of suppliers for the provision of important equipment and services.

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

TeliaSonera may not be able to fully realize anticipated tax benefits resulting from earlier recorded impairment losses.

TeliaSonera has a significant deferred tax asset resulting from an impairment loss on Sonera's UMTS investments in Germany and Italy in 2002. The major part of the deferred tax asset relates to tax loss carry forwards in Finland, which expire after ten years, while the remaining part of the tax asset is related to temporary differences between carrying value and tax value on assets in Finland. Although management currently estimates that the tax losses related to the impairment loss can be realized in eight to nine years from 2002 under different scenarios, there can be no assurance of sufficient taxable income in Finland within this period.

TeliaSonera also has deferred tax assets in other jurisdictions, especially related to the international carrier and Danish and Spanish operations. There can be no assurance that TeliaSonera will be able to use these tax assets in full to reduce its tax obligations in the future.

TeliaSonera may not be able to remain competitive and implement its strategy, or adapt to changing technologies, if it cannot 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 in the Nordic countries and elsewhere. To a considerable extent, TeliaSonera's ability to recruit and retain skilled personnel for growth business areas and new technologies will depend on its ability to offer them competitive remuneration packages. If TeliaSonera cannot implement competitive remuneration packages, it may be unable to recruit and retain skilled employees, which may limit its ability to develop high growth business areas and new business areas or remain competitive in the traditional business areas.

Risks related to associated companies and joint ventures

TeliaSonera has only limited control of its associated companies and the success of its investments in these companies depends on the actions of its co-owners.

TeliaSonera conducts some of its activities, particularly outside of the Nordic region, through associated companies in which TeliaSonera does not have a controlling interest, such as Turkcell Iletisim Hizmetleri A.S. in Turkey, OAO MegaFon in Russia and Lattelecom SIA in Latvia and, as a result, TeliaSonera has limited influence over the conduct of these businesses. Under the governing documents for certain of these entities, TeliaSonera's partners have control over or share control of key matters such as the approval of business plans and budgets, and decisions as to timing and amount of cash distributions. The risk of actions outside TeliaSonera's or its associated company's control and adverse to TeliaSonera's interests, or disagreement or deadlock, is inherent in jointly controlled entities. In Russia for instance, certain shareholders of MegaFon are involved in a dispute relating to the ownership of a 25.1 percent interest in MegaFon.

As part of its strategy TeliaSonera's may, where practical, increase its shareholdings in 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.

MegaFon, an associated company operating in Russia, may be adversely affected by weaknesses in its internal controls.

MegaFon, a mobile operator in Russia in which TeliaSonera holds a 43.8 percent interest, has previously reported material weaknesses in its internal controls. While TeliaSonera believes that progress has been made by MegaFon's management to address these weaknesses, such historical or future weaknesses in internal controls may however still continue to exist, in which case MegaFon might be unable to report its financial results accurately or to prevent a material misstatement of such results. MegaFon could be adversely affected by such weaknesses in its internal controls, which in turn could adversely affect the value TeliaSonera derives from its investment.

TeliaSonera's cooperation with Tele2 in connection with the build out and operation of a UMTS network in Sweden may not be successful.

TeliaSonera has entered into a cooperation arrangement with Tele2 to build and operate a UMTS network in Sweden through a 50 percent owned joint venture Svenska UMTS-nät AB, which has rights to a Swedish UMTS license. TeliaSonera has made significant investments in and financial commitments to this venture. As this is a jointly controlled venture, there is a risk that the partners may disagree on important matters, including the funding of the company. This risk may be magnified because TeliaSonera and Tele2 are significant competitors. A disagreement or deadlock regarding the company or a breach by one of the parties of the material provisions of the cooperation arrangements could have a negative effect on TeliaSonera's ability to pursue its UMTS strategy. In addition, the current exemption for Svenska UMTS-nät from the prohibition against anti-competitive agreements included in the Swedish Competition Act will expire in 2007. Thereafter, a reassessment of the cooperation will be made from a competition law perspective. Accordingly, there can be no assurance that the Swedish Competition Authority will not in the future change its view on the cooperation, which could have a material adverse effect upon Svenska UMTS-nät and TeliaSonera's operations.

Risks related to owning TeliaSonera shares

TeliaSonera's share price may be volatile. TeliaSonera's affairs and the market price of its shares could also be influenced significantly by actions of the Kingdom of Sweden and the Republic of Finland, whose interests may be different from other shareholders.

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

The Kingdom of Sweden holds 45.3 percent and the Republic of Finland holds 13.7 percent of TeliaSonera's outstanding shares. The Kingdom of Sweden and the Republic of Finland have, furthermore, agreed to consult each other with respect to voting on matters to be resolved by the shareholders at general meetings of the company. Accordingly, the Kingdom of Sweden, acting alone, may have and the Kingdom of Sweden and the Republic of Finland, if they should choose to act together, will have the power to influence matters submitted for a vote of shareholders, including the approval of the annual financial statements, declarations of dividends, capital increases in connection with acquisitions, and the election and removal of members of TeliaSonera's board of directors. The interests of the Kingdom of Sweden and the Republic of Finland in deciding these matters and the factors they consider in exercising their votes could be different from the interests of TeliaSonera's other shareholders.

In addition, the Kingdom of Sweden and the Republic of Finland are not under any contractual commitment that would restrict their ability to sell any shares. It is currently not possible to assess the precise timing and manner of any future sales, if any, by the Kingdom of Sweden or the Republic of Finland of TeliaSonera shares. However, any sale by the Kingdom of Sweden or the Republic of Finland of a significant number of TeliaSonera shares, or the public perception that these sales could occur, may cause the market price of TeliaSonera shares to decline significantly and may also make it more difficult for TeliaSonera to issue new shares.

Consolidated Income Statements

		January–December	
SEK in millions, except per share data	**Note**	**2006**	**2005**
Net sales	6	91,060	87,661
Cost of sales	7	–48,640	–47,287
Gross profit		**42,420**	**40,374**
Selling and marketing expenses	7	–13,486	–14,253
Administrative expenses	7	–6,317	–6,578
Research and development expenses	7	–2,564	–2,875
Other operating income	8	1,138	1,031
Other operating expenses	8	–1,281	–3,379
Income from associated companies and joint ventures	11	5,579	3,229
Operating income		**25,489**	**17,549**
Finance costs	12	–1,049	–1,330
Other financial items	12	786	800
Income after financial items		**25,226**	**17,019**
Income taxes	13	–5,943	–3,325
Net income		**19,283**	**13,694**
Attributable to:			
Shareholders of the parent company		16,987	11,697
Minority interests		2,296	1,997

Shareholders' earnings per share (SEK), basic and diluted	20	3.78	2.56

Consolidated Balance Sheets

		December 31,	
SEK in millions	**Note**	**2006**	**2005**
Assets			
Goodwill	14	62,638	62,498
Other intangible assets	14	11,534	11,869
Property, plant and equipment	15	48,195	48,201
Investments in associated companies and joint ventures	11	25,536	25,208
Deferred tax assets	13	12,054	12,305
Pension obligation assets	23	121	437
Other non-current assets	16	4,115	2,576
Total non-current assets		**164,193**	**163,094**
Inventories	17	997	765
Trade and other receivables	18	20,427	18,919
Current tax receivables		204	1,570
Interest-bearing receivables	19	1,958	2,407
Cash and cash equivalents	19	11,603	16,834
Total current assets		**35,189**	**40,495**
Non-current assets held-for-sale		**10**	**186**
Total assets		**199,392**	**203,775**
Equity and liabilities			
Shareholders' equity		119,217	127,049
Minority interests in equity		8,500	8,645
Total equity		**127,717**	**135,694**
Long-term borrowings	21	24,311	20,520
Deferred tax liabilities	13	10,121	9,578
Provisions for pensions and employment contracts	23	39	–
Other long-term provisions	24	4,475	5,370
Other long-term liabilities	25	2,382	2,343
Total non-current liabilities		**41,328**	**37,811**
Short-term borrowings	21	3,418	6,215
Short-term provisions	24	836	616
Current tax payables		1,741	706
Trade payables and other current liabilities	26	24,352	22,733
Total current liabilities		**30,347**	**30,270**
Total equity and liabilities		**199,392**	**203,775**
Unrecognized contingent assets	28	–	–
Collateral pledged	28	1,403	1,584
Unrecognized guarantees	28	2,058	2,581

Consolidated Cash Flow Statements

		January–December	
SEK in millions	**Note**	**2006**	**2005**
Net income		19,283	13,694
Adjustments for:			
Amortization, depreciation and impairment losses		11,231	13,211
Capital gains/losses on sales/disposals of non-current assets		–117	–43
Income from associated companies and joint ventures, net of dividends received		–3,791	–2,470
Pensions and other provisions		–1,344	343
Financial items		–836	150
Income taxes		3,560	1,278
Miscellaneous non-cash items		48	–5
Cash flow before change in working capital		**28,034**	**26,158**
Increase (–)/Decrease (+) in operating receivables		–1,792	1,693
Increase (–)/Decrease (+) in inventories		–242	–88
Increase (+)/Decrease (–) in operating liabilities		1,501	–773
Change in working capital		**–533**	**832**
Cash flow from operating activities	29	**27,501**	**26,990**
Intangible assets and property, plant and equipment acquired	29	–10,905	–11,396
Intangible assets and property, plant and equipment divested		255	208
Shares, participations and operations acquired	29	–3,274	–1,770
Shares, participations and operations divested	29	348	1,654
Loans granted and other similar investments		–349	–368
Repayment of loans granted and other similar investments		488	416
Compensation from pension fund		700	100
Net change in advances and short-term loans to associated companies and joint ventures, etc.		–347	–1,080
Cash flow from investing activities		**–13,084**	**–12,236**
Cash flow before financing activities		**14,417**	**14,754**
Purchase of treasury shares including transaction costs		–	–10,218
Dividends paid to parent company's shareholders		–15,717	–5,610
Dividends to and investments by minority shareholders, net		–1,523	–1,087
Proceeds from long-term borrowings		5,049	13,126
Repayment of long-term borrowings		–6,515	–11,791
Net change in short-term borrowings		–676	–73
Cash flow from financing activities		**–19,382**	**–15,653**
Net change in cash and cash equivalents		**–4,965**	**–899**

Cash and cash equivalents, opening balance		**16,834**	**17,245**
Net change in cash and cash equivalents for the year		–4,965	–899
Exchange rate differences in cash and cash equivalents		–266	488
Cash and cash equivalents, closing balance	19	**11,603**	**16,834**

Interest paid		–1,082	–1,473
Income taxes paid		–2,382	–2,048

Consolidated Statements of Changes in Equity

SEK in millions	Note	Share-capital	Other contri-buted capital	Recycling reserves	Other reserves	Retained earnings	Total share-holders equity	Minority interests in equity	Total equity
Closing balance, December 31, 2004		**14,961**	**70,741**	**–2,762**	**4,977**	**33,216**	**121,133**	**6,934**	**128,067**
Fair value amortization of revalued net assets in step acquisitions	20	–	–	–	–132	132	–	–	–
Reporting financial instruments at fair value	20	–	–	46	–	–	46	–	46
Foreign currency translation differences	20	–	–	8,809	–	–	8,809	732	9,541
Inflation adjustments	20	–	–	–	1,177	–	1,177	–	1,177
Net income recognized directly in equity		–	–	*8,855*	*1,045*	*132*	*10,032*	*732*	*10,764*
Net income		–	–	–	–	11,697	11,697	1,997	13,694
Total recognized net income		–	–	*8,855*	*1,045*	*11,829*	*21,729*	*2,729*	*24,458*
Transactions with minority shareholders in subsidiaries	20	–	–	–	–	–	–	–12	–12
Dividends	20	–	–	–	–	–5,610	–5,610	–1,006	–6,616
Purchase of treasury shares (decided by the AGM in 2005)	20	–	–10,203	–	–	–	–10,203	–	–10,203
Closing balance, December 31, 2005		**14,961**	**60,538**	**6,093**	**6,022**	**39,435**	**127,049**	**8,645**	**135,694**
Revaluing fair values of net assets in step acquisitions	20	–	–	–	300	–275	25	–	25
Fair value amortization of revalued net assets in step acquisitions	20	–	–	–	–128	128	–	–	–
Reporting financial instruments at fair value	20	–	–	–25	–	–	–25	–	–25
Foreign currency translation differences	20	–	–	–8,955	–	–	–8,955	–608	–9,563
Inflation adjustments	20	–	–	–	–147	–	–147	–	–147
Net income recognized directly in equity		–	–	*–8,980*	*25*	*–147*	*–9,102*	*–608*	*–9,710*
Net income		–	–	–	–	16,987	16,987	2,296	19,283
Total recognized net income		–	–	*–8,980*	*25*	*16,840*	*7,885*	*1,688*	*9,573*
Transactions with minority shareholders in subsidiaries	20	–	–	–	–	–	–	–215	–215
Dividends	20	–	–10,104	–	–	–5,613	–15,717	–1,618	–17,335
Cancellation of treasury shares (decided by the AGM in 2006)	20	–592	592	–	–	–	–	–	–
Closing balance, December 31, 2006		**14,369**	**51,026**	**–2,887**	**6,047**	**50,662**	**119,217**	**8,500**	**127,717**

Notes to Consolidated Financial Statements

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1. Basis for Preparation

General

The annual report and consolidated financial statements have been approved for issue by the Board of Directors on March 13, 2007. The income statements and balance sheets of the parent company and the group will be adopted by the Annual General Meeting on April 24, 2007.

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, TeliaSonera complies with the Swedish Financial Accounting Standards Council's standard RR 30:05 "Supplementary Rules for Consolidated Financial Statements" and certain statements issued by the Council's Emerging Issues Task Force concerning purely Swedish circumstances. RR 30:05 is applicable to Swedish legal entities whose shares are listed on a Swedish stock exchange or authorized equity market place on the balance sheet date and specifies supplementary rules and disclosures in addition to IFRS requirements, caused by provisions in the Swedish Annual Accounts Act.

Consolidation and accounting principles

Applied consolidation principles, measurement bases and accounting principles are described below.

Amounts and dates

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

New accounting standards

Standards, amendments to issued standards and interpretations, effective in 2006

- *IAS 19 (Amendment) "Employee Benefits"* (effective January 1, 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. As TeliaSonera has decided not to change the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment only impacts the format and extent of disclosures.
- *IAS 21 (Limited amendment) "The Effects of Changes in Foreign Exchange Rates"* (effective December 15, 2005). The amendment addresses the treatment of monetary items that form part of an entity's investment in a foreign operation. TeliaSonera has no such monetary items that are addressed by this amendment.
- *IAS 39 (Amendments) "Financial Instruments: Recognition and Measurement" on intra-group hedges of forecast transactions and on the fair value option* (effective January 1, 2006). The amendment on intra-group hedges allows the foreign currency risk of a highly probable forecasted intra-group transaction to qualify as a hedged item in the consolidated financial statements. The amendment on the fair value option changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. TeliaSonera decided to pre-adopt these amendments to IAS 39 as of January 1, 2005.
- *IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 4 "Insurance Contracts" (Amendments) on financial guarantee contracts* (effective January 1, 2006). These amendments require issued financial guarantees to be initially recognized at their fair value and subsequently measured at the higher of (a) the unamortized balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets," TeliaSonera already in prior years recognized financial guarantees at the best estimate of the expenditure required to settle the obligations.
- *IFRS 1 (Amendment) "First-time Adoption of International Financial Reporting Standards" and IFRS 6 "Exploration for and Evaluation of Mineral Resources"* (effective January 1, 2006). IFRS 1 and IFRS 6 are not applicable to TeliaSonera.
- *IFRIC 4 "Determining whether an Arrangement contains a Lease"* (effective January 1, 2006). IFRIC 4 gives guidance on determining whether arrangements that do not take the legal form of a lease should, nonetheless, be accounted for in accordance with IAS 17 "Leases." TeliaSonera already in prior years recognized transactions involving Indefeasible Rights of Use as leases. Also in other respects, the adoption of IFRIC 4 had no material effect on the consolidated financial statements.
- *IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"* (effective January 1, 2006). IFRIC 5 is not relevant to TeliaSonera's operations.
- *IFRIC 6 "Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment"* (effective December 1, 2005). IFRIC 6 gives guidance on which date that is the triggering event for recognizing liabilities for waste management costs. The adoption of IFRIC 6 did not have a material effect on TeliaSonera's consolidated financial statements.

Standards and interpretations, not yet effective
Recently issued new standards and interpretations impacting TeliaSonera's consolidated financial statements on or after January 1, 2007, are as follows:

- *IFRS 7 "Financial Instruments: Disclosures" and an amendment on capital disclosures to IAS 1 "Presentation of Financial Statements"* (effective for annual periods beginning on or after January 1, 2007). IFRS 7 adds certain new disclosure requirements and compiles all financial instruments disclosure requirements into one standard. It replaces the disclosure requirements in IAS 32 "Financial Instruments: Disclosure and Presentation." The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital.
- *IFRS 8 "Operating Segments"* (effective for annual periods beginning on or after January 1, 2009, with earlier application permitted). IFRS 8 replaces IAS 14 "Segment Reporting" and is aligned with the U.S. GAAP requirements of FAS 131. IFRS 8 requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. TeliaSonera has decided to adopt IFRS 8 in 2007 and is currently assessing the financial reporting implications.
- *IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies"* (effective for annual periods beginning on or after March 1, 2006). IFRIC 7 is currently not relevant to TeliaSonera.
- *IFRIC 8 "Scope of IFRS 2"* (effective for annual periods beginning on or after May 1, 2006). IFRIC 8 is currently not relevant to TeliaSonera.
- *IFRIC 9 "Reassessment of Embedded Derivatives"* (effective for annual periods beginning on or after June 1, 2006). IFRIC 9 is currently not relevant to TeliaSonera.
- *IFRIC 10 "Interim Financial Reporting and Impairment"* (effective for annual periods beginning on or after November 1, 2006) addresses the apparent conflict between the requirements of IAS 34 "Interim Financial Reporting" and those in other standards on the recognition and reversal of impairment losses on goodwill and certain financial assets. IFRIC 10 states that any such impairment losses recognized in an interim financial statement must not be reversed in subsequent interim or annual financial statements. TeliaSonera already applies the principle stated by IFRIC 10.
- *IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"* (effective for annual periods beginning on or after March 1, 2007). IFRIC 11 is currently not relevant to TeliaSonera.
- *IFRIC 12 "Service Concession Arrangements"* (effective for annual periods beginning on or after January 1, 2008). IFRIC 12 is not relevant to TeliaSonera.

EU endorsement status
As of December 31, 2006, all standards, amendments to standards, and interpretations mentioned above had been adopted by the EU, except for IFRS 8, IFRIC 10, IFRIC 11 and IFRIC 12, which at the end of March 2007 were still waiting to be endorsed.

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

2. Critical Accounting Policies, Estimates and Assumptions

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

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

3. Consolidated Financial Statements

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

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

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

Minority interests
Transactions with minority interests are treated as transactions with parties external to the Group. Disposals to minority interests result in capital gains or losses which are recognized in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the Group's carrying value of net assets of the subsidiary. Commitments to purchase minority interests and put options granted to minority shareholders in connection with business combinations (including any subsequent capital contributions from minority shareholders) are recognized as contingent consideration. Where the amount of the commitment exceeds the amount of the minority interest, the difference is recorded as goodwill. Any changes in the fair value of the options are recognized as an adjustment of goodwill.

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

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

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

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

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

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

The income statement item Income from associated companies and joint ventures also includes amortization of fair value adjustments and other consolidation adjustments made upon the acquisition of associated companies and joint ventures as well as any subsequent impairment losses on goodwill and other intangible assets, and capital gains and losses on divestitures of stakes in such companies.

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

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

Segment reporting

The Group's operations are managed and reported primarily by geographical Profit Center and reported secondarily by product area. Segments are consolidated based on the same principles as the Group as a whole. When significant operations are transferred between segments, comparative period figures are reclassified.

4. Significant Accounting Policies

Revenue recognition

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

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

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

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

Under customer loyalty programs, customers are entitled to certain discounts relating to services and goods provided by TeliaSonera. A provision with respect to the total estimated earned amount is recognized as deduction from revenues. For recognition of customer acquisition costs, see section "Operating expenses" below.

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

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

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

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

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

Operating expenses

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

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

Other operating income and expenses

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

Also included in other operating income and expenses are government grants, exchange rate differences on operating transactions, restructuring costs and other items of a non-recurring nature and not related to the ordinary business activities. Government grants are initially measured at fair value and recognized as income over the periods necessary to match them with the related costs. Exchange rate differences on operating transactions include value changes in derivatives for 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). The initial difference between the nominal value and the net present value of borrowings with an interest rate different to market rate 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).

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

TeliaSonera Group companies are liable for taxation under current legislation in the countries where they are domiciled.

Current and deferred income taxes are recognized in the income statement or in equity, to the extent relating to items recognized directly in equity. Deferred income taxes are provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements and on unutilized tax deductions or losses. Deferred income tax is determined using tax rates and tax legislation that have been enacted or substantively enacted at the balance sheet date and 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 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 normally can be sold without tax consequences. However, some foreign jurisdictions impose withholding tax on dividends. In such cases, a deferred tax liability calculated based on the respective withholding tax rate is recognized.

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.

Intangible assets, and property, plant and equipment

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

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.

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 are capitalized, provided that future economic benefits are probable and will exceed expenses incurred. 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.

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

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

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

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

Goodwill and other intangible assets with indefinite useful lives (currently none existing) and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. Intangible assets with a finite life and tangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is tested for impairment. If an analysis indicates that the carrying value is higher than its recoverable amount, which is the higher of the fair value less costs to sell and value in use, an impairment loss is recognized for the amount by which the carrying amounts exceeds the recoverable amount. Value in use is measured based on the expected future discounted cash flows (DCF model) attributable to the asset. The impairment loss is recognized in the income statement, unless the relevant asset is carried at a revalued amount following a business combination, in which case the impairment loss is recognized as a reduction of the revaluation reserve in shareholders' equity.

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

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

Financial instruments

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

Financial assets

Quoted equity instruments are measured at fair value, being the quoted market prices. Unrealized gains and losses arising from changes in fair value other than impairment losses up to the date of sale are recognized in the fair value reserve as a component of equity. Unquoted equity instruments whose fair value cannot be reliably determined are valued at cost less any impairment. Impairment losses on equity investments carried at cost are not subsequently reversed.

Government bonds and treasury bills are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest rate method, less impairment if the fair value is lower. 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 if the fair value is lower. Short-term investments with maturities over three months are measured at fair value.

Cash and cash equivalents include short-term investments with maturities up to and including three months, cash at hand and demand deposits in banks. Short-term investments consist primarily of surplus liquidity invested in the overnight market and are recognized at cost plus accrued interest income, which approximates fair value as the risk of changes in value is insignificant.

Financial liabilities

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.

Trade receivables and trade payables

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. Bad debt is written-off when identified and charged to Selling and marketing expenses.

TeliaSonera's allowance for doubtful receivables reflects estimated losses that result from the inability of customers to make required payments. Management determines the size of the allowance based on the likelihood of recoverability of accounts receivable taking into account actual losses in prior years and current collection trends. Should economic or specific industry trends worsen compared to management estimates, the allowance may have to be increased, negatively impacting earnings. See section "Credit risk" in Note 22 "Financial Risk Management" for a description of how credit risks related to trade receivables are mitigated.

Trade payables are initially recognized at fair value, normally being the invoiced amount, and subsequently measured at invoiced amount, 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
TeliaSonera uses derivative instruments, such as interest and cross currency interest rate swaps, forward contracts and options, primarily to control exposure to fluctuations in exchange rates and interest rates.

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

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

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

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

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the foreign currency translation reserve as a component of equity. The gain or loss relating to the ineffective portion is recognized in the income statement. Gains and losses deferred in the foreign currency translation reserve are recognized in the income statement on disposal of the foreign operation. Currently, no foreign operations are hedged.

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies (economic hedges). Changes in the fair value of such derivatives are recognized in the income statement as part of exchange rate differences, offsetting the exchange rate differences on monetary assets and liabilities.

Derivative instruments that do not meet the criteria for hedge accounting are recognized in the balance sheet at fair value and changes in fair value are recognized in the income statement.

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

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

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

Dividend payments are proposed by the Board of Directors in accordance with the regulations of the Swedish Companies Act and decided by the General Meeting of shareholders. The proposed cash dividend for 2006 will be recorded as a liability immediately following the final decision by the shareholders.

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

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

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

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

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

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

The most significant assumptions that management has to make in connection with the actuarial calculation of pension obligations and pension expenses affect the discount rate, the expected annual rate of compensation increase, the expected employee turnover rate, the expected average remaining working life, the expected annual income base amount increase, the expected annual adjustments to pensions, and the expected annual return on plan assets. These assumptions are prepared by an internal Pension Committee and subject to review by the Audit Committee of the Board of Directors. A change in any of these key assumptions may have a significant impact on the projected benefit obligations, funding requirements and periodic pension cost.

The discount rate reflects the rates at which the pension benefits could be effectively settled, which means a period somewhere from 15 to 30 years. Management has chosen to base the estimated discount rate on yields derived from domestic government bonds, as management regards such bonds as high-quality fixed income investments currently available and expected to be available during the period to maturity of the pension benefits. However, the longest term of domestic nominal bonds is 15 years. Yields for terms over 15 years have been estimated by extrapolating the yield-curve. See section "Pension obligation risk" in Note 22 "Financial Risk Management" for a sensitivity analysis related to a change in the weighted average discount rate in calculating pension provisions.

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

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

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

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

The expected nominal return from the Swedish pension fund portfolio, representing approximately 85 percent of total plan assets, is approximately 4.4

percent per annum over a 10-year period, where inflation is assumed to be 2 percent per annum. The strategic allocation of plan assets is composed to give the expected average return, based on historical data, with some adjustment reflecting the lower inflation rate that is currently in place. More specifically the expected nominal return in the Swedish pension fund is based on the following assumptions; domestic fixed income 3.8 percent, domestic and global equity 7.3 percent and other investments 7.3 percent. The assumptions used in the non-Swedish pension funds are similar.

Provisions and contingencies

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

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

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 reasonably possible, or a reliable estimate is not determinable, the matter is disclosed as a contingency provided that the obligation or the legal claim is material.

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

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

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

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

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

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.

Leasing agreements

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

TeliaSonera as lessee

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

TeliaSonera as finance lessor

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

TeliaSonera as operating lessor

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

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

Transactions in foreign currencies

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

5. Changes in Group Composition

Significant events in 2006 and after the balance sheet date

Xfera

In June 2006, TeliaSonera increased its 16.55 percent holding in the Spanish mobile operator Xfera Móviles S.A. to 76.56 percent. By virtue of a shareholder's agreement, TeliaSonera controls 80 percent of the voting rights. Due to the accounting treatment, TeliaSonera effectively consolidates 100 percent of Xfera.

NextGenTel

On May 16, 2006, TeliaSonera announced an agreement to acquire 82.3 percent of NextGenTel Holding ASA, the second largest broadband supplier in Norway. After a combined public offer and compulsory acquisition of the remaining shares, TeliaSonera effectively controls 100 percent of the shares.

Cygate

On November 16, 2006, TeliaSonera announced an agreement to acquire a majority stake in Cygate Group AB. Cygate is a leading supplier of secure and managed IP network solutions as well as system integration in the Nordic market. After obtaining relevant regulatory approval closing took place on January 26, 2007.

debitel Danmark

On January 31, 2007, TeliaSonera signed a share purchase agreement to acquire 100 percent of the Danish service provider debitel Danmark A/S. In addition to the stand alone valuation, the transaction is based on transferring debitel's traffic from other mobile networks into Telia Denmark's mobile network. Closing of the transaction is subject to approval from the Danish Competition Authority.

For additional information on Xfera, NextGenTel and Cygate, see Note 33 "Business Combinations."

6. Net Sales

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

	January–December	
Percent	**2006**	**2005**
Change in net sales	3.9	7.0
of which volume growth	7.7	9.0
structural changes	1.7	5.9
exchange rate effects	0.0	1.2
price reductions	–5.1	–8.5

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

Structural changes in 2006 mainly related to the acquisition of Chess in late 2005 and of NextGenTel in June 2006, while changes in 2005 mainly related to the consolidation of Eesti Telekom and the acquisition of Orange Denmark in late 2004.

Net sales are broken down by primary and secondary reportable segments in Note 30 "Segment Information." Sales by customer location were distributed among economic regions as follows.

	January–December			
	2006		2005	
	SEK in millions	Percent	SEK in millions	Percent
European Economic Area (EEA)	81,220	89.2	80,030	91.3
of which European Union (EU) member states	*72,149*	*79.2*	*72,743*	*83.0*
Rest of Europe	849	0.9	782	0.9
North-American Free Trade Agreement (NAFTA)	522	0.6	626	0.7
Rest of world	8,469	9.3	6,223	7.1
Total	**91,060**	**100.0**	**87,661**	**100.0**
of which outside Sweden	54,763	60.1	49,812	56.8
of which Nordic markets outside Sweden	32,996	36.2	31,130	35.5

7. Expenses by Nature

Operating expenses are presented on the face of the income statement using a classification based on the four 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.

	January–December	
SEK in millions	**2006**	**2005**
Goods purchased	15,307	13,853
Interconnect and roaming expenses	14,065	13,304
Other network expenses	2,667	2,623
Change in inventories	–120	45
Personnel expenses (Note 31)	12,721	12,905
Marketing expenses	6,068	6,057
Other expenses	9,126	9,168
Amortization, depreciation and impairment losses (Note 10)	11,173	13,038
Total	**71,007**	**70,993**

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

8. Other Operating Income and Expenses

Other operating income and expenses were distributed as follows.

	January–December	
SEK in millions	**2006**	**2005**
Other operating income		
Capital gains	151	210
Exchange rate gains	214	399
Commissions, etc.	280	222
Grants, etc.	15	18
Recovered accounts receivable, released accounts payable	425	71
Compensation for damages	53	111
Total other operating income	**1,138**	**1,031**
Other operating expenses		
Capital losses	–60	–278
Provisions for onerous contracts	–	–68
Exchange rate losses	–236	–394
Restructuring costs	–928	–2,142
Impairment charges	–30	–150
Damages paid	–27	–347
Total other operating expenses	**–1,281**	**–3,379**
Net effect on income	**–143**	**–2,348**

Released accounts payable in 2006 include SEK 389 million related to a reduction of certain historical interconnect fees in Sweden, following a ruling by the Swedish Administrative Court of Appeal on February 8, 2007. Restructuring costs in 2006 include a SEK 500 million reversal of a provision related to the settlement of a dispute regarding a potential co-location site in London, U.K.

9. Related Party Transactions

The Swedish State and the Finnish State

The Swedish State currently owns 45.3 percent and the Finnish State 13.7 percent of the outstanding shares in TeliaSonera AB. The remaining 41.0 percent of the outstanding shares are widely held.

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

The Swedish telecommunications market is governed mainly by the Electronic Communications Act and ordinances, regulations and decisions in accordance with the Act. Operators that have a significant publicly available communications network are required to pay a fee to finance measures to prevent serious threats and disruptions to electronic communications during peacetime. The required fee from TeliaSonera was SEK 58 million in 2006 and SEK 59 million in 2005. 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 60 million in 2006 and SEK 60 million in 2005.

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 2006 and 2005, TeliaSonera paid EUR 2.1 million and EUR 2.1 million, respectively, for the use of radio frequencies and EUR 0.9 million and EUR 0.9 million, respectively, for the use of numbers. In 2006 and 2005, TeliaSonera paid EUR 0.2 million and EUR 0.3 million, respectively, for data privacy supervision and EUR 1.1 million and EUR 1.2, 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 and purchases from these companies mainly relate to the Telefos Group through its subsidiaries in the Eltel Group in Sweden and Finland, and Svenska UMTS-nät AB in Sweden, and comprise network construction services bought and sold and 3G capacity bought.

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

	January–December	
SEK in millions	**2006**	**2005**
Sales of goods and services	**591**	**385**
Purchases of goods and services		
Telefos Group	1,812	2,087
Svenska UMTS-nät AB (joint venture)	505	204
Other	110	320
Total purchases of goods and services	**2,427**	**2,611**
Trade and other receivables	**440**	**97**
Loans receivable		
MegaFon	321	372
Other	101	106
Total loans receivable	**422**	**478**
Trade and other payables	**660**	**534**

Pension funds

As of December 31, 2006, TeliaSonera's pension funds held 1,467,788 TeliaSonera shares, or 0.03 percent of the voting rights. For information on transactions and balances, see Note 23 "Provisions for Pensions and Employment Contracts."

Commitments on behalf of related parties

TeliaSonera has made certain commitments on behalf of group companies, associated companies and joint ventures. See Note 28 "Contingencies, Other Contractual Obligations and Litigation" for further details.

Key management

See section "Remuneration to corporate officers" in Note 31 "Human Resources" for further details.

10. Amortization, Depreciation and Impairment Losses

Amortization and depreciation

The following amortization and depreciation rates were applied in 2006.

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

In late 2005, management initiated a group-wide review of useful lives, taking into account historical experience and expected future development in relation to technology changes, market conditions and regulatory environment. As a result, useful lives of a number of classes of intangible and tangible assets were adjusted upwards as well as downwards effective January 1, 2006. The isolated aggregate full year effect in 2006 entailed a reduction of amortization and depreciation totaling SEK 900 million.

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

	January–December	
SEK in millions, except proportions	**2006**	**2005**
Cost of sales	9,203	10,910
Selling and marketing expenses	1,149	1,102
Administrative expenses	519	796
Research and development expenses	302	230
Other operating expenses	30	150
Total	**11,203**	**13,188**
Proportion to net sales (%)	12.3	15.0

Amortization, depreciation and impairment losses are broken down by business segments in Note 30 "Segment Information." Amortization, depreciation and impairment losses were distributed by asset class as follows.

	January–December	
SEK in millions	**2006**	**2005**
Other intangible assets	2,422	2,289
Buildings	357	349
Land improvements	18	6
Mobile networks	3,793	4,492
Fixed networks	3,995	5,291
Other plant and equipment	618	761
Total	**11,203**	**13,188**

Impairment testing

See Note 14 "Goodwill and Other Intangible Assets" for a discussion on impairment testing.

11. Associated Companies and Joint Ventures

Income from associated companies and joint ventures

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

	January–December	
SEK in millions	**2006**	**2005**
Share in net income for the year	5,477	3,328
Amortization of fair value adjustments	92	–43
Impairment losses on goodwill, fair value adjustments, etc.	–41	–11
Net capital losses/gains	51	–45
Net effect on income	**5,579**	**3,229**

Income is broken down by business segment in Note 30 "Segment Information." Large individual stakes (including capital gains/losses and intermediate holding companies, when applicable) impacted earnings as follows.

	January–December	
SEK in millions	**2006**	**2005**
Svenska UMTS-nät AB, Sweden (joint venture)	–70	–105
SIA Lattelecom, Latvia	209	220
OAO MegaFon, Russia	2,779	1,175
Turkcell Iletisim Hizmetleri A.S., Turkey	2,021	1,761
Overseas Telecom AB, Sweden	633	94
Telefos AB, Sweden	37	22
Unisource N.V./AUCS, the Netherlands	31	–170
Infonet Services Corp., USA	–	206
Other holdings	–61	26
Net effect on income	**5,579**	**3,229**

Turkcell's financials are included in TeliaSonera's reporting with a one-quarter lag. As of January 1, 2006, the Turkish economy is from an accounting perspective no longer considered to be hyperinflationary, affecting TeliaSonera in the second quarter of 2006. TeliaSonera's holding in Infonet was divested in February 2005. See also Note 34 "Specification of Shareholdings and Participations."

Investments in associated companies and joint ventures

The total carrying value was distributed and changed as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Goodwill and similar assets on consolidation	7,685	9,039
Share of equity	17,851	16,169
Carrying value	**25,536**	**25,208**
Carrying value, opening balance	25,208	19,613
Share of net income for the year	5,477	3,328
Amortization and write-downs of fair value adjustments	51	–54
Dividends received	–1,788	–759
Acquisitions and operations acquired	91	46
Divestments and divested operations	–3	–1,316
Reclassifications	74	–100
Inflation adjustments	–147	1,177
Exchange rate differences	–3,427	3,273
Carrying value, closing balance	**25,536**	**25,208**

The carrying value is broken down by business segments in Note 30 "Segment Information." The market value of the Group's holding in the publicly quoted Turkcell was SEK 28,428 million and SEK 33,634 million as of December 31, 2006 and 2005, respectively.

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

	December 31 or January–December	
SEK in millions	**2006**	**2005**
Non-current assets	109,573	95,007
Current assets	26,099	22,745
Provisions and long-term liabilities	20,847	20,502
Current liabilities	18,556	20,738
Net sales	75,095	63,011
Gross profit	47,339	33,198
Net income	16,674	9,694

12. Finance Costs and Other Financial Items

Finance costs and other financial items were distributed as follows.

	January–December	
SEK in millions	**2006**	**2005**
Finance costs		
Interest expenses	–1,123	–1,357
Capitalized interest	29	13
Exchange rate gains	396	232
Exchange rate losses	–351	–218
Total finance costs	**–1,049**	**–1,330**
Other financial items		
Interest on finance leases	46	60
Other interest income	576	613
Dividends from financial investments	1	9
Capital gains/losses on financial investments	191	141
Impairment losses on financial investments	–28	–23
Total other financial items	**786**	**800**
Net effect on income	**–263**	**–530**

13. Income Taxes

Income tax expense

In 2006 and 2005, pre-tax income was SEK 25,226 million and SEK 17,019 million, respectively. Income tax expense was distributed as follows.

	January–December	
SEK in millions	**2006**	**2005**
Current tax	4,901	1,251
Deferred tax	1,042	2,074
Total	**5,943**	**3,325**

Certain components included in tax expense were as follows.

	January–December	
SEK in millions	**2006**	**2005**
Changes in tax rates	70	223
Losses for which deferred tax assets were not recognized	232	51
Current and deferred tax attributable to previous year(s)	206	–464
Tax recognized directly in shareholders' equity	–37	30

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

	January–December	
Percent	**2006**	**2005**
Swedish income tax rate	28.0	28.0
Differences in tax rates on foreign operations	0.0	–4.0
Adjustment of current taxes for previous year(s)	0.5	–2.0
Adjustment of deferred taxes for previous year(s)	0.3	–0.7
Changes in tax rates	0.3	1.3
Income from associated companies and joint ventures	–6.2	–5.4
Losses for which deferred tax assets were not recognized	0.9	0.3
Non-deductible expenses	0.2	3.5
Non-taxable income	–0.4	–1.5
Tax rate as per the income statement	**23.6**	**19.5**
Tax recognized directly in shareholders' equity	–0.1	0.2
Effective tax rate	**23.5**	**19.7**

Differences in tax rates on foreign operations are partly due to time limited tax incentives for TeliaSonera subsidiaries in certain countries. The tax incentive in Kazakhstan expired at December 31, 2005.

On November 28, 2006, the Spanish parliament passed new tax laws, including a reduction of the Spanish corporate income tax rate from 35 percent to 32.5 percent and 30 percent effective January 1, 2007 and January 1, 2008, respectively.

Income tax assets and liabilities

Deferred tax assets and liabilities changed as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Deferred tax assets		
Opening balance	12,305	12,381
Operations acquired	1,491	77
Income statement period change	–1,086	–647
Recognized in equity	–5	–19
Reclassifications	–162	–
Exchange rate differences	–489	513
Deferred tax assets, closing balance	**12,054**	**12,305**
Deferred tax liabilities		
Opening balance	9,578	7,906
Operations acquired	714	138
Income statement period change	–44	1,427
Recognized in equity	–42	11
Operations divested	–	–16
Reclassifications	57	–52
Exchange rate differences	–142	164
Deferred tax liabilities, closing balance	**10,121**	**9,578**

For changes in deferred tax assets and liabilities related to operations acquired in 2006, see Note 33 "Business Combinations."

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

	December 31,	
SEK in millions	**2006**	**2005**
Gross deferred tax assets		
Unrealized gain, associated companies	48	48
Delayed depreciation, impairment losses and fair value adjustments, other non-current assets	5,403	5,541
Delayed expenses for provisions	549	426
Doubtful current receivables	31	71
Tax loss carry-forwards	12,717	13,925
Subtotal	**18,748**	**20,011**
Valuation allowances		
Delayed depreciation, other non-current assets	–129	–119
Tax loss carry-forwards	–2,973	–2,110
Subtotal	**–3,102**	**–2,229**
Off-set deferred tax liabilities/assets	–3,592	–5,477
Total deferred tax assets	**12,054**	**12,305**
Deferred tax liabilities		
Withholding taxes and impairment losses, associated companies	3,399	4,734
Accelerated depreciation and fair value adjustments, other non-current assets	7,607	8,044
Fair value adjustments, provisions	1,228	1,606
Delayed revenue recognition, current receivables	159	38
Profit equalization reserves	1,320	633
Subtotal	**13,713**	**15,055**
Off-set deferred tax assets/liabilities	–3,592	–5,477
Total deferred tax liabilities	**10,121**	**9,578**
Net deferred tax assets	**1,933**	**2,727**
Net increase (+)/decrease (–) in valuation allowance	**873**	**–39**

Unrecognized deferred tax liabilities for undistributed earnings in subsidiaries totaled SEK 496 million in 2006 and SEK 493 million in 2005.

Tax loss carry-forwards

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

Tax losses in Finland refer to impairment losses on the European 3G investments recognized by TeliaSonera Finland Oyj (formerly Sonera Oyj) in 2002. Some of the subsequent tax losses in other Finnish subsidiaries have been reduced to zero by a full valuation allowance when they have been incurred, since management estimates that it is probable that the tax losses will not be utilized before their expiry.

Tax losses in the Netherlands refer to a temporary deduction that a Dutch subsidiary recorded on one of its equity investments in 2005, in accordance with article 13ca of the Dutch Corporate Income Tax Act. The temporary deduction led to a tax loss carry-forward in 2005, which will be utilized in 2005–2009 when the deduction is reversed in equal annual amounts. In the balance sheet, the resulting deferred tax asset of SEK 2.5 billion has been offset with a related deferred tax liability representing the future reversal of the deduction.

Tax losses in Spain refer to the Spanish 3G mobile network operator Xfera that was acquired in June 2006 and that subsequently launched its services in December 2006. Xfera is a start-up operation that has reported tax losses since its incorporation in 2000, due to annual spectrum fees invoiced by the Spanish government authorities, depreciation and write-downs of earlier investments, and other preoperating losses. As of December 31, 2006, Xfera had tax losses and taxable temporary differences totaling SEK 7.1 billion. As is the normal case for start-up operations, management projects tax losses also during the next few years.

At the current stage of the 3G market and due to the decreases in equipment prices in the past few years, management is, however, confident that Xfera will be able to generate taxable profits, and has prepared a robust business plan based on a sound business model with detailed and benchmarked data, and has also convinced other parties to invest alongside TeliaSonera. As a result, management believes that the current tax losses will be utilized before they expire after 15 years from the first profitable year. However, management acknowledges that the threshold for recognizing deferred tax assets in a situation of recurring historical losses is higher than for other assets, and has therefore reduced its projections to a level which it is convinced Xfera will reach. Based on these projections, management has recognized deferred tax assets of SEK 1.1 billion after valuation allowance and has also recognized deferred tax liabilities of SEK 0.6 billion for Xfera as of December 31, 2006.

TeliaSonera's accumulated tax loss carry-forwards were SEK 46,991 million in 2006 and SEK 50,218 million in 2005. Tax loss carry-forwards as of December 31, 2006 expire in the following years.

Expiry SEK in millions	2007	2008	2009	2010	2011	2012–2025	Un-limited	Total
Tax loss carry-forwards	11	63	17	24	11,517	31,079	4,280	**46,991**

Most of the Dutch and the Finnish tax loss carry-forwards expire in 2011 and 2012, respectively.

14. Goodwill and Other Intangible Assets

The total carrying value was distributed and changed as follows.

SEK in millions	2006 Goodwill	2005 Goodwill	2006 Other intangible assets	2005 Other intangible assets
Accumulated cost	62,957	62,831	22,327	21,392
of which capitalized interest	–	–	*25*	*22*
Accumulated amortization	–	–	–10,257	–8,998
Accumulated impairment losses	–319	–333	–539	–531
Advances	–	–	3	6
Carrying value	**62,638**	**62,498**	**11,534**	**11,869**
of which work in progress	–	–	*543*	*824*
Carrying value, opening balance	62,498	57,433	11,869	12,101
Investments	3,368	2,186	1,437	1,525
Sales and disposals	–44	36	–57	–107
Operations acquired	38	3	1,206	110
Operations divested	–4	–25	1	–
Reclassifications	0	–15	–21	2
Amortization for the year	–	–	–2,403	–2,301
Impairment losses/reversed losses for the year	–5	–0	–13	12
Advances	–	–	–3	4
Exchange rate differences	–3,213	2,880	–482	523
Carrying value, closing balance	**62,638**	**62,498**	**11,534**	**11,869**

See Note 33 "Business Combinations" for more information on significant acquisitions in 2006.

Capitalized development expenses amounted to SEK 137 million in 2006 and SEK 196 million in 2005. In the two years, amortization was SEK 210 million and SEK 85 million, respectively.

In accordance with the business organization in place up to the end of 2006, goodwill has been allocated for impairment testing purposes to the following major cash-generating units. The largest amounts were recognized in connection with the acquisition of NetCom ASA in 2000 and the merger with Sonera Oyj in 2002.

SEK in millions	December 31, 2006	December 31, 2005
Finland	28,096	29,185
Norway mobile	22,180	23,546
Norway fixed	1,530	–
Denmark mobile	3,612	3,748
Spain mobile	1,068	–
Other	6,152	6,019
Total goodwill	**62,638**	**62,498**

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

SEK in millions	December 31, 2006	December 31, 2005
Trade names	665	918
Licenses	2,729	1,523
Customer relationships	3,306	4,026
Administrative software systems	992	703
Patents, etc.	2,465	2,908
Leaseholds, etc.	831	961
Work in progress, advances	546	830
Total other intangible assets	**11,534**	**11,869**

Impairment testing

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

As of December 31, 2006, the recoverable values of the cash-generating units were found to be in excess of their carrying values in all tests and therefore the related goodwill was not impaired. Management has used assumptions that it believes are reasonable based on the best information available as of the date of the financial statements.

The key assumptions used in the value in use calculations were sales growth, EBITDA margin development, the weighted average cost of capital (WACC), and the terminal growth rate of free cash flow. The calculations were based on five-year forecasts approved by management, which management believes reflect past experience, forecasts in industry reports, and other externally available information.

Finland (TeliaSonera Finland, the Finnish part of former Sonera)

The sales growth assumption in the impairment test is low single-digit on the average during the next 5 years, and 2 percent thereafter in line with the assumed long-term rate of inflation. The test assumes that the EBITDA margin will gradually recover to over 35 percent. Beyond the 5-year period, for test purposes, the EBITDA margin is assumed to gradually decrease by 4–5 percentage points. A post-tax WACC rate of 7.5 percent was used in the test.

In the test, the recoverable value exceeds the carrying value by 11 percent, or by SEK 4.4 billion. The following table sets out the amount by which each key assumption approximately must change, all else being equal, in order for the recoverable value to equal the carrying value.

Sales growth in the 5-year period and beyond	–0.5 percentage points
EBITDA margin in the 5-year period and beyond	–2 percentage points
Post-tax WACC rate	+0.6 percentage points

Norway mobile (NetCom and Chess)

The sales growth assumption in the test is 3 percent after the 5-year period in line with the assumed long-term nominal growth rate of the Norwegian economy. For test purposes, the EBITDA margin after the 5-year period is assumed to be lower than the current level. A post-tax WACC rate of 7.8 percent was used in the test.

Norway fixed (NextGenTel)
NextGenTel, acquired in June 2006, is a strategic acquisition strengthening TeliaSonera's position in the home markets as a whole. The cost of the combination was SEK 2,335 million, of which SEK 1,843 million was allocated to goodwill. TeliaSonera's intention is to exploit the competence and operations of NextGenTel when driving growth in other countries. The recoverable value of NextGenTel determined in the 2006 impairment test was based on fair value less costs to sell, and not on value in use including future synergies, due to the recent nature of the transaction. The fair value is in line with recent market transactions. Management has started a process to identify the synergies and allocate them within the Group, but has not completed the work.

Denmark mobile (Telia Danmark)
The sales growth assumption in the test is 2 percent after the 5-year period in line with the assumed long-term rate of inflation. The long-term EBITDA margin is assumed to be higher than the past experience, based on the synergies from the acquisition of Orange Denmark and other efficiency measures. A post-tax WACC rate of 7.4 percent was used in the test.

Spain mobile (Xfera)
Xfera, acquired in June 2006, is a start-up operation in the Spanish mobile market. The investment decision and the purchase price allocation were based on the discounted cash flow of management's projections. There have been no events after the acquisition that would cause management to significantly change the previous cash flow projections. Consequently, the original projections also form the basis for the impairment test in 2006. Given the nature of the investment, management believes that a longer than 5-year projection period is justified and has used a 10-year period. The sales growth assumption beyond the 10-year period, for test purposes, is a decreasing rate from over 10 percent down to low single-digit. The EBITDA margin for the same period is assumed to be gradually lower than in the end of the 10-year period. A post-tax WACC rate of 9.7 percent was used.

15. Property, Plant and Equipment

The carrying value was distributed and changed as follows.

	December 31,									
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
			Plant and machinery				Equipment, tools			
SEK in millions	Property		Mobile networks		Fixed networks		and installations		Total	
Accumulated cost	7,213	7,630	44,389	41,397	117,201	115,714	6,456	6,439	175,259	171,180
of which capitalized interest	–	–	*290*	*269*	*343*	*338*	–	–	*633*	*607*
Accumulated depreciation	–2,740	–3,058	–28,065	–26,012	–76,811	–74,423	–4,841	–4,707	–112,457	–108,200
Accumulated impairment losses	–406	–359	–382	–118	–13,741	–14,215	–220	–159	–14,749	–14,851
Advances	28	5	101	62	3	1	10	4	142	72
Carrying value	**4,095**	**4,218**	**16,043**	**15,329**	**26,652**	**27,077**	**1,405**	**1,577**	**48,195**	**48,201**
of which assets under construction	–	–	*1,525*	*1,304*	*1,923*	*1,392*	–	–	*3,448*	*2,696*
Carrying value, opening balance	4,218	4,387	15,329	13,255	27,077	28,031	1,577	1,539	48,201	47,212
Investments	427	313	4,685	5,085	4,320	4,281	522	653	9,954	10,332
Sales and disposals	–32	–126	–181	–20	213	–139	–219	–113	–219	–398
Dismantling and restoration	–	–	49	43	18	150	–	–	67	193
Operations acquired	52	–	144	–	–	5	465	18	661	23
Operations divested	–	1	–	–	–	–4	–	–5	–	–8
Reclassifications	–40	–154	299	–342	–153	–53	–186	392	–80	–157
Depreciation for the year	–377	–343	–3,482	–3,886	–4,193	–5,076	–703	–977	–8,755	–10,282
Impairment losses/reversed losses for the year	–	–12	–	–44	–9	–555	–	–6	–9	–617
Advances	23	–31	39	22	2	1	6	4	64	–4
Exchange rate differences	–176	183	–839	1,216	–623	436	–57	72	–1,694	2,079
Carrying value, closing balance	**4,095**	**4,218**	**16,043**	**15,329**	**26,652**	**27,077**	**1,405**	**1,577**	**48,195**	**48,201**

Property

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

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

	December 31,	
SEK in millions	**2006**	**2005**
Buildings	179	178
Land and land improvements	57	57
Tax-assessed value	**236**	**235**

At the 2006 property assessment for tax purposes, a number of properties were assessed for the first time, while others had their assessments adjusted. The number of real estate properties valued for tax purposes is limited as most are classified as non-taxable communication buildings. Some tax-assessed properties were sold in 2006.

16. Other Non-current Assets

The total carrying value of other non-current assets was distributed as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Shares, bonds and other securities	503	422
Loans and other interest-bearing receivables	2,847	1,313
Deferred expenses and long-term trade receivables	765	841
Total	**4,115**	**2,576**

In 2006, the acquisition of the Spanish mobile operator Xfera entailed recognizing an interest-bearing spectrum fee receivable of SEK 1,719 million (see also Note 33 "Business Combinations"). For more information on Shares, bonds and other securities and Loans and other interest-bearing receivables, see Note 21 "Financial Instruments."

17. Inventories

After deductions for obsolescence amounting to SEK 2 million in 2006 and SEK 2 million in 2005, the total carrying value was distributed as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Finished goods and goods for resale	776	570
Other inventories and expense incurred on construction contracts	221	195
Total	**997**	**765**

Finished goods 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 106 million in 2006 and SEK 16 million in 2005.

18. Trade and Other Receivables

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

	December 31,	
SEK in millions	**2006**	**2005**
Accounts receivable		
Invoiced receivables	12,664	12,570
Allowance for doubtful receivables	–791	–692
Total accounts receivable	**11,873**	**11,878**
Other current receivables	2,532	1,978
Accrued income	4,831	4,211
Deferred expenses	1,191	852
Total trade and other receivables	**20,427**	**18,919**

Accrued income mainly comprises call charges, and interconnect and roaming charges. Annually written-down accounts receivable (bad debt expense) were SEK 335 million in 2006 and SEK 254 million in 2005. Recovered accounts receivable in these years are presented in Note 8 "Other Operating Income and Expenses."

19. Interest-bearing Receivables, Cash and Cash Equivalents

Interest-bearing receivables

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

	December 31,	
SEK in millions	**2006**	**2005**
Current interest-bearing receivables	789	879
Short-term investments with maturities over three months	1,169	1,528
Total interest-bearing receivables	**1,958**	**2,407**

Cash and cash equivalents

Cash and cash equivalents were distributed as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Short-term investments with maturities up to and including three months	6,617	11,846
Cash and bank	4,986	4,988
Cash and cash equivalents	**11,603**	**16,834**

See also Note 21 "Financial Instruments" and for blocked funds in bank accounts Note 28 "Contingencies, Other Contractual Obligations and Litigation."

20. Equity and Earnings per Share

Share capital

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

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

	Issued share capital (SEK)	Number of issued shares	Quotient value (SEK/share)
Issued share capital, December 31, 2003	14,960,742,621	4,675,232,069	3.20
Issued share capital, December 31, 2004	14,960,742,621	4,675,232,069	3.20
Issued share capital, December 31, 2005	14,960,742,621	4,675,232,069	3.20
Cancellation of shares repurchased in 2005, September 6, 2006	–591,279,539	–184,774,856	3.20
Issued share capital, December 31, 2006	14,369,463,082	4,490,457,213	3.20

Treasury shares

On April 26, 2005, the Annual General Meeting of shareholders decided on a share repurchase program with tradable rights, comprising every twenty-fifth share, or a maximum of 187,009,282 shares. After executing the program, TeliaSonera AB as of December 31, 2005 held 184,774,856 treasury shares. The price paid for each repurchased share was SEK 55.00 in cash and pre-tax transaction costs amounted to SEK 55 million, reducing other contributed capital within shareholders' equity by SEK 10,203 million in total. On April 27, 2006, the Annual General Meeting decided to reduce the share capital by cancellation of the repurchased shares. The cancellation was accomplished on September 6, 2006.

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

Reserves

	December 31,	
SEK in millions	**2006**	**2005**
Recycling reserves		
Fair value reserve – quoted equity instruments		
Opening balance	163	129
Net changes in fair value	7	60
Transferred to the income statement	–88	–
Tax effect	42	–26
Closing balance	**124**	**163**
Hedging reserve – cash flow hedges		
Opening balance	–49	–61
Net changes in fair value	–39	–85
Transferred to the income statement	58	101
Tax effect	–5	–4
Closing balance	**–35**	**–49**
Foreign currency translation reserve		
Opening balance	5,979	–2,830
Translation of foreign operations	–8,993	8,470
Foreign operations divested	38	339
Closing balance	**–2,976**	**5,979**
Total recycling reserves, closing balance	**–2,887**	**6,093**
Other reserves		
Revaluation reserve		
Opening balance	966	1,098
Operations acquired	300	–
Transfer of amortization and depreciation for the year	–128	–132
Closing balance	**1,138**	**966**
Inflation adjustment reserve		
Opening balance	5,056	3,879
Translation of operations in hyperinflationary economies	–147	1,177
Closing balance	**4,909**	**5,056**
Total other reserves, closing balance	**6,047**	**6,022**
Total reserves, closing balance	**3,160**	**12,115**

No part of the reversed amounts within the hedging reserve referred to reversals that necessitate adjusting the acquisition value. See also section “Financial Instruments” in Note 4 “Significant Accounting Policies.” There was no tax effect arising from the translation of foreign associated companies or from the translation of associated companies in hyperinflationary economies. As of January 1, 2006, the Turkish economy is from an accounting perspective no longer considered to be hyperinflationary, affecting TeliaSonera in the second quarter of 2006, as Turkcell’s financials are reported with a one-quarter lag.

Minority interests in equity

Exchange rate differences in minority interests changed as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Opening balance	182	–550
Translation of foreign operations	–608	732
Closing balance	**–426**	**182**

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

	December 31,	
SEK in millions	**2006**	**2005**
TEO LT, AB, Lithuania	1,163	1,206
Latvijas Mobilais Telefons SIA, Latvia	702	707
AS Eesti Telekom, Estonia	2,471	2,950
Fintur Holdings B.V., the Netherlands	4,144	3,777
Other subsidiaries	20	5
Total minority interests in equity	**8,500**	**8,645**

Earnings per share and dividends

	January–December	
	2006	**2005**
Net income attributable to shareholders of the parent company (SEK million)	16,987	11,697
Average number of outstanding shares, basic and diluted (thousands)	4,490,457	4,573,986
Average number of treasury shares, basic and diluted (thousands)	125,546	101,246
Earnings per outstanding share, basic and diluted (SEK)	3.78	2.56
Ordinary cash dividend (for 2006 as proposed by the Board)		
– Per share (SEK)	1.80	1.25
– Total (SEK million)	8,083	5,613
Extraordinary cash dividend (for 2006 as proposed by the Board)		
– Per share (SEK)	4.50	2.25
– Total (SEK million)	20,207	10,104

21. Financial Instruments

Carrying value and fair value of financial instruments

The table below presents carrying values and fair values distributed by type of financial instrument, except for financial instruments whose carrying value equal fair value as the impact of discounting is not significant, such as trade payables and trade receivables, and for financial instruments which are discussed in Note 11 “Associated Companies and Joint Ventures,” Note 23 “Provisions for Pensions and Employment Contracts” and Note 27 “Leasing Agreements,” respectively.

	December 31,			
	2006		2005	
SEK in millions	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Equity instruments	292	292	209	209
Government bonds and treasury bills	211	211	213	213
Long-term and short-term loans and receivables	2,848	2,848	772	772
Short-term investments with maturities over three months	1,169	1,169	1,528	1,528
Cash and cash equivalents	11,603	11,603	16,834	16,834
Interest rate swaps received	3,651	3,651	16,640	16,640
Interest rate swaps paid	–3,637	–3,637	–16,106	–16,106
Cross currency interest rate swaps received	1,421	1,421	12,687	12,687
Cross currency interest rate swaps paid	–1,366	–1,366	–12,382	–12,382
Other currency derivatives	46	46	14	14
Assets	**16,238**	**16,238**	**20,409**	**20,409**
Long-term borrowings	23,873	23,907	20,913	21,147
Short-term borrowings	3,413	3,418	6,221	6,265
Interest rate swaps received	–12,160	–12,160	–1,159	–1,159
Interest rate swaps paid	12,396	12,396	1,283	1,283
Cross currency interest rate swaps received	–11,545	–11,545	–3,510	–3,510
Cross currency interest rate swaps paid	11,979	11,979	3,562	3,562
Other currency derivatives	17	17	23	23
Liabilities	**27,973**	**28,012**	**27,333**	**27,611**
Less carrying value of:				
– accrued interest	–227		–575	
– other currency derivatives	–17		–23	
Carrying value of interest-bearing liabilities	**27,729**		**26,735**	

Values for interest rate swaps and cross currency interest rate swaps include underlying principal and accrued interest. Swaps received and paid refer to the respective legs of a swap deal. Equity instruments are specified in Note 34 “Specification of Shareholdings and Participations.”

As of December 31, 2006, the carrying value of derivatives classified as non-current assets amounted to SEK 65 million (fair value hedges SEK 42 million, cash flow hedges SEK –39 million and not designated or not qualifying as hedging instruments SEK 62 million), while derivatives classified as liabilities totaled SEK 933 million (fair value hedges SEK 470 million, cash flow hedges SEK 7 million and not designated or not qualifying as hedges SEK 456 million), of which short-term SEK 17 million. In 2006, changes in the fair value of derivatives not designated as hedging instruments amounting to net gains of SEK 34 million were recognized in the income statement (currency derivatives gains of SEK 48 million and interest rate swaps and cross currency interest swaps losses of SEK 14 million).

Liquidity and bank credit facilities

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, 2006, the surplus liquidity (short-term investments and cash and bank) amounted to the equivalent of SEK 12,772 million. TeliaSonera AB’s surplus liquidity is typically deposited in banks or invested in short-term interest-bearing instruments with good credit ratings. At year-end, TeliaSonera AB had no such investments in interest-bearing securities with maturities exceeding three months. The average yield on bank deposits and short-term investments as per the balance sheet date was 3.3 percent in 2006 and 2.1 percent in 2005. In addition to available cash, TeliaSonera AB has a revolving credit facility, which is a committed syndicated bank credit facility with final maturity in December 2011, capped at EUR 1,000 million and used for short-term financing and back-up purposes. This facility was not utilized as of December 31, 2006. In total, as of the balance sheet date, the available unutilized amount under committed bank credit lines was approximately SEK 10.1 billion.

Open-market financing programs

As of December 31, 2006, the equivalent of EUR 2,298 million (EUR 2,041 million in 2005) was utilized of TeliaSonera AB’s Euro Medium Term Note (EMTN) program, an uncommitted international program aimed at long-term borrowing with a limit of EUR 5,000 million (5,000). The average term to maturity was approximately 6.1 years.

TeliaSonera AB’s Euro Commercial Paper (ECP) program is an uncommitted international program aimed at short-term borrowing and has a limit of EUR 1,000 million (1,000). As of December 31, 2006, the ECP program was not utilized (no utilization as of December 31, 2005).

In the Swedish market, TeliaSonera AB’s Flexible Term Note (FTN) program provides loan facilities, both short-term and long-term, on an uncommitted basis, of up to SEK 12,000 million (12,000). FTNs outstanding at December 31, 2006, totaled SEK 800 million (4,050), with an average remaining maturity of approximately 0.7 years.

TeliaSonera Finland Oyj has an old EMTN program with a limit of EUR 3,000 million (3,000). As of December 31, 2006, the equivalent of EUR 203 million (203) was utilized under the EMTN program, with an average remaining maturity of approximately 2.3 year. This program will not be used for any new financing or refinancing.

The intention is that TeliaSonera AB will continue to refinance the outstanding TeliaSonera Finland debt.

Borrowings, maturity structure, interest rates and currencies

As of December 31, 2006, the Group's interest-bearing borrowings had the following carrying values and maturity structure. Debt derivatives relate to interest rate swaps and cross currency interest rate swaps.

	TeliaSonera AB (incl. debt derivatives)		TeliaSonera Finland				
SEK in millions Maturity	Fixed rate	Floating rate	Fixed tate	Floating rate	Total	Other units	Group
2007	808	–	3	–	811	2,607	3,418
2008	–	1,227	–	–	1,227	76	1,303
2009	–	300	1,892	–	2,192	35	2,227
2010	2,302	1,050	–	–	3,352	20	3,372
2011	–	1,085	–	–	1,085	16	1,101
Later years	1,812	14,334	–	–	16,146	162	16,308
Total	**4,922**	**17,996**	**1,895**	**–**	**24,813**	**2,916**	**27,729**

Long-term borrowings were distributed as follows.

SEK in millions	December 31, 2006	2005
TeliaSonera EMTN, other foreign currency loans	20,423	16,617
TeliaSonera FTN/FTO	–	800
TeliaSonera Finland EMTN, other foreign currency loans	1,892	1,993
Other loans	1,088	1,023
Interest rate swaps	470	28
Cross currency interest rate swaps	438	59
Total	**24,311**	**20,520**

For the years 2006 and 2005, SEK 16,308 million and SEK 15,322 million, respectively, of the loans were due more than five years after the balance sheet date.

Short-term borrowings were distributed as follows.

SEK in millions	December 31, 2006	2005
Utilized bank overdraft facilities	33	–
TeliaSonera FTN	800	3,275
TeliaSonera EMTN, other foreign currency loans	–	2,650
TeliaSonera Finland EMTN, other foreign currency loans	3	3
Other loans	2,574	280
Interest rate swaps	8	0
Cross currency interest rate swaps	0	7
Total	**3,418**	**6,215**

Bank overdraft facilities had a total limit of SEK 1,072 million in 2006 and SEK 892 million in 2005.

The average cost, including relevant hedges, of outstanding long-term and short-term borrowings as per the balance sheet date was as follows.

Percent	December 31, 2006	2005
TeliaSonera AB (SEK)		
Long-term borrowings	3.84	3.35
Short-term borrowings	6.64	4.36
TeliaSonera Finland Oyj (EUR)		
Long-term borrowings	4.63	4.63
Short-term borrowings	2.88	2.07

Normally, borrowings by TeliaSonera AB denominated in foreign currencies are swapped into SEK. The exceptions include funds borrowed to finance the Group's ventures abroad. TeliaSonera AB's portfolio of interest rate swaps and cross currency interest rate swaps as of December 31, 2006 and 2005 had a nominal value of approximately SEK 19,100 million and SEK 17,700 million, respectively.

As of the balance sheet date, the TeliaSonera Group's long-term loan portfolio was composed of the following currencies, with Swedish krona equivalents based on swap contracts.

	December 31, 2006		2005	
	For the respective currency			
Currency	Interest (%)	Amount (in millions)	Interest (%)	Amount (in millions)
Swapped into SEK				
EUR	3.9	1,400	2.7	1,265
JPY	3.9	3,000	2.6	3,000
Total SEK	**3.9**	**13,186**	**2.7**	**13,386**
Non-swapped				
SEK	3.8	8,932	4.2	5,025
EUR	4.6	230	4.6	219
DKK	4.2	78	3.1	43
Other currencies		32		10
Total SEK		**11,125**		**7,134**
Total SEK		**24,311**		**20,520**

22. Financial Risk Management

Principles of financing and financial risk management

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

TeliaSonera Corporate Finance and Treasury (CFT) is responsible for Group-wide financial risk management including netting and pooling of capital requirements and payment flows. CFT also seeks to optimize the cost of financial risk management, which in certain cases may mean that e.g. an inter company transaction is not replicated with an identical transaction outside the Group or that derivative transactions are initiated in order to adjust e.g. the overall interest rate duration of the debt portfolio, e.g. through overlay-swaps, if deemed appropriate. This means that situations may arise in which certain derivative transactions with parties outside the Group do not fully satisfy the requirements for hedge accounting, and thus any shift in market value will affect the financial net. CFT has a clearly defined deviation mandate relating to foreign currency transaction exposure which currently is capped at the equivalent of a nominal SEK +/–200 million, expressed as the long/short SEK counter-value amount that may be exposed to currency fluctuations. As of December 31, 2006, the risk mandate was utilized by less than SEK 50 million.

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

Foreign exchange risk

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

Transaction exposure

Net foreign exchange outflow (expressed as equivalent value in SEK million) on a full-year basis was distributed as follows in the Group's Nordic operations.

	January–December							
	2006	2005	2006	2005	2006	2005	2006	2005
	Sweden		Finland		Norway		Denmark	
Currency	Equivalent value in SEK million							
EUR	1,093	1,051	–	–	349	838	426	363
USD	561	452	327	445	138	158	23	47
SEK	–	–	96	87	5	12	86	215
NOK	52	14	8	7	–	–	–1	6
Other currencies	62	50	33	38	29	27	5	13
Total net outflow	**1,768**	**1,567**	**464**	**577**	**521**	**1,035**	**539**	**644**
– gross outflow	3,029	2,896	500	580	537	1,048	620	662
– gross inflow	–1,261	–1,329	–36	–3	–16	–13	–81	–18

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

Emanating from the operations in the above-mentioned countries, the negative impact on pre-tax income would be approximately SEK 16 million on a full-year basis, should the Swedish krona weaken by one percentage point against all of the transaction currencies, assuming an operational transaction exposure equivalent to that in 2006, and provided that no hedging measures were taken and not including any potential impact on income due to currency translation of other income statement items. Applying the same assumptions, the positive impact on income would be approximately SEK 14 million on a full-year basis, should the euro weaken by one percentage point against all of the transaction currencies.

TeliaSonera's general policy is to hedge the majority of known operational transaction exposure up to 12 months into the future. This hedging is primarily initiated via forward exchange contracts and refers to invoiced transactions. Financial flows, however, are usually hedged until maturity, even if that is longer than 12 months.

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

Conversion exposure

TeliaSonera's conversion exposure is expected to continue to grow due to ongoing expansion of the international business operations. TeliaSonera does not typically hedge its conversion exposure and as of December 31, 2006 and 2005, respectively, no part of the conversion exposure was hedged.

The conversion exposure was distributed as follows.

	December 31,			
	2006		2005	
Currency	**Amount in SEK millions**	**Percent**	**Amount in SEK millions**	**Percent**
EUR	62,792	42.8	60,628	42.4
NOK	28,743	19.6	29,188	20.4
TRY	16,181	11.0	20,389	14.2
DKK	10,055	6.8	6,742	4.7
LTL	7,488	5.1	7,113	5.0
RUB	5,962	4.1	1	0.0
EEK	4,786	3.3	5,147	3.6
LVL	3,631	2.5	3,718	2.6
USD	3,181	2.2	6,364	4.4
KZT	1,533	1.0	1,523	1.1
GBP	957	0.6	989	0.7
AZN	821	0.6	746	0.5
Other currencies	592	0.4	624	0.4
Total	**146,722**	**100.0**	**143,172**	**100.0**

The negative impact on Group equity would be approximately SEK 1,470 million if the Swedish krona strengthened by one percentage point against all of the currencies in which TeliaSonera has conversion exposure, based on the exposure as of December 31, 2006 and not including any potential equity impact due to TeliaSonera's operational need to net purchase foreign currency or to currency translation of other income statement items.

Foreign exchange derivatives

As of December 31, 2006, TeliaSonera's portfolio of cross currency interest rate swaps represented the following currencies and maturities. Amounts indicated include underlying principal and accrued interest.

Maturity SEK in millions	**2007–2009**	**2010**	**2011**	**Later years**	**Total**
Cross currency interest rate swaps, received					
Buy EUR	–	1,433	–	11,360	12,793
Buy JPY	–	–	173	–	173
Total, received	**–**	**1,433**	**173**	**11,360**	**12,966**
Cross currency interest rate swaps, paid					
Total, paid	**–**	**–1,379**	**–243**	**–11,723**	**13,345**
Net position	**–**	**54**	**–70**	**–363**	**–379**

As of December 31, 2006, the TeliaSonera Group's portfolio of other foreign exchange derivatives hedging loans, investments, and operational transaction exposures represented the following currencies and maturities. Amounts indicated include underlying principal.

Maturity SEK in millions	**2007**	**2008**	**2009**	**Later years**	**Total**
Sell EUR	12,702	–	–	–	12,702
Sell DKK	1,472	–	–	–	1,472
Sell NOK	1,108	–	–	–	1,108
Sell GBP	470	–	–	–	470
Sell LTL	264	–	–	–	264
Sell USD	141	–	–	–	141
Sell other currencies	13	–	–	–	13
Sell total	**16,170**	**–**	**–**	**–**	**16,170**
Buy NOK	–1,023	–	–	–	–1,023
Buy USD	–793	–1	–1	–	–795
Buy EUR	–596	–3	–1	–	–600
Buy GBP	–458	–	–	–	–458
Buy DKK	–113	–	–	–	–113
Buy other currencies	–159	–	–	–	–159
Buy total	**–3,142**	**–4**	**–2**	**–**	**–3,148**
Net position	**13,028**	**–4**	**–2**	**–**	**13,022**

Interest rate risk

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

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

If the available loan form does not directly reflect the desired loan portfolio structure, various forms of derivative instruments are used to adapt the structure in terms of duration and/or currency. This adaptation is achieved chiefly through interest rate swaps and cross currency interest rate swaps.

As of December 31, 2006, TeliaSonera AB and TeliaSonera Finland Oyj had interest-bearing debt of SEK 24.8 billion with duration of interest of approximately 1.4 years, including derivatives. The volume of loans exposed to changes in interest rates over the next 12-month period was at the same date approximately SEK 18.8 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. Fair value of the loan portfolio would, however, change by approximately SEK 350 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 2006.

TeliaSonera AB has designated certain interest rate swaps as cash flow hedges to hedge against changes in the amount of future cash flows related to interest payments on existing liabilities. Hedge ineffectiveness related to outstanding cash flow hedges was immaterial and recognized in earnings during the year. Net changes in fair value recognized in shareholders' equity are separately reported in a hedging reserve (see section "Reserves" of Note 20 "Equity and Earnings per Share"). In 2006, no cash flow hedges were discontinued due to the original forecasted transactions not having occurred in the originally specified time period.

As of December 31, 2006, the TeliaSonera Group's portfolio of interest rate swap contracts was composed as follows. Amounts indicated include underlying principal and accrued interest.

Maturity SEK in millions	2007	2008– 2009	2010	2011	Later years	Total
Interest received						
Fixed interest rate	–	–	–	453	12,690	13,143
Floating interest rate	503	–	660	201	1,304	2,668
Total	**503**	**–**	**660**	**654**	**13,994**	**15,811**
Interest paid						
Fixed interest rate	521	–	710	–	1,291	2,522
Floating interest rate	–	–	–	651	12,860	13,511
Total	**521**	**–**	**710**	**651**	**14,151**	**16,033**

Pension obligation risk

As of December 31, 2006, the TeliaSonera Group had pension obligations which net present value amounted to SEK 21,495 million (see Note 23 "Provisions for Pensions and Employment Contracts" below). To secure these obligations, the Group has pension funds, with plan assets equivalent to SEK 18,977 million based on market values as of December 31, 2006. The pension funds' assets are used as prime funding source for the pension obligations, and consisted of approximately 59 percent fixed income instruments and approximately 41 percent shares and other investments at year-end 2006. The expected net return on the pension funds' plan assets is approximately 4.5 percent annually. The portion of the pension obligations not covered by plan assets is recognized in the balance sheet, adjusted for actuarial gains and losses.

In 2006, the actual net return on plan assets was 6.4 percent, lower than in 2005 mainly due to lower return on equity instruments. At the same time, higher discount rates had a mitigating impact on the present value of pension obligations. As a result of these changes, accumulated actuarial losses decreased from SEK 4.0 billion to SEK 2.6 billion.

As of December 31, 2006, the strategic asset allocation decided by the board of the Swedish pension fund was 60 percent fixed income, 32 percent equities and 8 percent other investments. Other investments include primarily hedge funds and private equity. Out of the total strategic assets, 40 percent are domestic index (inflation) linked government bonds and 20 percent refers to other domestic fixed income assets with low credit risk. Out of the equity holdings, domestic equities represent 10 percentage points and global equities 22 percentage points. The actual allocation may fluctuate from the strategic allocation in a range of +/–10 percent between fixed income and equities. All assets in the Swedish pension fund are managed by appointed external managers with specialist mandates.

The approximate impact on the pension obligations is SEK 3.6 billion, should the weighted average discount rate decrease by one percentage point from the approximately 3.9 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, 2006, and assuming that the value of the other assets in the pension funds were unchanged, a similar reduction in interest rates is estimated to increase the value of the pension funds assets by some SEK 1 billion.

Exogenous risk factors impacting pension obligations include changes in population life expectancy. Current anticipation is that there will be actuarial modifications implying an extension of average life expectancy in the near future. Should such modifications be realized, they are assumed to increase TeliaSonera's pension obligations. At this stage, however, the impact cannot be quantified.

Financing risk

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

TeliaSonera AB enjoys a strong credit rating with the rating agencies Moody's and Standard & Poor's. In the last quarter of 2006, Moody's changed the outlook to "Negative" on its assigned credit rating on TeliaSonera AB, which is A-2 for long-term borrowings and P-1 for short-term borrowings. Standard & Poor's credit rating on TeliaSonera AB remained unchanged at A- for long-term borrowings and A-2 for short-term borrowings. These ratings represent a solid investment grade level and are thus expected to allow TeliaSonera continued good access to the financial markets.

TeliaSonera finances its operations chiefly by borrowing under its uncommitted open-market financing programs directly in Swedish and international money markets and capital markets. TeliaSonera also use some bank financing, which represented approximately 3 percent of the Group's total borrowing as of December 31, 2006. The open-market financing programs provide a cost-effective and flexible alternative to bank financing.

Credit risk

TeliaSonera AB accepts only creditworthy counterparts for financial transactions such as interest rate swaps, cross currency swaps and other transactions in derivatives. 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 depends on the rating of that counterpart. As of December 31, 2006, the aggregate exposure to counterparts in derivatives was SEK 552 million, calculated as a net claim on each counterpart.

Any surplus cash in TeliaSonera AB is typically deposited in banks or invested in short-term interest-bearing instruments with good credit ratings. The permitted exposure to each counterpart depends on the rating of that counterpart.

The credit risk with respect to TeliaSonera's trade receivables is diversified among a large number of customers, both private individuals and companies in various industries. Solvency information is required for credit sales to minimize the risk of unnecessary bad debt expense and is based on group-internal information on payment behavior, if necessary supplemented by credit and business information from external sources. Bad debt expense in relation to consolidated net sales was approximately 0.4 percent in 2006 and 0.3 percent in 2005.

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.

23. Provisions for Pensions and Employment Contracts

General

Total assets for pension obligations were as follows.

SEK in millions	December 31, 2006	2005
Present value of pension obligations	21,495	22,036
Fair value of plan assets	–18,977	–18,480
Pension obligations less plan assets	**2,518**	**3,556**
Unrecognized past service cost	11	26
Unrecognized actuarial gains (+)/losses (–)	–2,611	–4,019
Net assets for pension obligations	**–82**	**–437**

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

Total pension expenses were distributed as follows.

SEK in millions	January–December 2006	2005
Current service cost	528	472
Interest cost	746	880
Expected return on assets	–798	–970
Curtailment of pension obligations	–11	–
Amortization of past service cost	–13	–8
Amortization of actuarial gains (–)/losses (+)	146	88
Pension expenses, defined benefit pension plans	**598**	**462**
Settlement of pension obligations	–	–4
Termination benefits (excl. premiums and pension-related social charges)	496	888
Pension premiums, defined benefit/ defined contribution pension plans and pay-as-you-go systems	563	626
Pension-related social charges and taxes, other pension expenses	409	506
Less termination benefits (incl. premiums and pension-related social charges) reclassified as restructuring charges	–658	–1,185
Total pension expenses	**1,408**	**1,293**
of which pension premiums paid to the ITP pension plan	167	204

Actuarial calculation assumptions

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

Percent, except remaining working life	December 31, 2006	2005
Discount rate	3.9	3.5
Expected rate of compensation increase	3.2	3.1
Employee turnover rate	2.9	3.0
Average expected remaining working life, years	14.5	14.7
Increase in income base amount (only Swedish Group units)	2.8	2.8
Annual adjustments to pensions	2.0	1.9
Expected return on plan assets	4.5	4.3

Specifications to pension obligations and pension expenses

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

SEK in millions, except percentages	December 31, 2006	2005
Present value of pension obligations		
Opening balance	22,036	18,047
Current service cost	528	472
Interest cost	746	880
Benefits paid	–1,107	–989
Benefits paid, early retirement	–307	–249
Termination benefits	496	888
Reclassifications	120	–
Operations acquired/divested	–	–19
Curtailment of pension obligations	–11	–
Settlement of pension obligations	–	–4
Past service cost	–	–16
Actuarial gains (–)/losses (+)	–882	2,942
Exchange rate differences	–124	84
Closing balance, present value of pension obligations	**21,495**	**22,036**
Experience adjustments arising on plan liabilities (%)	*–0.3*	*0.4*
Effects of changes in actuarial assumptions (%)	*4.4*	*–13.8*
Fair value of plan assets		
Opening balance	18,480	15,838
Expected return on plan assets	798	970
Contribution to pension funds	443	1,000
Payment from pension funds	–1,030	–1,029
Actuarial gains (+)/losses (–)	384	1,616
Exchange rate differences	–98	85
Closing balance, plan assets	**18,977**	**18,480**
Experience adjustments arising on plan assets (%)	*2.0*	*8.7*
Return on plan assets		
Expected return on plan assets	798	970
Actuarial gains (+)/losses (–)	384	1,616
Actual return on plan assets	**1,182**	**2,586**
Actual return on plan assets (%)	*6.4*	*15.8*

SEK in millions, except percentages	December 31, 2006	2005
Net assets for pension obligations		
Opening balance	–437	–573
Pension expenses, defined benefit pension plans	598	462
Benefits paid	–1,107	–989
Benefits paid, early retirement	–307	–249
Contribution to pension funds	–443	–1,000
Payment from pension funds	1,030	1,029
Termination benefits	496	888
Operations acquired/divested, net	–	–9
Reclassifications	120	–
Settlement of pension obligations	–	–1
Exchange rate differences	–32	5
Closing balance, net assets for pension obligations	**–82**	**–437**
Actuarial gains/losses		
Opening balance, actuarial gains (+)/losses (–)	–4,019	–2,802
Actuarial gains (–)/losses (+) to be recognized	146	88
Actuarial gains (–)/losses (+), settlement of pension obligations	–	4
Actuarial gains (–)/losses (+), acquired/divested operations	–	10
Actuarial gains (+)/losses (–), pension obligations	882	–2,942
Actuarial gains (+)/losses (–), plan assets	384	1,616
Exchange rate differences	–4	7
Closing balance, actuarial gains (+)/losses (–)	**–2,611**	**–4,019**
Operations divested		
Decrease in pension obligations	–	–19
Changes in unrecognized actuarial gains (–)/losses (+)	–	10
Net position, operations divested	**–**	**–9**

Plan-asset allocation

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

	December 31, 2006		2005	
Asset category	SEK in millions	Percent	SEK in millions	Percent
Fixed income instruments, liquidity	11,250	59.3	11,286	61.1
Shares and other investments	7,727	40.7	7,194	38.9
Total	**18,977**	**100.0**	**18,480**	**100.0**
of which shares in TeliaSonera AB	79	0.4	70	0.4

Future contributions

For companies in Sweden, part of the pension liabilities is secured also by credit insurance. This means, should the pension obligations increase, that each company can choose if and when to contribute to the pension fund or otherwise to recognize a pension provision in the balance sheet. To pension funds outside Sweden, TeliaSonera expects to contribute SEK 87 million in 2007.

24. Other Provisions

Changes in other provisions were as follows.

	December 31, 2006					
SEK in millions	Restructuring provisions	Contingent consideration	Warranty provisions	Asset retirement obligations	Other provisions	Total
Opening balance	2,920	–	1,813	489	764	5,986
Provisions for the period	1,638	241	5	67	141	2,092
Business combinations	–	1,054	–	–	6	1,060
Utilized provisions	–1,301	–	–98	–6	–123	–1,528
Reversals of provisions	–676	–	–63	–80	–176	–995
Reclassifications	–816	–	–601	–9	156	–1,270
Timing and interest-rate effects	64	10	0	8	1	83
Exchange rate differences	–36	–31	–43	–5	–2	–117
Closing balance	**1,793**	**1,274**	**1,013**	**464**	**767**	**5,311**
of which non-current portion	990	1,274	1,011	458	742	4,475
of which current portion	803	–	2	6	25	836

Restructuring provisions

	December 31, 2006 or Januari–December 2006					
		International Carrier				
SEK in millions	Danish operations	Strategic refocusing 2002	Post-merger integration	Competitive Cost Level programs in Sweden and Finland	Other restructuring provisions	Total
Carrying value, opening balance	291	1,491	240	835	63	2,920
Provisions for the period	48	–	–	1,588	2	1,638
Utilized provisions (cash outflow)	–185	–206	–24	–842	–44	–1,301
Reversals of provisions	–5	–572	–30	–51	–18	–676
Reclassification to pension liability	–	–	–	–816	–	–816
Timing and interest-rate effects	–	57	7	–	–	64
Exchange rate differences	–6	–21	–9	–	–	–36
Carrying value, closing balance	**143**	**749**	**184**	**714**	**3**	**1,793**
of which current portion	–	*145*	*25*	*633*	–	*803*
Cash outflow during the year	–185	–206	–24	–842	–44	–1,301
Cash outflow during previous years	–493	–1,954	–161	–241	–23	–2,872
Total cash outflow	**–678**	**–2,160**	**–185**	**–1,083**	**–67**	**–4,173**

Danish operations

In 2002, the Danish fixed network operations were focused on telephony sales to businesses and consumers and wholesale network capacity to operators and service providers. The number of employees was reduced by approximately 100 people and consultants and temporary staff was reduced by more than 100 people.

Following the acquisition of Orange Denmark in 2004 and to realize synergy gains, the acquired operations were integrated with Telia's Danish mobile operations. The integration program involved branding, customer migration, new service portfolio, premises, personnel and handling of overlapping GSM networks and UMTS licenses. Notice was given of a redundancy of 300 employees in 2005.

In 2005, management decided to further improve efficiency in the Danish operations by integrating the mobile operations Telia Mobile and the fixed network operations Telia Networks. The integration decreased annual costs and reduced the number of full-time positions by approximately 110. Further efficiency measures were launched in 2006, resulting in a redundancy of 65 employees.

The remaining provision as of December 31, 2006 is expected to be fully used by 2020.

International Carrier – strategic refocusing 2002

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

As part of the restructuring, Telia International Carrier also reduced its original workforce of approximately 800 persons by more than 50 percent, mainly in 2002 and 2003.

In 2006, TeliaSonera settled a dispute over a potential co-location site (West Ferry Road) in London on better terms than previously expected, and was able to reverse SEK 500 million of related provisions.

The remaining provision as of December 31, 2006 mainly relates to the phase-out of long-term contracts and is expected to be fully used by 2019.

International Carrier – 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, 2006 mainly relates to the phase-out of long-term contracts and is expected to be fully used by 2019.

Competitive Cost Level programs in Sweden and Finland

In Sweden and Finland, management has launched transition programs to keep the profitability by achieving competitive cost levels and focusing of the service offerings. In Sweden, the restructuring program launched in 2005 is expected to reduce annual costs by SEK 4–5 billion as of 2008, compared to the cost level of 2004. The changes are expected to result in a personnel reduction of approximately 3,000. At year-end 2006, approximately 1,520 employees had left the company through early retirement and other arrangements, and the number of hired personnel has decreased by approximately 670.

In Finland, streamlining efforts were initiated and completed in 2005, with the effect of lower annual costs by SEK 1 billion as of 2006, compared to the cost level of 2004. Late in 2005, additional initiatives were taken and a turn-around program was launched to secure future growth and restore profitability. The turnaround program is estimated to result in an additional annual cost reduction of SEK 2 billion as of 2008, compared to the cost level of 2005.

The remaining provision as of December 31, 2006 is expected to be fully used by 2010. Of the provision, SEK 704 million relates to Sweden. The remaining activities under the competitive cost level programs have been allocated to TeliaSonera's new business areas effective January 1, 2007.

Contingent consideration

Contingent consideration relates to Xfera Móviles S.A., which was acquired in June 2006. The opening balance of warranty provisions included a provision for counter guarantees for Xfera liabilities which was reclassified to contingent consideration as part of the cost of the Xfera acquisition (see Note 33 "Business Combinations"). The closing balance comprises SEK 547 million to the selling shareholders based on an up to 20 year earn-out model and SEK 728 million for a put option giving existing minority shareholders the right to sell their shares (including a new share issue and adjustment of quotient value of SEK 230 million made subsequent to the business combination) to TeliaSonera after 5 years, of which at least 2 consecutive years of net profit. The provisions for contingent consideration represent the present value of management's best estimate of the amounts required to settle the liabilities. The estimate for the earn-out model has been made based on the Xfera business plan and the amounts and timing may vary as a result of changes in Xfera's operations and profitability compared to the business plan used. The estimate for the put option liability has been made based on assumptions about the timing of the option exercise and about the fair value of Xfera at that date, and the estimate may vary as a result of changes in Xfera's fair value and the timing of the option exercise.

Warranty provisions

Warranty provisions include SEK 824 million related to a guarantee commitment on behalf of the minority held Ipse 2000 S.p.A. The provision represents the present value of Ipse's remaining UMTS license fees payable by TeliaSonera to the Italian government in 2007–2010. In early 2006, the Italian government revoked the license as Ipse had not met the license requirements. While Ipse's position is that no further license fees should be payable and that the portion of the fees related to the license period which is not utilized by Ipse should be refunded by the government, TeliaSonera continues to carry a full provision since Ipse's claim against the government is in early stages, is complicated and includes political aspects, and is likely to require a long court process the outcome of which is uncertain. TeliaSonera has also given cash collateral for the remaining license payments (see Note 28 "Contingencies, Other Contractual Obligations and Litigation").

Other provisions

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

25. Other Long-term Liabilities

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

	December 31,	
SEK in millions	**2006**	**2005**
Prepaid leasing agreements	631	966
Danish 3G license fee liability	303	383
Customer advances for broadband build-out	816	712
Other liabilities	632	282
Total	**2,382**	**2,343**

For information on leases, see Note 27 "Leasing Agreements." Of the total liabilities for the years 2006 and 2005, SEK 351 million and SEK 415 million, respectively, fell due more than five years after the balance sheet date.

26. Trade Payables and Other Current Liabilities

Trade payables and other current liabilities were distributed as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Accounts payable	9,077	7,676
Other current liabilities	4,400	4,544
Accrued expenses	7,124	6,931
Deferred income	3,751	3,582
Total trade payables and other current liabilities	**24,352**	**22,733**

The main components of Other current liabilities are value-added tax, excise taxes, and advances from customers. Accrued expenses and Deferred income mainly entail accruals of payroll expenses, social security contributions, payables to suppliers and interconnect and roaming charges and deferrals of subscription charges.

27. Leasing Agreements

TeliaSonera as lessee

Finance leases

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

The carrying value of the leased assets as of the balance sheet date was as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Cost	799	1,008
Less accumulated depreciation	–545	–679
Net carrying value of finance lease agreements	**254**	**329**

Depreciation and impairment losses totaled SEK 185 million and SEK 206 million for the years 2006 and 2005, respectively. Leasing fees paid in these years totaled SEK 185 million and SEK 216 million, respectively.

As of December 31, 2006, future minimum leasing fees and their present values as per finance lease agreements that could not be canceled in advance and were longer than one year in duration were as follows.

Maturity SEK in millions	**2007**	**2008**	**2009**	**2010**	**2011**	**Later years**	**Total**
Future minimum leasing fees	95	47	24	14	11	17	**208**
Present value of future minimum lease payments	90	43	21	12	9	13	**188**

As of the balance sheet date, the present value of future minimum leasing fees under non-cancelable finance lease agreements was as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Total future minimum leasing fees	208	390
Less interest charges	–20	–31
Present value of future minimum leasing fees	**188**	**359**

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 home computers leased to employees and certain office premises.

Future minimum leasing fees under operating lease agreements in effect as of December 31, 2006 that could not be canceled in advance and were in excess of one year were as follows.

Maturity SEK in millions	**2007**	**2008**	**2009**	**2010**	**2011**	**Later years**	**Total**
Future minimum leasing fees	1,708	1,426	1,286	960	791	2,478	**8,649**
Minimum sublease payments	46	36	30	13	–	–	**125**

Total rent and leasing fees paid were SEK 2,128 million and SEK 2,503 million for the years 2006 and 2005, respectively. For these years, revenue for subleased items totaled SEK 46 million and SEK 65 million, respectively.

At the end of 2006 office space and technical site leases covered approximately 710,000 square meters, including approximately 5,000 square meters of office space for TeliaSonera's principal executive offices, located at Sturegatan 1 in Stockholm, Sweden. Apart from certain short-term leases, leasing terms range mainly between 3 and 17 years with an average term of approximately 5 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 and Denmark comprises financing of products related to TeliaSonera's product offerings. The term of the contract stock is approximately 15 quarters. The term of new contracts signed in 2006 is 15 quarters. Of all contracts, 31 percent carry a floating interest rate and 69 percent a fixed rate. Most contracts include renewal options. In Finland, TeliaSonera under a finance lease agreement provides electricity meters with SIM cards for automated reading to a power company as part of TeliaSonera's service package. The term of the agreement is 15 years and carries a fixed interest rate.

As of the balance sheet date, the present value of future minimum lease payment receivables under non-cancelable finance lease agreements was as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Gross investment in finance lease contracts	848	663
Less unearned finance revenues	–129	–82
Net investment in finance lease contracts	**719**	**581**
Less: Unguaranteed residual values of leased properties for the benefit of the lessor	–0	–0
Present value of future minimum lease payment receivables	**719**	**581**

As of December 31, 2006, the gross investment and present value of receivables relating to future minimum lease payments under non-cancelable finance lease agreements were distributed as follows.

Maturity SEK in millions	2007	2008	2009	2010	2011	Later years	Total
Gross investment	223	182	124	61	41	217	**848**
Present value of receivables relating to future minimum lease payments	214	163	106	49	31	156	**719**

Reserve for doubtful receivables regarding minimum lease payments totaled SEK 8 million as of December 31, 2006.

Operating leases

The leasing portfolio refers to the international carrier business and includes some twenty agreements with other international operators and over 100 other contracts. Contract periods range between 10 and 25 years, with an average term of 20 years.

The carrying value of the leased assets as of the balance sheet date was as follows:

SEK in millions	December 31, 2006	2005
Cost	3,390	3,547
Less accumulated depreciation	–1,799	–1,755
Less accumulated impairment losses	–300	–300
Gross carrying value	**1,291**	**1,492**
Plus prepaid sales costs	2	2
Less prepaid lease payments	–722	–965
Net value of operating lease agreements	**571**	**529**

Depreciation and impairment losses totaled SEK 330 million in 2006 and SEK 385 million in 2005.

Future minimum lease payment receivables under operating lease agreements in effect as of December 31, 2006 that could not be canceled in advance and were in excess of one year were as follows.

Maturity SEK in millions	2007	2008	2009	2010	2011	Later years	Total
Future minimum lease payments	244	101	52	16	4	4	**421**

28. Contingencies, Other Contractual Obligations and Litigation

Contingent assets, collateral pledged and guarantees

As of the balance sheet date, unrecognized contingent assets, collateral pledged and unrecognized guarantees were distributed as follows.

SEK in millions	December 31, 2006	2005
Contingent assets	–	–
Collateral pledged		
For warranty provisions: Blocked funds in bank accounts	911	1,004
For deposits from customers: Blocked funds in bank accounts	76	86
For pension obligations: Real estate mortgages	17	18
For pension obligations: Current receivables	37	44
For operating leases: Real estate mortgages	3	3
For long-term borrowings: Shares in Svenska UMTS-nät AB	359	429
Total collateral pledged	**1,403**	**1,584**
Guarantees		
Credit guarantee on behalf of Svenska UMTS-nät AB	1,685	1,475
Credit guarantee on behalf of Xfera Móviles S.A.	–	31
Credit guarantees on behalf of other associated companies	2	2
Performance guarantees on behalf of Xfera Móviles S.A.	–	574
Other credit and performance guarantees, etc.	152	295
Guarantees for pension obligations	219	204
Total guarantees	**2,058**	**2,581**

As of December 31, 2006, total unrecognized guarantees represented the following maturities.

Maturity SEK in millons	2007	2008	2009	2010	2011	Later years	Total
Guarantees	154	–	–	–	1,685	219	**2,058**

Some loan covenants agreed limit the scope for divesting or pledging certain assets.

For all guarantees, except the credit guarantee on behalf of Svenska UMTS-nät AB, stated amounts equal the maximum potential amount of future payments that TeliaSonera could be required to make under the respective guarantee.

As security for certain amounts borrowed by TeliaSonera's 50 percent owned joint venture Svenska UMTS-nät AB under a third-party credit facility totaling SEK 4,800 million, TeliaSonera and Tele2, the other shareholder of Svenska UMTS-nät, have each severally but not jointly issued guarantees of a maximum of SEK 2,400 million to the lenders and granted pledges of their shares in Svenska UMTS-nät. The indebtedness under the credit facility may become due on an accelerated basis, under certain circumstances, including if either TeliaSonera or Tele2 ceases to hold, directly or indirectly, 50 percent of the company, unless the lenders provide their advance consent. TeliaSonera is not contractually required to provide any further capital contributions to or guarantees in favor of Svenska UMTS-nät. As of December 31, 2006, Svenska UMTS-nät had, under the credit facility, borrowed SEK 3,370 million, of which TeliaSonera guarantees 50 percent, or SEK 1,685 million.

As of December 31, 2006, TeliaSonera had recognized all of its commitments on behalf of Ipse 2000 S.p.A. in the balance sheet as warranty provisions (see Note 24 "Other Provisions"). Ipse's UMTS license payments to the Italian government have been secured by bank guarantees. According to an agreement with the bank, Ipse and its shareholders, including TeliaSonera, have given cash collateral for the remaining license payments in 2007 and onwards. TeliaSonera's part of the cash collateral amounts to EUR 96 million, equivalent to SEK 868 million.

TeliaSonera has entered into a cross-border finance lease-leaseback agreement for mobile network equipment in Finland, with a remaining carrying value of SEK 17 million as of December 31, 2006. The arrangement was entered into in 1998 by TeliaSonera Finland Oyj (formerly Sonera Oyj) and is valid for 15 years, with an early termination option after 11 years. TeliaSonera has determined that in substance the transactions are not leases as defined in IAS 17, and the amounts are shown net on the balance sheet. Both the lease receivables and the lease obligations were settled at the inception of the agreement and TeliaSonera Finland received a net cash consideration of USD 11 million (EUR 9 million) which was recorded in the balance sheet as an advance payment received and is recognized in financial income over the lease term. No other cash payments are currently expected to be made by TeliaSonera, since TeliaSonera has defeased all obligations under the agreement with highly rated financial institutions and U.S. Government related securities. The ownership of the equipment is retained with TeliaSonera. However, during the agreement period, TeliaSonera can not dispose of the equipment but may make replacements.

Other unrecognized contractual obligations

As of December 31, 2006, unrecognized contractual obligations regarding future acquisitions (or equivalent) of intangible assets, property, plant and equipment and financial assets were as follows.

Maturity SEK in millions	2007	2008	2009	Later years	Total
Intangible assets	23	–	–	–	**23**
Property, plant and equipment	1,704	127	9	–	**1,840**
Other holdings of securities	6	–	–	–	**6**
Total	**1,733**	**127**	**9**	**–**	**1,869**

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

TeliaSonera's Spanish subsidiary Xfera also pays an annual spectrum fee during the term of its 3G license expiring in 2020. The fee is determined on an annual basis by the Spanish government authorities and for 2007 is set to EUR 26 million.

Legal and administrative proceedings

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

Regulatory proceedings

- The administrative courts in Sweden have ruled that Telia shall reimburse Tele2 for all traffic transferred by Telia to Tele2's mobile network, while Telia is entitled to be reimbursed by the originating operators who have transferred traffic on Telia's network. In connection with the proceedings above, Tele2 brought an action in the Swedish civil courts against Telia claiming currently SEK 932 million and accrued interest for interconnect fees for the period September 1998–March 2004. The action has been stayed pending the administrative procedures.

  Telia is also in disputes with Tele2, Vodafone (now Telenor) and Hi3G in Sweden regarding the level of inter-connect fees for calls from 2004 and onwards terminated in their respective mobile networks. The Swedish National Post and Telecom Agency (PTS) has decided that Tele2, Vodafone and Hi3G were entitled to charge

Telia approximately SEK 0.97 per minute until July 5, 2004 and thereafter down to approximately SEK 0.54 in 2007. Tele2, Telenor and Hi3G claim that the interconnect fees should be higher, in the range of SEK 0.99–1.35 per minute, while Telia claims that the fees should at the most be in accordance with the fees that PTS has decided. The issues are presently pending in the courts.

In February 2007, the Administrative Court of Appeal decided on the matter of the level of Tele2's interconnect fees from August 2001 until December 2003. The decisions from the Administrative Court of Appeal have resulted in a reversal of existing provisions in the amount of SEK 389 million recorded as other operating income (see Note 8 "Other Operating Income and Expenses"). For the remaining exposure, TeliaSonera has recognized provisions that management believes to be sufficient. However, the final outcome may result in payments that deviate significantly – up or down – from the current provision level. As the other operators have submitted invoices to Telia, parts of which Telia dispute, the provisions form a part of accounts payable. Management believes that the disputes may be resolved in 2007.

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

Other legal proceedings

- TeliaSonera is currently involved in court cases with Primav Construcoes e Comercio and Telmig, former shareholders of the Brazilian mobile operator Tess, relating to such shareholders' disposal of their investments in Tess as well as certain call options and subscription rights in Tess. Whilst TeliaSonera has sold its holding in Tess, it has entered into certain guarantees to compensate the buyer for certain losses in connection with the above mentioned court cases. TeliaSonera will vigorously contest any claims in connection with the disputes.
- A governmental agency in Kazakhstan has performed a review of K'Cell's compliance with the competition law for certain periods during 2004 and 2005. In November 2006, the agency issued a penalty against K'Cell with substantial amounts for alleged predatory pricing. K'Cell contested the penalty, which was later revoked in December 2006. The agency is currently performing an additional investigation on the subject. TeliaSonera is not in a position to estimate the revised amount of claims, if any, that the agency may impose. Consequently, TeliaSonera has not recognized any provision. TeliaSonera expects the results of the current investigation to be communicated in the near future.

29. Cash Flow Information

Cash flow from operating activities under the direct method presentation

	January–December	
SEK in millions	**2006**	**2005**
Cash receipts from customers	89,742	88,381
Cash paid to employees and suppliers	–61,052	–59,234
Cash flow generated from operations	**28,690**	**29,147**
Dividends received	1,788	759
Interest received	487	605
Interest paid	–1,082	–1,473
Income taxes paid	–2,382	–2,048
Cash flow from operating activities	**27,501**	**26,990**

Non-cash transactions

Asset retirement obligations (AROs)

In 2006 and 2005, obligations regarding future dismantling and restoration of technical sites entailed non-cash investments of SEK 67 million and SEK 194 million, respectively.

Acquisitions and divestitures

The TeliaSonera Group is continually restructured through the acquisition and divestiture of subsidiaries and lines of business as well as associated companies, joint ventures and companies outside the Group. The fair value of assets acquired and liabilities assumed in subsidiaries and the total cash flow from acquisitions were as follows.

	January–December	
SEK in millions	**2006**	**2005**
Intangible assets	4,799	2,569
Property, plant and equipment	913	11
Financial assets, accounts receivable, inventories etc.	3,562	328
Assets held-for-sale	–	31
Cash and cash equivalents	324	746
Revaluation reserve and other equity adjustments related to transactions prior to the business combination	165	–
Minority interests	238	92
Provisions	–579	–128
Long-term liabilities	–1,113	–635
Current liabilities	–4,048	–262
Total purchase consideration	**4,261**	**2,752**
Less purchase consideration paid prior to the business combination	–190	–286
Less contingent consideration	–1,054	–
Less reversal of provision recognized before the business combination	454	–
Less cash and cash equivalents in acquired group companies	–324	–746
Net cash outflow from acquired group companies	**3,147**	**1,720**
Purchase consideration for other acquisitions	127	50
Total cash outflow from acquisitions	**3,274**	**1,770**

See Note 33 "Business Combinations" for more information on significant transactions in 2006.

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

	January–December	
SEK in millions	**2006**	**2005**
Cash and cash equivalents	–	69
Assets held-for-sale	41	–
Minority interests	26	–
Provisions	–	37
Total sales consideration	**67**	**106**
Less cash and cash equivalents in divested group companies	–	-69
Net cash inflow from divested group companies	**67**	**37**
Sales consideration for other divestitures	281	1,617
Total cash inflow from divestitures	**348**	**1,654**

30. Segment Information

Profit Center breakdown

The Group's operations are managed and reported primarily by country-based Profit Centers (PC). PC consolidation is based on the same principles as for the Group as a whole. Inter-segment transactions are based on commercial terms.

The country-based PCs have full profit responsibility for their business and are responsible for all operations, including marketing, sales, product and service development as well as production and network operations. The PCs make operational decisions within the framework of centrally established corporate policies and road maps.

Other operations comprise TeliaSonera International Carrier and TeliaSonera Holding. TeliaSonera International Carrier is a common operations unit supporting the Group's business in the Nordic and Baltic home markets by operating TeliaSonera's capacity network on the international carrier market. TeliaSonera Holding is responsible for the Group's non-core/non-strategic operations. The operations in Holding are being gradually divested through sales or closing-down of operations.

Corporate comprises Corporate Head Office, including the two operational units Marketing, Products and Services, and Networks and Technology, which acts on behalf of the CEO by making corporate policies, by coordinating TeliaSonera group matters and by exercising a strong central control to exploit scale advantages and synergies. Corporate also includes eliminations of inter-segment transfers and similar items.

Besides net sales and operating income, principal segment control and reporting concepts are EBITDA excluding non-recurring items and operating capital, respectively (see definitions to "Ten-Year Summary" and section "Reconciliation of EBITDA excluding non-recurring items to operating income" below). Comparative period figures for 2005 have been reclassified to reflect transfers of operations between segments in 2006.

SEK in millions	Sweden	Finland	Norway	Denmark	Baltic countries	Spain	Eurasia	Russia	Turkey	Other operations	Corporate	Group
	January–December 2006 or December 31, 2006											
Net sales	37,003	16,744	9,432	7,413	9,950	5	8,508	–	–	4,826	–2,821	**91,060**
External net sales	36,175	16,520	9,117	7,210	9,788	5	8,505	–	–	3,757	–17	**91,060**
EBITDA excluding non-recurring items	14,829	4,326	3,427	1,422	4,403	–337	4,804	–7	–10	7	–598	**32,266**
Non-recurring items	–1,255	–288	–	–77	–	–	–	–	–	561	–94	**–1,153**
Amortization, depreciation and impairment losses	–3,518	–2,582	–1,005	–924	–1,830	–51	–1,029	–	–1	–216	–47	**–11,203**
Income from associates and joint ventures	–69	–59	3	2	208	–	–	2,780	2,020	694	0	**5,579**
Operating income/loss	9,987	1,397	2,425	423	2,781	–388	3,775	2,773	2,009	1,046	–739	**25,489**
Financial items, net												**–263**
Income taxes												**–5,943**
Net income												**19,283**
Operating segment assets	31,827	44,089	29,485	9,502	14,625	3,279	9,020	4	86	3,163	11,744	**156,824**
Investments in associates and joint ventures	363	–1	72	5	740	–	–	7,560	15,642	1,156	–1	**25,536**
Unallocated assets												**17,032**
Total assets												**199,392**
Operating segment liabilities	15,318	3,402	1,761	2,540	1,111	2,259	1,311	9	25	5,072	39,389	**72,197**
Unallocated liabilities												**27,768**
Adjusted equity												**99,427**
Total equity and liabilities												**199,392**
Investments	3,565	1,457	3,009	688	1,749	1,360	2,694	–	5	430	95	**15,052**
of which CAPEX	3,565	1,407	729	530	1,405	181	2,694	–	5	394	191	**11,101**
Number of employees	9,558	5,910	964	1,329	6,892	67	2,003	2	3	834	966	**28,528**
Average number of full-time employees	9,451	5,737	872	1,304	6,257	30	1,803	2	3	788	722	**26,969**

SEK in millions	Sweden	Finland	Norway	Denmark	Baltic countries	Eurasia	Russia	Turkey	Other operations	Corporate	Group
	Januari–December 2005 or December 31, 2005 (reclassified)										
Net sales	38,710	17,002	7,481	7,178	9,293	6,367	–	–	4,575	–2,945	**87,661**
External net sales	37,968	16,629	7,240	7,029	9,136	6,365	–	–	3,308	–14	**87,661**
EBITDA excluding non-recurring items	15,183	3,641	2,614	817	4,255	3,576	–6	–52	151	–768	**29,411**
Non-recurring items	–2,095	–111	–	62	–	–	–	–	266	–25	**–1,903**
Amortization, depreciation and impairment losses	–4,681	–3,279	–932	–1,059	–2,172	–763	–	–	–331	29	**–13,188**
Income from associates and joint ventures	–105	87	–	6	220	–	1,176	1,761	84	0	**3,229**
Operating income/loss	8,302	337	1,682	–174	2,303	2,813	1,170	1,709	171	–764	**17,549**
Financial items, net											**–530**
Income taxes											**–3,325**
Net income											**13,694**
Operating segment assets	31,653	46,922	29,082	9,908	15,223	8,324	3	52	3,242	12,745	**157,154**
Investments in associates and joint ventures	432	102	–	3	598	–	5,311	18,146	615	1	**25,208**
Unallocated assets											**21,413**
Total assets											**203,775**
Operating segment liabilities	14,973	3,189	1,907	2,884	985	1,162	11	72	6,606	25,274	**57,063**
Unallocated liabilities											**26,735**
Adjusted equity											**119,977**
Total equity and liabilities											**203,775**
Investments	4,087	2,017	3,275	835	1,152	2,448	2	–	429	70	**14,315**
of which CAPEX	4,047	1,920	876	833	1,085	2,447	2	–	247	126	**11,583**
Number of employees	10,481	6,403	854	1,461	6,331	1,607	2	3	777	256	**28,175**
Average number of full-time employees	10,363	6,321	748	1,403	6,031	1,478	2	3	789	265	**27,403**

Product area breakdown

The Group's operations are reported secondarily by product area. Consolidation by product area is based on the same principles as for the Group as a whole.

Fixed Communications include Internet and data services and equipment sales.

Other includes non-core/non-strategic operations and Corporate as well as eliminations of inter-segment transfers and similar items.

Comparative period figures for 2005 have been reclassified to reflect transfers of operations between segments in 2006.

	January–December or December 31,							
	2006				2005 (reclassified)			
SEK in millions	Mobile communications	Fixed communications	Other	Group	Mobile communications	Fixed communications	Other	Group
External net sales	48,415	38,907	3,738	**91,060**	44,721	39,646	3,294	**87,661**
Operating segment assets	102,949	63,348	16,063	**182,360**	115,066	52,617	14,679	**182,362**
Investments	6,575	7,846	631	**15,052**	8,623	5,194	498	**14,315**
of which CAPEX	5,503	5,013	585	**11,101**	6,222	4,987	374	**11,583**

Reconciliation of EBITDA excluding non-recurring items to operating income

TeliaSonera management uses "EBITDA excluding non-recurring items" as one of the principal measures for monitoring profitability in segment reporting. Management believes that, besides operating income, EBITDA excluding non-recurring items is also a measure commonly reported and widely used by analysts, investors and other interested parties in the telecommunications industry. Accordingly, EBITDA excluding non-recurring items is presented to enhance the understanding of TeliaSonera's historical operating performance.

EBITDA equals operating income before amortization, depreciation and impairment losses and excluding income from associated companies and joint ventures. Non-recurring items include impairment losses, capital gains/losses, restructuring/phase-out of operations and personnel redundancy costs. Only impairment losses, capital gains/losses, restructuring programs or similar items that represent more than the equivalent to SEK 100 million on an individual basis, are considered to be reported as non-recurring items. When calculating EBITDA excluding non-recurring items, management does not exclude items that are part of the underlying business operations, even though such items may not recur in the near future.

EBITDA excluding non-recurring items, however, should not be considered as an alternative to operating income as an indicator of operating performance or as an alternative to cash flows from operating activities as a measure of liquidity. EBITDA excluding non-recurring items is not a measure of consolidated financial performance under IFRS and may not be comparable to other similarly titled measures for other companies. EBITDA excluding non-recurring items is not meant to be predictive of potential future results.

For illustrative purposes, the following table sets forth the relationship between operating income and EBITDA excluding non-recurring items.

	January–December	
SEK in millions	2006	2005
EBITDA excluding non-recurring items	**32,266**	**29,411**
Non-recurring items	–1,153	–1,903
Amortization, depreciation and impairment losses (Note 10)	–11,203	–13,188
Income from associated companies and joint ventures (Note 11)	5,579	3,229
Operating income	**25,489**	**17,549**

The following table sets forth non-recurring items.

	January–December	
SEK in millions	2006	2005
Restructuring charges, implementation costs to gain synergies, etc.	–1,160	–1,964
Net capital gains/losses (excluding associated companies and joint ventures)	7	61
Total	**–1,153**	**–1,903**

Restructuring charges and implementation costs to gain synergies are excluding amortization, depreciation and impairment losses of intangible and tangible assets but include reversals of provisions and foreign exchange rate effects.

EBITDA excluding non-recurring items, non-recurring items and operating income are broken down by country-based business segments in section "Profit Center breakdown" above.

31. Human Resources

Employees, salaries, and social security expenses

Acquired operations in 2006 added 770 employees, of which in the Baltics 335, in Norway 193, in Finland 175 and in Spain 67. In the existing operations, streamlining efforts in the Nordic countries more than offset recruitments mainly in Eurasia to handle the strong customer intake, resulting in a net decrease of the number of employees by 417. Hence, the total net change during 2006 was an increase by 353 employees to 28,528 at year-end (28,175 at year-end 2005).

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

	January–December			
	2006		2005	
Country	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	10,427	51.4	11,061	54.6
Finland	5,936	59.2	6,369	57.8
Norway	888	69.6	748	69.0
Denmark	1,310	68.9	1,409	65.0
Lithuania	3,328	51.4	3,446	55.0
Latvia	793	52.7	583	58.0
Estonia	2,196	57.6	2,045	57.7
Spain	30	63.3	–	–
Kazakhstan	803	47.1	609	50.4
Azerbaijan	525	41.0	452	43.6
Georgia	209	48.3	180	50.6
Moldova	258	48.4	227	48.9
Russia	66	63.6	68	67.6
United Kingdom	53	69.8	48	68.8
Germany	31	80.6	35	77.1
Other countries	116	67.2	123	73.2
Total	**26,969**	**54.9**	**27,403**	**56.5**

In total, operations in 2006 and 2005 were conducted in 26 and 24 countries, respectively.

The share of female and male Group senior executives was as follows. Senior executives include ordinary members of boards of directors, presidents and those on executive management teams at the corporate level, profit center level and company level.

	December 31,			
	2006		2005	
Percent	Boards of directors	Other senior executives	Boards of directors	Other senior executives
Women	23.3	19.5	24.7	27.0
Men	76.7	80.5	75.3	73.0
Total	**100.0**	**100.0**	**100.0**	**100.0**

Salaries and other remuneration for the Group, along with social security expenses and other personnel expenses, were as follows.

	January–December	
SEK in millions	2006	2005
Salaries and other remuneration	**8,918**	**9,023**
Social security expenses		
Employer's social security contributions	1,903	1,970
Pension expenses	1,408	1,293
Total social security expenses	**3,311**	**3,263**
Capitalized work by employees	–161	–118
Other personnel expenses	653	737
Total personnel expenses recognized by nature	**12,721**	**12,905**

Pension expenses for all boards of directors and presidents in the TeliaSonera Group totaled SEK 20 million in 2006 and SEK 15 million in 2005. No pension expenses were recorded for external board members of the parent company TeliaSonera AB.

Salaries and other remuneration were divided between boards of directors and presidents and other employees as follows. Variable salary was expensed in the respective year, but settled in cash in the following year.

	January–December			
	2006		2005	
SEK in millions	Boards and presidents (of which variable salary)	Other employees	Boards and presidents (of which variable salary)	Other employees
Salaries and other remuneration	119 (14)	8,799	103 (12)	8,920

Remuneration to corporate officers

Principles

As resolved by the Annual General Meeting, remuneration is paid to the chairman of the Board and directors in the amount of SEK 800,000 per year to the chairman, SEK 550,000 per year to the vice chairman and SEK 400,000 per year to each of the other directors, elected by the Annual General Meeting. In addition, remuneration is paid to the chairman of the Board's Audit Committee in the amount of SEK 150,000 per year and SEK 100,000 per year to each of the other members of the Audit Committee. Additional remuneration is also paid to the chairman of the Board's Remuneration Committee in the amount of SEK 40,000 per year and SEK 20,000 per year to each of the other members of the Remuneration Committee. Remuneration is paid monthly. No separate remuneration is paid to directors for other committee work. Directors appointed as employee representatives are not remunerated.

Remuneration to the Chief Executive Officer (CEO), the Executive Vice President and other members of Executive Management consists of a base salary, variable salary, certain taxable benefits and pension benefits. "Other members of Executive Management" refers to the six individuals who are directly reporting to the CEO and which, along with the CEO and the Executive Vice President, constituted TeliaSonera Executive Management on December 31, 2006.

Variable salary to the CEO and to the Executive Vice President is capped at an amount equal to 50 percent and 35 percent of the base salary, respectively. For other members of Executive Management, the variable salary is capped at 35 percent of the base salary. Variable salary is based on the financial performance of the group, financial performance in each officer's area of responsibility and individual performance objectives.

In addition to general employment benefits, TeliaSonera offers the following benefits to members of Executive Management employed in Sweden: health insurance (including coverage for the spouse of an employee), an annual medical examination, a telephone subscription for private use free of charge and the choice of the following: use of a company car, domestic service or a salary increase of an equivalent amount. All benefits, except for health insurance for the employee and the annual medical examination, are treated as taxable income in Sweden. One other member of Executive Management employed in Finland has the standard local benefits provided to other TeliaSonera Finland managers.

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

Remuneration and other benefits during the year

SEK	Board remuneration/ Base salary	Variable salary	Other benefits	Pension expense	Financial instruments	Other remuneration	Total
Chairman of the Board	923,352	–	–	–	–	–	**923,352**
Chief Executive Officer	6,814,500	2,385,100	395,327	8,124,191	–	–	**17,719,118**
Executive Vice President	3,800,000	1,102,008	537,948	2,249,827	–	–	**7,689,783**
Other members of Executive Management (six individuals)	16,800,668	4,394,355	1,011,318	11,421,768	–	–	**33,628,109**
Total	**28,338,520**	**7,881,463**	**1,944,593**	**21,795,786**	**–**	**–**	**59,960,362**

Comments on the table:
- Board remuneration to the Chairman includes remuneration for Audit Committee and Remuneration Committee work amounting to SEK 140,016.
- Base salary in 2007 amounts to SEK 7,087,100 (+4.0 percent) for the CEO, SEK 3,950,000 (+3.9 percent) for the Executive Vice President and the equivalent to SEK 17,743,212 (+5.6 percent) for other members of Executive Management.
- Variable salary was expensed in 2006, but will be settled in cash in 2007. Actual variable salary for 2006 corresponds to 35 percent of the base salary for the CEO, to 29 percent for the Executive Vice President and for other members of Executive Management to 22–29 percent of the base salary. Variable salary with respect to performance in 2005 was paid in 2006 to the CEO in an amount of SEK 1,298,000, to the Executive Vice President in an amount of SEK 499,800 and to other members of current Executive Management in an amount equivalent to SEK 1,731,800.
- Other benefits refer chiefly to company car benefit but also to a number of other taxable items.
- Pension expense refers mainly to defined benefit pension plans and to the expense that affected earnings for the year. See further disclosures concerning the terms and conditions of pension benefits below.

Stock options

As of December 31, 2006, TeliaSonera had no outstanding stock option programs.

Pension benefits

The age of retirement for the CEO is 60. Pension benefits between age 60 and 65 shall equal 70 percent of pensionable salary. Pension benefits after age 65 shall be paid in accordance with the ITP plan with supplementation of benefits for that part of salary exceeding 20 income base amounts, so that the total pension equals 50 percent of the pensionable salary. Pensionable salary equals the base salary. All pension benefits are unassailable, i.e., are not subject to conditions concerning future employment.

The age of retirement for the Executive Vice President is 60. Pension benefits between age 60 and 65 shall equal 70 percent of pensionable salary. Pension benefits after age 65 shall be paid in accordance with the ITP plan with supplementation of benefits, amounting to 32.5 percent of the pensionable salary, for that part of salary exceeding 20 income base amounts. Pensionable salary equals the base salary. All pension benefits are unassailable, i.e. are not subject to conditions concerning future employment.

The age of retirement for other members of Executive Management employed in Sweden varies between 60, 62 and 65. For those having a retirement age below age 65, pension benefits up to age 65 equal 70 percent of pensionable salary, except in one case where pension benefits equal 43 percent of pensionable salary. Pension benefits after age 65 shall be paid in accordance with the ITP plan with supplementation of benefits, amounting to 32.5 percent of the pensionable salary, for that part of salary exceeding 20 income base amounts except in one case where pension benefits amounts to 32.5 percent for that part of the salary exceeding 30 income base amounts. Pensionable salary includes base salary and variable salary for those employed prior to July 1, 2002. For those employed after that date the pensionable salary equals the base salary. All pension benefits are unassailable, i.e. are not subject to conditions concerning future employment.

The age of retirement for one other member of Executive Management employed in Finland is 60. Pension benefits as from the age of 60 shall be the same as they would have been, according to the statutory TEL pension plan, at normal retirement age of 63 if the service with the company would have continued to that date. The pensionable salary includes variable salary.

Severance pay

The contract between the company and the CEO requires both parties to provide six months' notice of resignation or termination of employment. Upon termination by the company, the CEO shall be entitled to severance pay equal to his monthly base salary for a period of 24 months. Other income shall be deducted from the severance amount. If the CEO resigns his position, he shall not be entitled to severance pay.

The contract between the company and the Executive Vice President as well as other members of Executive Management, requires a period of notice of six months from the employee and 12 months from the company with respect to resignation or termination of employment. Upon termination by the company, the employee shall be entitled to severance pay equal to the monthly base salary for a period of 12 months. Other income shall be deducted against the salary during the notice period and against the severance amount. If the employee resigns his or her position, he or she shall not be entitled to severance pay.

Planning and decision process

Remuneration to the CEO is decided by the Board of Directors based on the recommendation of the Remuneration Committee. Remuneration to other members of Executive Management is approved by the Remuneration Committee, based on the CEO's recommendation.

The Board of Directors intends to propose principles for remuneration to the management at the Annual General Meeting 2007.

Stock-based compensation

At General Meetings of shareholders of TeliaSonera AB in 2001 and 2002, a number of stock option programs were adopted.

Under the option programs, no new options were granted after 2003. Due to nonfulfillment of certain subscription criteria, most programs were cancelled in 2003 and 2004 and the subscription periods for the two remaining programs expired on May 31 and June 30, 2005, respectively. No option holder subscribed for shares under these programs.

32. Auditors' Fees and Services

The following remuneration was paid to auditors and accounting firms for audits and other reviews based on applicable legislation and for advice and other assistance resulting from observations in the reviews. Remuneration was also paid for independent advice, using Group auditors or other audit firms, in the fields of Tax/Law and Corporate Finance as well as other consulting services. Audit fees to other accounting firms refer to subsidiaries not audited by the Group auditors. Auditors are elected by the Annual General Meeting.

PricewaterhouseCoopers AB (PwC) has served as TeliaSonera AB's independent auditor (Group auditor) since April 28, 2004.

	January–December	
SEK in millions	**2006**	**2005**
PwC		
Audits	82	49
Audit-related services	3	6
Tax services	1	2
All other services	1	6
Total PwC	**87**	**63**
Ernst &Young (E&Y)		
Audits	0	–
Audit-related services	0	2
Tax services	–	1
All other services	13	28
Total E&Y	**13**	**31**
KPMG		
Audits	2	–
Audit-related services	–	1
Tax services	4	6
All other services	1	3
Total KPMG	**7**	**10**
Other accounting firms		
Audits	–	1
Audit-related services, tax services and all other services	11	6
Total other accounting firms	**11**	**7**
Total	**118**	**111**

In addition, fees for accounting firm services capitalized as transaction costs in business combinations and similar transactions totaled SEK 4 million in 2006 (other non-audit services: PwC SEK 1 million, E&Y SEK 1 million and KPMG SEK 2 million) and SEK 11 million in 2005 (tax services: KPMG SEK 4 million and other accounting firms SEK 1 million; other non-audit services: E&Y SEK 6 million).

Audit fees paid to PwC increased in 2006, mainly due to audit work on TeliaSonera's internal controls in accordance with Section 404 of the U.S. Sarbanes-Oxley Act. Fees paid to E&Y decreased from 2005, mainly due to E&Y's assistance in improving the Group's control environment in 2004–2005.

The Audit Committee of the Board of Directors of TeliaSonera AB is responsible, among other matters, for the oversight of TeliaSonera's independent auditors, subject to the requirement of Swedish law. The Board of Directors has adopted a policy regarding pre-approval of audit and permissible non-audit services provided by the independent auditors.

33. Business Combinations

Acquisitions of Xfera and NextGenTel

Description of and reasons for the acquisitions

Xfera

In June 2006, TeliaSonera increased its 16.55 percent holding in Spanish Xfera Móviles S.A. to 76.56 percent. By virtue of a shareholder's agreement, TeliaSonera controls 80 percent of the voting rights. The results of the Xfera operations have been included in the consolidated financial statements as of June 14, 2006.

In addition to the cash purchase price of SEK 617 million, there is an up to 20 year earn-out model giving rise to contingent additional payments to the selling shareholders. The minority shareholders have a put option giving them the right to, after 5 years and on certain other conditions, sell their shares to TeliaSonera. The fair value of the put option has been recorded as a liability, offsetting minority interest and increasing goodwill. Therefore, TeliaSonera effectively consolidates 100 percent of Xfera.

Xfera has launched mobile operations under the brand name Yoigo, based on its own 3G network combined with national 2G roaming. The approach is a benchmark low cost operation with a sharp business focus on targeting mass-market customers. The benchmark low cost is based on a streamlined organization with outsourced functions, including network roll-out, maintenance and operations, customer care, logistics and warehousing.

Xfera's total financing need, including investments in network, IP service platforms, start-up costs and spectrum fees (including accrued spectrum fees from 2002), is estimated to be less than SEK 9 billion (EUR 1 billion) for the first five years. The operation is expected to be cash flow positive and earnings accretive within the same time frame.

The goal is to have a market share of less than one percent at the end of 2007. The long-term ambition is to reach a market share of approximately 10 percent by 2015 and an EBITDA margin of around 30 percent, excluding non-recurring items.

NextGenTel

On May 16, 2006, TeliaSonera announced an agreement to acquire 82.3 percent of the Norwegian listed company NextGenTel Holding ASA. After a combined public offer and compulsory acquisition of the remaining shares, TeliaSonera controls 100 percent of the shares. The results of the NextGenTel operations have been included in the consolidated financial statements as of June 1, 2006.

NextGenTel is the second largest supplier of broadband in Norway. The acquisition broadens TeliaSonera's range of services in Norway where TeliaSonera is the second largest operator within mobile communications. NextGenTel is a strategic acquisition, strengthening TeliaSonera's position on mobile and Internet-based services in the home markets as a whole. TeliaSonera's intention is to exploit the competence and operations of NextGenTel when driving growth in other countries.

Financial effects

The acquired businesses impacted consolidated net sales and net income, including the effects of fair value adjustments, as follows.

SEK in millions	Net sale	Net income
Xfera (June 14 – December 31, 2006)	5	–992
NextGenTel (June 1 – December 31, 2006)	506	–58
Total	**511**	**–1,050**

The following table shows the TeliaSonera Group pro forma net sales, net income and earnings per share, including the effects of fair value adjustments, had the acquisitions taken place at January 1, 2006.

	January–December 2006			
SEK in millions, except per share data	**TeliaSonera Group**	**Xfera**	**NextGenTel**	**TeliaSonera Group pro forma**
Pro forma net sales	91,060	–	347	91,407
Pro forma net income	19,283	–144	0	19,139
Pro forma basic and diluted earnings per share (SEK)	3.78			3.75

Cost of combination, goodwill and cash-flow effects

Details of the cost of combination and goodwill were as follows.

SEK in millions	Xfera	NextGenTel
Cost of combination		
Cash purchase consideration (for Xfera including consideration paid for existing 16.55 percent holding)	807	2,153
Estimated contingent purchase consideration	540	–
Estimated consideration for shares subject to compulsory redemption	–	114
Estimated fair value of minority put option	510	–
Reversal of existing provisions related to counter guarantees for Xfera liabilities	–454	–
Transaction related direct expenses	4	68
Total cost of combination	**1,407**	**2,335**
Less fair value of net assets acquired (as specified below)	–178	–492
Less revaluation and other effects in equity relating to existing holding in Xfera	–25	–
Less goodwill written-down relating to existing holding in Xfera	–111	–
Goodwill	**1,093**	**1,843**
Allocation:		
Spain mobile / Norway mobile	1,093	156
Norway fixed	–	1,687

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

The cash-flow effects were as follows.

SEK in millions	Xfera	NextGenTel
Total cost of the combination paid in cash	811	2,335
Less consideration paid for existing 16.55 percent Xfera holding	–190	–
Less acquired cash and cash equivalents	–44	–265
Net cash outflow from the combination	**577**	**2,070**

Assets acquired and liabilities assumed

Carrying values and fair values of assets acquired and liabilities assumed were as follows.

	Xfera			NextGenTel		
SEK in millions	**Carrying value**	**Fair value adjustments**	**Fair value**	**Carrying value**	**Fair value adjustments**	**Fair value**
Goodwill	–	–	–	71	–71	–
UMTS license	1,686	–565	1,121	–	–	–
Customer relationships	–	–	–	96	224	320
Administrative software systems	19	–	19	–	–	–
Other intangible assets	–	–	–	43	–	43
Property, plant and equipment	380	46	426	496	–12	484
Investments in other equity holdings	–	–	–	13	–	13
Deferred tax assets	28	1,229	1,257	143	–12	131
Receivables from former shareholders for their guarantees to pay certain of Xfera's disputed interest-bearing spectrum fee liabilities to the Spanish state	–	1,727	1,727	–	–	–
Receivables and other current assets	201	–	201	148	–	148
Cash and cash equivalents	44	–	44	265	–	265
Total assets	**2,358**	**2,437**	**4,795**	**1,275**	**129**	**1,404**
Interest-bearing liabilities (for Xfera mainly accrued disputed annual spectrum fees to the Spanish state from 2001 onwards, and vendor financing)	–3,792	–	–3,792	–555	–	–555
Deferred tax liabilities	–	–456	–456	–47	–43	–90
Other non-interest-bearing liabilities	–369	–	–369	–267	–	–267
Total liabilities	**–4,161**	**–456**	**–4,617**	**–869**	**–43**	**–912**
Total fair value of net assets acquired	**–1,803**	**1,981**	**178**	**406**	**86**	**492**

There were no purchased in-process research and development assets acquired nor any collateral pledged and contingent liabilities arising from the acquisition.

Acquisition of Cygate

On November 16, 2006, TeliaSonera announced an agreement to acquire a majority stake in Cygate Group AB. After obtaining relevant regulatory approval closing took place on January 26, 2007. TeliaSonera acquired 98.76 percent of the shares for a cash consideration of SEK 639 million.

Cygate is a leading supplier of secure and managed IP network solutions as well as system integration in the Nordic market. The acquisition underlines TeliaSonera's strategic direction to strengthen its position within managed services.

The transaction is a strategic acquisition providing TeliaSonera with broader competence within business solution sales, technology and project management. Cygate provides solutions within networking, security and IP telephony and services within support, maintenance and IT management. Cygate, which has strong brand recognition in the market, will operate as a separate business within TeliaSonera.

Cygate is expected to generate 2006 net sales of approximately SEK 805 million. Total assets as of September 30, 2006 were SEK 327 million. Work on the purchase price allocation has started. To some extent the cost of combination will be allocated to certain identifiable intangible assets (e.g. trade names), but will mainly be recognized as goodwill. The results of the Cygate operations are included in the consolidated financial statements as of February 1, 2007.

34. Specification of Shareholdings and Participations

Associated companies and joint ventures

Company, Corp. Reg. No., registered office	Participation (%)	Number of shares	Par value in local currency (in millions)	Equity participation in consolidated accounts 2006	Equity participation in consolidated accounts 2005	Carrying value in each parent company 2006	Carrying value in each parent company 2005
				SEK in millions			
Parent company holdings							
Swedish companies							
Overseas Telecom AB, 556528-9138, Stockholm	65	1,180,575	SEK 118	833	318	198	198
Lokomo Systems AB, 556580-3326, Stockholm	40	676,504	SEK 0	1	1	0	0
Telefos AB, 556523-6865, Stockholm	26	2,560,439	SEK 0	271	256	103	104
SNPAC Swedish Number Portability Administrative Centre AB, 556595-2925, Stockholm	20	400	SEK 0	3	3	1	1
Other operating, dormant and divested companies				0	0	0	0
Companies outside Sweden							
ComHouse AS, 988755656, Larvik	33	60,700,000	NOK 61	72	–	75	–
Drutt Corp., 3186891, Wilmington, DE	30	1,000,000	USD 0	7	6	8	3
OAO Telecominvest, St. Petersburg	26	4,262,165	RUR 43	1,619	1,294	700	700
Other operating, dormant and divested companies				0	0	0	0
Total parent company						**1,085**	**1,006**
Subsidiaries' holdings							
Swedish companies							
Svenska UMTS-nät AB, 556606-7996, Stockholm (joint venture)	50	501,000	SEK 50	359	429	500	500
SmartTrust AB, 556179-5161, Stockholm	30	70,991,460	SEK 1	13	33	13	84
Other operating, dormant and divested companies				0	0	0	0
Companies outside Sweden							
AS Sertifitseerimiskeskus, 10747013, Tallinn	50	16	EEK 2	9	1	17	10
SIA Lattelecom, 00030527, Riga	49	71,581,000	LVL 72	730	596	1,019	1,058
Turkcell Holding A.S., 430991-378573, Istanbul	47	214,871,670	TRY 215	6,893	8,762	1,764	1,833
Turkcell Iletisim Hizmetleri A.S., 304844-252426, Istanbul	13	292,485,209	TRY 247	8,749	9,384	1,133	1,258
OAO MegaFon, 7812014560, Moscow	36	2,207,234	RUB 22	5,941	4,017	408	402
AUCS Communications Services v.o.f., 34097149, Hoofddorp	33	–	EUR –	31	1	0	2
Johtotieto Oy, 0875145-8, Helsinki	33	170	EUR 0	1	1	0	0
Operators Clearing House A/S, 18936909, Copenhagen	33	1,333	DKK 1	3	3	4	5
Voicecom OÜ, 10348566, Tallinn	26	–	EEK 0	1	2	1	0
Other operating, dormant and divested companies				0	101	0	15
Total				**25,536**	**25,208**		

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

The subsidiaries' holdings of Other operating, dormant and divested companies for the comparative year related to companies acquired and divested. The former associated company Päämies-kauppiaat Oy (now Sonera Piste Oy) became a subsidiary in 2006. Divestitures in 2006 included UAB TietoEnator Consulting and Eltel Networks Länsi Oy. Altogether, the Group's equity participation in the named companies amounted to SEK 101 million and the carrying value in each parent company to SEK 15 million.

Other equity holdings

Company, Corp. Reg. No., registered office	Participation (%)	Number of shares	Par value in local currency (in millions)	Carrying/fair value in consolidated accounts 2006	2005	Carrying value in each parent company 2006	2005
				SEK in millions			
Parent company holdings							
Swedish companies							
Slottsbacken Fund Two KB, 969660-9875, Stockholm	18	–	SEK –	5	6	5	6
Other operating, dormant and divested companies				0	0	0	0
Companies outside Sweden							
Digital Telecommunications Philippines Inc., Manila-Quezon City	9	600,000,000	PHP 600	166	84	166	84
Vision Extension L.P., LP180, Saint Helier, Jersey	2	–	USD 2	1	2	1	2
Other operating, dormant and divested companies				0	0	0	0
Total parent company						**172**	**92**
Subsidiaries' holdings							
Swedish companies							
Other operating, dormant and divested companies				0	0	0	0
Companies outside Sweden							
iVision AS, 983759955, Kristiansand	19	2,501,813	NOK 3	12	–	12	–
Radioliikkeiden Oy, 0113089-4, Espoo	11	7,515	EUR 0	0	1	0	1
Qwikker, Inc., 3269105, Redwood City, CA	7	11,147,967	USD 0	0	10	0	10
Magnum Communications L.P., Cayman Islands	7	–	USD –	17	14	17	14
Oy Merinova Ab, 0778620-2, Vaasa	6	800	EUR 0	1	1	1	1
Diamondhead Ventures, L.P., 3145188, Menlo Park, CA	4	–	USD –	13	13	13	13
Santapark Oy, 1095079-8, Rovaniemi	3	10,000	EUR 0	2	2	2	2
Pargas Telefon Ab – Paraisten Puhelin Oy, 0135996-3, Pargas	2	7,100	EUR 0	0	1	0	1
Bytemobile, Inc., 3255024, Mountain View, CA	1	735,476	USD 0	0	5	0	5
Helsinki Halli Oy, 1016235-3, Helsinki	1	42	EUR 0	4	4	4	4
Intellect Capital Ventures, L.L.C., 3173982, Los Angeles, CA	0	–	USD –	12	17	12	17
TelAdvent LP, 2705077, Wilmington, DE	0	–	USD –	11	11	11	11
Digital Media & Communications II L.P., 3037042, Boston, MA	0	–	USD –	6	6	6	6
Asunto Oy Helsingin Oskar, 0881553-8, Helsinki	0	280	EUR 0	1	1	1	1
Kiinteistö Oy Turun Monitoimihalli, 0816425-3, Turku	0	1	EUR 0	1	1	1	1
Participations in other real estate and housing companies, Finland	–	–	EUR –	31	22	31	22
Participations in other local phone companies, etc., Finland	–	–	EUR –	9	6	9	6
Other operating, dormant and divested companies				0	2	0	2
Total				**292**	**209**		

The comparative year's holding in Vision Extension L.P. refers to Vision Capital L.P., which was merged with Vision Extension in 2006. The subsidiaries' holdings of Other operating, dormant and divested companies for the comparative year (SEK 2 million) relate to the divestiture in 2006 of SysOpen Digia Oyj.

Parent Company Income Statements

		January–December	
SEK in millions	**Note**	**2006**	**2005**
Net sales	3	19,705	21,363
Costs of production	4	–12,917	–15,006
Gross income		**6,788**	**6,357**
Selling, administrative, and research & development expenses	4	–678	–838
Other operating income and expenses	5	546	–816
Operating income		**6,656**	**4,703**
Financial income and expenses	8	975	6,823
Income after financial items		**7,631**	**11,526**
Appropriations	9	–3,504	–10,835
Income before taxes		**4,127**	**691**
Income taxes	9	–899	1,162
Net income		**3,228**	**1,853**

Parent Company Balance Sheets

		December 31,	
SEK in millions	**Note**	**2006**	**2005**
Assets			
Goodwill and other intangible assets	10	445	394
Property, plant and equipment	11	19,003	19,972
Financial assets	12	111,884	98,022
Total non-current assets		**131,332**	**118,388**
Inventories	13	7	0
Trade and other receivables	14	9,823	10,073
Current tax receivables		–	1,411
Short-term investments	15	6,125	11,558
Cash and bank	24	1,468	970
Total current assets		**17,423**	**24,012**
Total assets		**148,755**	**142,400**
Shareholders' equity and liabilities			
Restricted equity			
Share capital		14,369	14,961
Other reserves		4,298	5,263
Non-restricted equity			
Retained earnings		49,367	61,579
Net income		3,228	1,853
Total shareholders' equity		**71,262**	**83,656**
Untaxed reserves	9	**17,476**	**13,972**
Deferred tax liabilities	9	1,030	2,358
Provisions for pensions and employment contracts	17	555	859
Other provisions	18	461	1,175
Total provisions		**2,046**	**4,392**
Interest-bearing liabilities			
Long-term borrowings	19	22,111	18,285
Short-term borrowings	19	27,533	15,144
Non-interest-bearing liabilities			
Long-term liabilities	20	905	896
Current tax payables		819	–
Short-term provisions, trade payables and other current liabilities	21	6,603	6,055
Total liabilities		**57,971**	**40,380**
Total shareholders' equity and liabilities		**148,755**	**142,400**

Unrecognized contingent assets	23	–	–
Collateral pledged	23	1	–
Unrecognized guarantees	23	4,392	2,549

Parent Company Cash Flow Statements

		January–December	
SEK in millions	**Note**	**2006**	**2005**
Net income		3,228	1,853
Adjustments for:			
Amortization, depreciation and impairment losses		3,671	4,620
Capital gains/losses on sales/discards of non-current assets		–437	–444
Pensions and other provisions		–2,204	–1,194
Financial items	24	41	232
Group contributions and appropriations		3,504	8,520
Income taxes	24	896	–2,004
Cash flow before change in working capital		**8,699**	**11,583**
Increase (–)/Decrease (+) in operating receivables		–1,909	–4,612
Increase (–)/Decrease (+) in inventories etc.		–6	0
Increase (+)/Decrease (–) in operating liabilities		2,017	4,434
Change in working capital		**102**	**–178**
Cash flow from operating activities		**8,801**	**11,405**
Intangible and tangible non-current assets acquired		–2,580	–2,927
Shares and participations		–14,131	–4,070
Non-current assets divested, etc.		–	2,435
Loans granted and other similar investments		–	–1,076
Repayment of loans granted and other similar investments		100	4
Compensation from pension fund		1,000	1,000
Net change in interest-bearing current receivables		–117	–18
Cash flow from investing activities		**–15,728**	**–4,652**
Cash flow before financing activities		**–6,927**	**6,753**
Purchase of treasury shares including transaction costs		–	–10,218
Dividend to shareholders		–15,717	–5,610
Group contributions and dividends received		1,122	–6,344
Proceeds from long-term borrowings		4,901	13,138
Repayment of long-term borrowings		–5,804	–3,240
Change in short-term borrowings		17,490	4,924
Cash flow from financing activities		**1,992**	**–7,350**
Change in cash and cash equivalents		**–4,935**	**–597**

Cash and cash equivalents, opening balance		**12,528**	**13,125**
Change in cash and cash equivalents		–4,935	–597
Cash and cash equivalents, closing balance	15	**7,593**	**12,528**

Parent Company Statements of Changes in Shareholders' Equity

SEK in millions	Share capital	Statutory reserve	Share premium reserve	Revaluation reserve	Non-restricted equity	Total equity
Closing balance, December 31, 2004	**14,961**	**1,855**	**52,681**	**2,994**	**25,153**	**97,644**
Depreciation on tangible assets written-up (Note 16)	–	–	–	414	–414	–
Reporting financial instruments at fair value (Note 16)	–	–	–	–	–28	–28
Net income recognized directly in equity	–	–	–	*414*	*–442*	*–28*
Net income	–	–	–	–	1,853	1,853
Total recognized net income	–	–	–	*414*	*1,411*	*1,825*
Dividend	–	–	–	–	–5,610	–5,610
Transfer to non-restricted equity decided by the AGM in 2005	–	–	–52,681	–	52,681	–
Purchase of treasury shares (repurchase decided by the AGM in 2005)	–	–	–	–	–10,203	–10,203
Closing balance, December 31, 2005	**14,961**	**1,855**	**–**	**3,408**	**63,432**	**83,656**
Depreciation on tangible assets written-up (Note 16)	–	–	–	–965	965	–
Reporting financial instruments at fair value (Note 16)	–	–	–	–	95	95
Net income recognized directly in equity	–	–	–	*–965*	*1,060*	*95*
Net income	–	–	–	–	3,228	3,228
Total recognized net income	–	–	–	*–965*	*4,288*	*3,323*
Dividend	–	–	–	–	–15,717	–15,717
Cancellation of treasury shares (decided by the AGM in 2006)	–592	–	–	–	592	–
Closing balance, December 31, 2006	**14,369**	**1,855**	**–**	**2,443**	**52,595**	**71,262**

Notes to Parent Company Financial Statements

1. Basis for 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 RR 32:05 "Accounting for Legal Entities" and statements issued by the Swedish Financial Accounting Standards Council and its Emerging Issues Task Force. RR 32:05 is applicable to Swedish legal entities whose equities on the balance sheet day are listed on a Swedish stock exchange or authorized equity market place. In their consolidated financial statements such companies have to comply with the EU regulation on international accounting standards, while they still have to comply with the Annual Accounts Act in their own financial statements. RR 32:05 states that as a main rule listed parent companies should apply IFRS and specifies exceptions and additions, caused by legal provisions or by the connection between accounting and taxation in Sweden.

Accounting principles

The applied accounting principles are described in full in "Notes to Consolidated Financial Statements." Descriptions in the following notes are limited to existing discrepancies or additions.

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 items and as of December 31 for balance sheet items, respectively.

2. Critical Accounting Policies, Estimates and Assumptions

For information relevant to TeliaSonera AB, see "Notes to Consolidated Financial Statements" (Note 2).

3. Net Sales

Sales by customer location were distributed among economic regions as follows.

	January–December	
SEK in millions	**2006**	**2005**
European Economic Area (EEA)	19,705	21,363
of which European Union (EU) member states	*19,701*	*21,349*
Total	**19,705**	**21,363**
of which Sweden	19,683	19,707

Net sales were broken down by product category as follows.

	January–December	
SEK in millions	**2006**	**2005**
Fixed telephony	11,642	12,604
Internet	2,931	2,805
Network capacity	3,305	3,324
Data communications	1,541	1,784
Other	286	846
Total	**19,705**	**21,363**

There was no invoiced advertising tax in the years 2006 and 2005, respectively.

4. Operating Expenses

Operating expenses were distributed by function as follows.

	January–December	
SEK in millions	**2006**	**2005**
Production	**12,917**	**15,006**
Other functions		
Selling and marketing	255	221
Administration	278	503
Research and development	145	114
Total other functions	**678**	**838**
Total	**13,595**	**15,844**

Each function includes amortization, depreciation and impairment losses as specified in Note 7 "Amortization, Depreciation and Impairment Losses."

Operating expenses were distributed by nature as follows.

	January–December	
SEK in millions	**2006**	**2005**
Goods purchased	1,297	90
Interconnect and roaming expenses	1,794	1,919
Other network expenses	3,802	5,734
Change in inventories	0	22
Personnel expenses (Note 25)	1,294	1,284
Rent and leasing fees	619	827
Consultants' services	660	413
Other expenses	571	1,280
Amortization, depreciation and impairment losses	3,558	4,275
Total	**13,595**	**15,844**

5. Other Operating Income and Expenses

Other operating income and expenses were distributed as follows.

	January–December	
SEK in millions	**2006**	**2005**
Other operating income		
Capital gains	15	11
Exchange rate gains	50	127
Commissions	1	13
Recovered accounts receivable, released accounts payable	310	0
Damages received	26	2
Total other operating income	**402**	**153**
Other operating expenses		
Capital losses	0	–71
Provisions for onerous contracts	500	–250
Exchange rate losses	–56	–84
Restructuring costs	–284	–564
Damages paid	–16	–
Total other operating expenses	**144**	**–969**
Net effect on income	**546**	**–816**

Released accounts payable in 2006 include SEK 310 million related to a reduction of the historical interconnect fees in Sweden, following a ruling by the Swedish Administrative Court of Appeal on February 8, 2007. Provisions for onerous contracts in 2006 include a SEK 500 million reversal of a provision related to the settlement of a dispute regarding a potential co-location site in London, U.K.

6. Related Party Transactions

General

Conventional commercial terms apply for the supply of goods and services to and from subsidiaries, associated companies and joint ventures.

Group units
In 2006 and 2005, sales to subsidiaries totaled SEK 14,424 million and SEK 16,046 million, respectively, while purchases from subsidiaries totaled SEK 2,940 million and SEK 3,836 million, respectively.

Other transactions
For descriptions of certain other transactions with related parties, see "Notes to Consolidated Financial Statements" (Note 9).

7. Amortization, Depreciation and Impairment Losses

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

	January–December	
SEK in millions, except proportions	**2006**	**2005**
Production	3,529	4,271
Administration	29	4
Total	**3,558**	**4,275**
Proportion to net sales (%)	18.1	20.0

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

	January–December	
SEK in millions	**2006**	**2005**
Goodwill	22	22
Other intangible assets	43	113
Fixed networks	3,457	4,108
Other plant and equipment	36	32
Total	**3,558**	**4,275**

Accelerated depreciation, to the extent allowed by Swedish tax legislation, is recorded as appropriations and untaxed reserves (see this section in Note 9 "Income Taxes").

8. Financial Income and Expenses

Financial income and expenses were distributed as follows.

	January–December	
SEK in millions	**2006**	**2005**
Income from shares in subsidiaries		
Dividends, etc.	454	4,388
Capital gains/losses, net	348	273
Impairment losses	–67	–76
Net Group contributions etc.	1,107	2,314
Total	**1,842**	**6,899**
Income from shares in associated companies		
Dividends, etc.	155	268
Capital gains/losses, net	47	182
Impairment losses	–15	–49
Total	**187**	**401**
Income from other financial investments		
Capital gains/losses, net	–1	59
Impairment losses	–3	–2
Total	**–4**	**57**
Other financial income		
Interest from subsidiaries	675	872
Other interest income	204	315
Exchange rate gains	81	111
Total	**960**	**1,298**
Other financial expenses		
Interest to subsidiaries	–1,172	–871
Other interest expenses	–756	–854
Exchange rate losses	–52	–64
Interest component of the year's pension provision	–30	–43
Total	**–2,010**	**–1,832**
Net effect on income	**975**	**6,823**

Refer to section "Appropriations and untaxed reserves" in Note 9 "Income Taxes" on Group contributions. See also Note 17 "Provisions for Pensions and Employment Contracts" for the interest component of the year's pension provision.

9. Income Taxes

Income tax expense
In 2006 and 2005, pre-tax income was SEK 4,127 million and SEK 691 million, respectively. Income tax expense was distributed as follows.

	January–December	
SEK in millions	**2006**	**2005**
Current tax	2,232	–13
Deferred tax	–1,333	–1,149
Total	**899**	**–1,162**

Current tax expense for each fiscal year attributable to the previous years' earnings and tax booked directly to equity were as follows.

	January–December	
SEK in millions	**2006**	**2005**
Current tax attributable to previous years	–1	–31
Tax booked directly to equity	5	–10

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

	January–December	
Percent	**2006**	**2005**
Swedish income tax rate	28.0	28.0
Adjustment of current taxes for previous periods	0.0	–4.5
Losses for which deferred tax assets were not recognized	0.0	12.9
Non-deductible expenses	0.7	8.8
Non-taxable revenues	–6.9	–213.4
Effective tax rate as per the income statement	**21.8**	**–168.2**
Tax booked directly to equity	0.1	–1.4
Effective tax rate	**21.9**	**–169.6**

No accumulated non-expiring tax loss carry-forwards exist for the years 2006 and 2005.

Income tax assets and liabilities
Deferred tax assets and liabilities changed as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Deferred tax assets		
Carrying value, opening balance	335	523
Income statement period change	–23	–168
Recognized in equity	–5	–20
Carrying value, closing balance	**307**	**335**
Deferred tax liabilities		
Carrying value, opening balance	2,693	4,026
Income statement period change	–1,356	–1,318
Recognized in equity	–	–15
Carrying value, closing balance	**1,337**	**2,693**

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

	December 31,	
SEK in millions	**2006**	**2005**
Deferred tax assets		
Delayed expenses for provisions and other long-term liabilities	307	335
Total deferred tax assets	**307**	**335**
Deferred tax liabilities		
Accelerated depreciation, non-current assets	1,337	2,693
Total deferred tax liabilities	**1,337**	**2,693**
Net deferred tax liabilities	**–1,030**	**–2,358**

The parent company's unrecognized deferred tax liability in untaxed reserves amounted to SEK 4,893 million in 2006 and SEK 3,912 million in 2005.

Appropriations and untaxed reserves

Untaxed reserves in the balance sheet were distributed as follows.

	December 31,	
SEK in millions	2006	2005
Profit equalization reserve	4,259	1,733
Accumulated excess amortization and depreciation	13,217	12,239
Total	**17,476**	**13,972**

Excess amortization and depreciation changed as follows.

	December 31,			
	2006		2005	
SEK in millions	Intangible assets	Plant and machinery	Intangible assets	Plant and machinery
Opening balance	25	12,214	–	–
Provisions	109	869	25	12,214
Closing balance	**134**	**13,083**	**25**	**12,214**

In 2004, tax depreciation was reported only in the tax return and consequently the existing recognized provision for excess tax depreciation was reversed. In 2005, management decided to revert to recognizing excess tax depreciation and a new provision was made.

Appropriations brought to income were as follows.

	January–December	
SEK in millions	2006	2005
Profit equalization reserve	–2,526	1,404
Accumulated excess amortization and depreciation	–978	–12,239
Net effect on income	**–3,504**	**–10,835**

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, including tax-driven shareholder contributions, net received by the parent company are regarded as dividends and recognized as income from shares in subsidiaries (see Note 8 "Financial Income and Expenses"), while such contributions, if net rendered are recognized directly in shareholders' equity, net of income tax.

	January–December	
SEK in millions	2006	2005
Pre-tax Group contributions – net received (recorded in income)	1,107	2,314

10. Goodwill and Other Intangible Assets

The total carrying value of goodwill and other intangible assets changed as follows.

	December 31,			
	2006		2005	
SEK in millions	Goodwill	Other	Goodwill	Other
Accumulated cost, opening balance	111	1,340	111	1,319
Investments and operations acquired	–	287	–	174
Sales and disposals	–	–470	–	–208
Reclassifications	–	–634	–	55
Accumulated cost, closing balance	**111**	**523**	**111**	**1,340**
Accumulated amortization, opening balance	–35	–1,022	–13	–1,057
Investments and operations acquired	–	–62	–	–
Sales and disposals	–	469	–	153
Reclassifications	–	526	–	–5
Amortization for the year	–22	–43	–22	–113
Accumulated amortization, closing balance	**–57**	**–132**	**–35**	**–1,022**
Total carrying value, closing balance	**54**	**391**	**76**	**318**

Goodwill is amortized straight-line over 5 years. No interest is included in the acquisition value for the years 2006 and 2005.

In 2006 and 2005, capitalized development expenses were SEK 188 million and SEK 125 million, respectively. In the two years, amortization was SEK 3 million and SEK 113 million, respectively.

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

	December 31,	
SEK in millions	2006	2005
Goodwill	54	76
Administrative support systems	262	277
Licenses, contractual agreements, patents, etc.	129	41
Total carrying value	**445**	**394**

11. Property, Plant and Equipment

Property

The total carrying value of property changed as follows.

	December 31,	
SEK in millions	2006	2005
Accumulated cost, opening balance	27	27
Investments	75	–
Reclassifications	272	–
Accumulated cost, closing balance	**374**	**27**
Accumulated depreciation, opening balance	–24	–24
Reclassifications	–134	–
Depreciation for the year	–13	–
Accumulated depreciation, closing balance	**–171**	**–24**
Total carrying value, closing balance	**203**	**3**

No interest is included in the acquisition value for the years 2006 and 2005. No real estate properties owned by the parent company were assigned tax-assessed values.

Plant and machinery

Plant and machinery includes switching systems and peripheral equipment, transmission systems, transmission media and other types of media in the Swedish fixed networks. The total carrying value changed as follows.

	December 31,	
SEK in millions	2006	2005
Acquisition value, opening balance	68,315	66,421
Purchases	2,264	2,754
Sales and disposals	–405	–767
Reclassifications	470	–93
Accumulated acquisition value, closing balance	**70,644**	**68,315**
Depreciation, opening balance	–51,885	–49,195
Purchases	–0	–30
Sales and disposals	419	690
Reclassifications	–438	7
Depreciation for the year	–2,479	–3,357
Accumulated depreciation, closing balance	**–54,383**	**–51,885**
Write-ups, opening balance	3,408	4,159
Depreciation for the year	–965	–751
Accumulated write-ups, closing balance	**2,443**	**3,408**
Total carrying value, closing balance	**18,704**	**19,838**

No interest is included in cost for the years 2006 and 2005.

Equipment, tools, and installations

The total carrying value of equipment, tools and installations changed as follows.

	December 31,	
SEK in millions	2006	2005
Accumulated cost, opening balance	374	313
Investments and operations acquired	111	30
Sales and disposals	–2	–6
Reclassifications	–108	37
Accumulated cost, closing balance	**375**	**374**
Accumulated depreciation, opening balance	–243	–216
Investments and operations acquired	–48	–1
Sales and disposals	2	5
Reclassifications	46	1
Depreciation for the year	–31	–32
Accumulated depreciation, closing balance	**–274**	**–243**
Accumulated impairment losses, opening balance	–	–
Impairment losses for the year	–5	–
Accumulated impairment losses, closing balance	**–5**	**–**
Total carrying value, closing balance	**96**	**131**

No interest is included in cost for the years 2006 and 2005. Assets from other Group companies were taken over at gross carrying value.

The total carrying value of property, plant and equipment was as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Property	203	3
Plant and machinery	18,704	19,838
Equipment, tools, and installations	96	131
Total carrying value	**19,003**	**19,972**

12. Financial Assets

General

Investments in subsidiaries and associated companies are recognized at cost less any impairment. For further discussion of the valuation of financial fixed assets, see section "Financial instruments" to Note 4 "Significant Accounting Policies" in "Notes to Consolidated Financial Statements."

Investments in associated companies

The carrying value of investments in associated companies changed as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Carrying value, opening balance	1,006	2,513
Acquisitions	77	182
Issues of new shares and shareholder contributions	45	2
Impairment losses	–43	–50
Divestitures	–	–1,201
Reclassifications	0	–440
Carrying value, closing balance	**1,085**	**1,006**

Other holdings of equity securities

The carrying value of other holdings of equity securities changed as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Carrying value, opening balance	92	140
Acquisitions	2	1
Divestitures	–	–7
Impairment losses	–3	–2
Changes in fair value	81	–40
Carrying value, closing balance	**172**	**92**

Other long-term financial assets

The carrying value of other long-term financial assets changed as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Carrying value, opening balance	96,924	93,506
Purchases	14,474	4,254
Sales and disposals	–471	–791
Impairment losses	–67	–292
Reclassifications	–	205
Exchange rate differences	–233	42
Carrying value, closing balance	**110,627**	**96,924**

Distribution by type of asset

The total carrying value of financial assets was as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Subsidiaries and associated companies		
Shares in subsidiaries	110,342	96,255
Receivables from subsidiaries, interest-bearing	119	277
Participations in associated companies	1,085	1,006
Receivables from associated companies, interest-bearing	101	94
Total	**111,647**	**97,632**
Other holdings of equity securities	**172**	**92**
Other long-term receivables, interest-bearing		
Cross currency interest rate swaps	6	229
Other	59	69
Total	**65**	**298**
Total	**111,884**	**98,022**

Shareholdings and participations in subsidiaries are specified in Note 27 "Specification of Shareholdings and Participations," while information about associated companies and other holdings of equity securities is found in "Notes to Consolidated Financial Statements" (Note 34).

13. Inventories

No deductions for inventory obsolescence were needed for the years 2006 and 2005. The carrying value referred to raw materials and essential inputs and was SEK 7 million in 2006 and SEK 0 million in 2005.

14. Trade and Other Receivables

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

	December 31,	
SEK in millions	**2006**	**2005**
Accounts receivable		
Invoiced receivables	1,715	1,821
Allowance for doubtful receivables	–181	–120
Total accounts receivable	**1,534**	**1,701**
Other current receivables		
Interest-bearing		
Receivables from associated companies	153	1
Cross currency interest rate swaps	–	124
Receivables from others	253	369
Non-interest-bearing		
Receivables from subsidiaries	6,143	6,459
Receivables from associated companies	1	19
Currency swaps, forward exchange contracts	46	14
Receivables from others	82	176
Total other current receivables	**6,678**	**7,162**
Accrued income and deferred expenses		
Receivables from subsidiaries	799	941
Interconnect and roaming charges	109	15
Prepaid rent and leasing fees	32	22
Other accrued or prepaid items	671	232
Total accrued income and deferred expenses	**1,611**	**1,210**
Total	**9,823**	**10,073**

Annually written-down accounts receivable (bad debt expense) were SEK 70 million in 2006 and SEK 38 million in 2005. Recovered accounts receivable in these years are presented in Note 5 "Other Operating Income and Expenses." For additional information on leases, see Note 22 "Operating Lease Agreements."

15. Short-term Investments, Cash and Cash Equivalents

Short-term investments
None of the parent company's short-term investments as of December 31, 2006 or 2005 had maturities over three months.

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

	December 31,	
SEK in millions	**2006**	**2005**
Short-term investments with maturities up to and including three months	6,125	11,558
Cash and bank	1,468	970
Cash and cash equivalents	**7,593**	**12,528**

16. Shareholders' Equity

Share capital and treasury shares
See "Notes to Consolidated Financial Statements" (corresponding sections in Note 20).

Revaluation reserve
The revaluation reserve changed as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Carrying value, opening balance	3,408	2,994
Depreciation	–965	–751
Tax effect	–	1,165
Carrying value, closing balance	**2,443**	**3,408**

Fair value reserve
The fair value reserve changed as follows.

	December 31,			
	2006		2005	
SEK in millions	**Securities**	**Derivatives**	**Securities**	**Derivatives**
Carrying value, opening balance	44	–49	230	–208
Provisions	–	–39	–	–
Reversals	80	58	–186	159
Tax effect	–	–5	–	–
Carrying value, closing balance	**124**	**–35**	**44**	**-49**

No part of the reversed amount referred to reversals that necessitate adjusting the acquisition value.

17. Provisions for Pensions and Employment Contracts

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

The existing pension obligations that TeliaSonera AB assumed when it was converted into a limited liability company on July 1, 1993 and other pension obligations of the parent company are secured by Telia Pension Fund. Certain commitments, chiefly the contractual right to retire at age 55, 60, or 63 for certain categories of personnel, are provided for by a taxed reserve in the balance sheet.

Pension obligations are calculated annually, on the balance sheet date, based on actuarial principles according to FAR accounting recommendation No. 4. Pension obligations were as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Opening balance, pension obligations covered by plan assets	10,674	10,808
Opening balance, pension obligations not covered by plan assets	859	1,213
Opening balance, total pension obligations	**11,533**	**12,021**
Current service cost	117	142
Interest cost	386	371
Benefits paid	–1,147	–1,093
Other changes in valuation of pension obligations	–47	–195
Termination benefits	117	287
Closing balance, pension obligations covered by plan assets	10,404	10,674
Closing balance, pension obligations not covered by plan assets	555	859
Closing balance, total pension obligations	**10,959**	**11,533**
of which FPG/PRI pensions	5,819	5,765

The fair value of plan assets changed as follows.

	December 31,	
SEK in millions, except percentages	**2006**	**2005**
Opening balance, plan assets	12,527	11,626
Actual return	808	1,901
Payment from pension fund	–1,000	–1,000
Closing balance, plan assets	**12,335**	**12,527**
Actual return on plan assets (%)	*6.45*	*16.35*

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

	December 31,			
	2006		2005	
Asset category	**SEK in millions**	**Percent**	**SEK in millions**	**Percent**
Fixed income instruments, liquidity	7,311	59.3	7,664	61.1
Shares and other investments	5,024	40.7	4,863	38.9
Total	**12,335**	**100.0**	**12,527**	**100.0**
of which shares in TeliaSonera AB	36	0.3	37	0.3

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

	December 31,	
SEK in millions	**2006**	**2005**
Present value of pension obligations	10,959	11,533
Fair value of plan assets	–12,335	–12,527
Surplus capital in pension fund	1,931	1,853
Provisions for pension obligations	**555**	**859**

Total pension income was distributed as follows.

	January–December	
SEK in millions	**2006**	**2005**
Current service cost	117	142
Interest cost	386	371
Less interest expenses recognized as financial expenses	–30	–43
Actual return on plan assets	–808	–1,901
Other changes in valuation of pension obligation	–47	–195
Termination benefits	117	287
Pension income, defined benefit pension plans	**–265**	**–1,339**
Pension premiums, defined benefit/defined contribution pension plans and other pension costs	98	128
Changes in estimates	–91	–103
Pension-related social charges and taxes	58	53
Less termination benefits (incl. premiums and pension-related social charges) reclassified as restructuring cost	–158	–380
Pension income	**–358**	**–1,641**
Increase of surplus capital in pension fund	78	1,035
Total pension income	**–280**	**–606**
of which pension premiums paid to the ITP pension plan	49	58

Actuarial calculation assumptions, strategic asset allocation and future contributions

Actuarial calculation assumptions

The actuarial calculation of pension obligations and pension expenses is based on principles set by the FPG/PRI system and the Swedish Financial Supervisory Authority.

Strategic plan asset allocation

See "Notes to Consolidated Financial Statements" (corresponding section in Note 23).

Future contributions

For companies in Sweden, part of the pension liabilities is secured also by credit insurance. This means, should the pension obligations increase, that TeliaSonera AB can choose if and when to contribute to the pension fund or otherwise to recognize a pension provision in the balance sheet.

18. Other Provisions

Changes in other provisions were as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Carrying value, opening balance	1,619	1,406
Provisions for the period	302	877
Utilized provisions	–409	–120
Reversals of provisions	–631	–211
Reclassifications	–158	–380
Exchange rate differences	–3	47
Carrying value, closing balance	**720**	**1,619**

The carrying value of other provisions was distributed as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Payroll taxes on future pension payments	70	148
Restructuring provisions	250	128
Onerous contracts	–	876
Warranty provisions	160	407
Other	240	60
Total other provisions	**720**	**1,619**
Less other provisions classified as short-term	–259	–444
Total other long-term provisions	**461**	**1,175**

Onerous contracts included provisions for termination of lease contracts for an office building in the Stockholm area and for a potential co-location site in London, U.K., both settled in 2006. See also "Notes to Consolidated Financial Statements" (section "Restructuring provisions" in Note 24). Warranty provisions include warranties, provisions for potential litigation and other provisions related to disposals and winding-up of group entities and associated companies.

19. Financial Instruments and Financial Risk Management

General

For information on financial instruments and financial risk management relevant to TeliaSonera AB, see "Notes to Consolidated Financial Statements" (Notes 21 and 22).

Long-term borrowings

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

	December 31,	
SEK in millions	**2006**	**2005**
Loans from associated companies	2	–
TeliaSonera EMTN, other foreign currency loans	20,443	16,617
TeliaSonera FTN/FTO	–	800
Other loans	757	781
Interest rate swaps	471	28
Cross currency interest rate swaps	438	59
Total	**22,111**	**18,285**

For the years 2006 and 2005, SEK 16,139 million and SEK 15,273 million, respectively, of the loans fell due more than five years after the balance sheet date.

Short-term borrowings

The carrying value of short-term borrowings was distributed as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Loans from subsidiaries	26,726	9,236
TeliaSonera FTN	800	3,275
TeliaSonera EMTN, other foreign currency loans	–	2,633
Interest rate swaps	7	–
Total	**27,533**	**15,144**

Fully unutilized bank overdraft facilities had a total limit of SEK 1,007 million and SEK 863 million for the years 2006 and 2005, respectively.

20. Long-term Liabilities

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

	December 31,	
SEK in millions	**2006**	**2005**
Liabilities to subsidiaries	169	177
Prepaid contracts for broadband build-out	733	712
Other liabilities	3	7
Total	**905**	**896**

For the years 2006 and 2005, SEK 256 million and SEK 90 million, respectively, fell due more than five years after the balance sheet date.

21. Short-term Provisions, Trade Payables and Other Current Liabilities

The carrying value of short-term provisions, trade payables and other current liabilities was distributed as follows.

	December 31,	
SEK in millions	**2006**	**2005**
Short-term provisions	**259**	**444**
Accounts payable	**2,614**	**1,920**
Liabilities to subsidiaries	**1,085**	**360**
Liabilities to associated companies	**383**	**411**
Other liabilities		
Advances, deposits, etc.	2	556
Value-added tax, excise taxes	112	168
Employee withholding tax, payable to employees	44	102
Currency swaps, forward exchange contracts	17	23
Other	94	8
Total other liabilities	**269**	**857**
Accrued expenses and deferred income		
Liabilities to subsidiaries	314	354
Accrued payroll expenses, social security contributions, etc.	343	311
Accrued interest	207	448
Other accrued or deferred items	1,129	950
Total accrued expenses and deferred income	**1,993**	**2,063**
Total current liabilities	**6,603**	**6,055**

22. Operating Lease Agreements

All lease agreements are accounted for as operating leases. TeliaSonera AB leases primarily premises and land. Most of the leases are from outside parties, while subletting of premises (terminated in the latter part of 2006) was mainly to subsidiaries. The leases are on commercial terms with respect to prices and duration.

Future minimum leasing fees under operating lease agreements in effect as of December 31, 2006 that could not be canceled in advance and were in excess of one year were as follows.

Maturity SEK in millions	2007	2008	2009	2010	2011	Later years	Total
Future minimum leasing fees	323	277	246	48	41	51	**986**

Total rent and leasing fees paid were SEK 620 million and SEK 827 million for the years 2006 and 2005, respectively. For these years, revenue for subleased items totaled SEK 33 million and SEK 40 million, respectively.

23. Contingencies, Other Contractual Obligations and Litigation

Contingent assets, collateral pledged and guarantees

As of the balance sheet date, unrecognized contingent assets, collateral pledged and unrecognized guarantees were distributed as follows.

SEK in millions	December 31, 2006	2005
Contingent assets	**–**	**–**
Collateral pledged		
For warranty provisions: Blocked funds in bank accounts	1	–
Total	**1**	**–**
Guarantees		
Guarantees on behalf of subsidiaries	2,570	865
Credit guarantee on behalf of Svenska UMTS-nät AB	1,685	1,475
Other credit and performance guarantees, etc.	8	82
Guarantees for pension obligations	129	127
Total	**4,392**	**2,549**

Some loan covenants agreed limit the scope for divesting or pledging certain assets.

For all guarantees, except the credit guarantee on behalf of TeliaSonera AB's indirectly 50 percent owned joint venture Svenska UMTS-nät AB, stated amounts equal the maximum potential amount of future payments that TeliaSonera AB could be required to make under the respective guarantee. For information on the guarantee on behalf of Svenska UMTS-nät, see corresponding section in "Notes to Consolidated Financial Statements" (Note 28).

Guarantees on behalf of subsidiaries include SEK 1,601 million (EUR 177 million) related to Xfera Móviles S.A., comprising a counter guarantee of EUR 135 million as TeliaSonera's share on behalf of Xfera's performance requirements in relation to its UMTS license, counter guarantees of EUR 31 million as TeliaSonera's share to cover the payment of Xfera's spectrum fees to the Spanish government and a counter guarantee of EUR 11 million as TeliaSonera's share to cover the payment of borrowings under Xfera's credit facility.

In addition to guarantees indicated above, guarantees for fulfillment of contractual undertakings are granted by TeliaSonera AB on behalf of subsidiaries, as part of the Group's normal course of business. At the balance sheet date, there was no indication that payment will be required in connection with any such contractual guarantee.

Other unrecognized contractual obligations

As of December 31, 2006, TeliaSonera AB had the following unrecognized contractual obligations regarding future acquisitions (or equivalent) of property, plant and equipment and financial assets.

Maturity SEK in millions	2007	Later years
Property, plant and equipment	510	–
Other equity holdings	6	–
Total	**516**	**–**

Obligations with respect to property, plant and equipment refer to the continued expansion of transmission capacity in the Swedish fixed network.

Legal and administrative proceedings

For additional information relevant to TeliaSonera AB, see corresponding section in "Notes to Consolidated Financial Statements" (Note 28).

24. Cash Flow Information

Financial items

Interest received, interest paid and dividends received were as follows.

SEK in millions	January–December 2006	2005
Interest received	1,931	1,187
Interest paid	–2,935	–1,725
Dividends received	609	4,656
Net position	**–395**	**4,118**

Income taxes

Income taxes paid for the years 2006 and 2005, respectively, totaled SEK 3 million and SEK 955 million.

Non-cash transactions

In 2006 and 2005, claims on subsidiaries totaling SEK 12,113 million and SEK 921 million, respectively were converted to equity in the companies.

25. Human Resources

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

	January–December			
	2006		2005	
Country	Total (number)	of whom men (%)	Total (number)	of whom men (%)
Sweden	2,475	74.3	3,119	73.5
Total	**2,475**	**74.3**	**3,119**	**73.5**

The share of female and male senior executives was as follows. Senior executives include ordinary members of the Board of Directors, the president and the executive management team.

	December 31,			
	2006		2005	
Percent	Board of Directors	Other senior executives	Board of Directors	Other senior executives
Women	27.3	0.0	36.4	9.1
Men	72.7	100.0	63.6	90.9
Total	**100.0**	**100.0**	**100.0**	**100.0**

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

Percent	January–December 2006	2005
Total absence due to illness	2.8	3.7
Absence due to illness that concerns a period of 60 consecutive days or longer	1.7	2.5
Total absence due to illness, men	2.4	3.1
Total absence due to illness, women	3.8	5.3
Total absence due to illness, employees 29 years of age and younger	1.0	2.5
Total absence due to illness, employees 30–49 years of age	2.5	3.3
Total absence due to illness, employees 50 years of age and older	3.0	4.2

Salaries and other remuneration, along with social security expenses and other personnel expenses, were as follows.

SEK in millions	January–December 2006	2005
Salaries and other remuneration	**1,135**	**1,340**
Social security expenses		
Employer's social security contributions	365	446
Pension expenses	–280	–606
Total social security expenses	**85**	**–160**
Other personnel expenses	74	104
Total personnel expenses recognized by nature	**1,294**	**1,284**

Pension costs and outstanding pension commitments for the Board of Directors and the CEO were as follows.

	January–December or December 31,	
SEK in millions	**2006**	**2005**
Pension expenses	12	10
Outstanding pension commitments	150	136

Salaries and other remuneration were divided between the Board of Directors and the CEO, and other employees as follows.

	January–December			
SEK in millions	**2006**		**2005**	
Country	**Board and CEO (of which variable salary)**	**Other employees**	**Board and CEO (of which variable salary)**	**Other employees**
Sweden	19 (3)	1,116	17 (2)	1,323
Total	**19 (3)**	**1,116**	**17 (2)**	**1,323**

See also section "Remuneration to corporate officers" in "Notes to Consolidated Financial Statements" (Note 31).

26. Auditors' Fees and Services

Remuneration paid was as follows. See also additional information in "Notes to Consolidated Financial Statements" (Note 32).

	January–December	
SEK in millions	**2006**	**2005**
PricewaterhouseCoopers AB (PwC)		
Audits	21	12
Audit-related services	–	2
Tax services, all other services	1	4
Total	**22**	**18**
Ernst & Young AB (E&Y)		
Audits, audit-related services	1	1
Tax services, all other services	0	12
Total	**1**	**13**
KPMG Bohlins AB (KPMG)		
Audits, audit-related services	–	1
Tax services, all other services	2	1
Total	**2**	**2**
Other accounting firms		
Tax services, all other services	6	0
Total	**6**	**0**
Total	**31**	**33**

In addition, fees for accounting firm services capitalized as transaction costs in business combinations and similar transactions totaled SEK 4 million in 2006 (other non-audit services: PwC SEK 1 million, E&Y SEK 1 million and KPMG SEK 2 million) and SEK 6 million in 2005 (E&Y for tax and other non-audit services).

27. Specification of Shareholdings and Participations

Subsidiary, Corp. Reg. No., registered office	Participation (%)	Number of shares	Par value in local currency (in millions)	Carrying value (SEK in millions) 2006	2005
Swedish companies					
TeliaSonera Sverige AB, 556430-0142, Stockholm	100	3,000,000	SEK 300	2,898	2,749
TeliaSonera Mobile Networks AB, 556025-7932, Nacka	100	550,000	SEK 550	2,683	2,683
TeliaSonera Network Sales AB, 556458-0040, Stockholm	100	10,000	SEK 1	3	3
TeliaSonera Payphone AB, 556446-3734, Stockholm	100	5,000	SEK 1	3	3
TeliaSonera Sverige Finans AB, 556404-6661, Stockholm	100	1,000	SEK 0	229	222
TeliaSonera Sverige Asset Finance AB, 556599-4729, Stockholm	100	1,000	SEK 0	3	0
TeliaSonera Sverige Net Fastigheter AB, 556368-4801, Stockholm	100	5,000	SEK 1	169	169
Sonera Sverige AB, 556476-3133, Stockholm	100	52,000	SEK 5	75	75
Infonet Svenska AB, 556263-3080, Stockholm	100	40,000	SEK 4	25	25
Telia Electronic Commerce AB, 556228-8976, Stockholm	100	27,500	SEK 28	45	45
Telia Norge Holding AB, 556591-9759, Stockholm	100	1,000	SEK 0	0	0
Telia Nättjänster Norden AB, 556459-3076, Stockholm	18	10,000	SEK 1	377	377
Amber Mobile Teleholding AB, 556554-7774, Stockholm	100	1,000	SEK 0	2,806	2,806
Baltic Tele AB, 556454-0085, Stockholm	100	100,000	SEK 10	3,096	3,096
TeliaSonera International Carrier AB, 556583-2226, Stockholm	100	1,000,000	SEK 100	338	181
Telia International Management AB, 556595-2917, Stockholm	100	1,000	SEK 0	5	5
Telia International AB, 556352-1284, Stockholm	100	20,000	SEK 20	1,722	1,722
Telia Fastigheter Telaris AB, 556343-6434, Stockholm	100	50,000,000	SEK 500	731	731
TeliaSonera Försäkring AB, 516401-8490, Stockholm	100	1,000,000	SEK 100	200	200
Sergel Kredittjänster AB, 556264-8310, Stockholm	100	5,000	SEK 1	8	8
Telia Holding Personal AB, 556595-2958, Stockholm	100	1,000	SEK 0	4	4
IKT I Holding AB, 556635-7298, Stockholm	100	3,759,720	SEK 376	275	317
IKT II Holding AB, 556635-7306, Stockholm	100	1,822,791	SEK 182	120	138
Telia International Holdings AB, 556572-1486, Stockholm	100	1,000	SEK 0	508	508
Telia InfoMedia Interactive AB, 556138-5781, Stockholm	100	250,000	SEK 25	8	8
Other operating, dormant and divested companies				0	471
Companies outside Sweden					
TeliaSonera Finland Oyj, 1475607-9, Helsinki	100	1,417,360,375	EUR –	71,184	59,116
TeliaSonera International Carrier Finland Oy, 1649304-9, Helsinki	100	100	EUR 0	37	37
Telia NetCom Holding AS, 954393232, Oslo	100	100	NOK 0	4,596	4,596
TeliaSonera Chess Holding AS, 980107760, Bergen	100	160,959,656	NOK 16	2,315	2,253
NextGenTel Holding AS, 986179577, Bergen	100	28,895,729	NOK 29	2,335	–
TeliaSonera International Carrier Norway AS, 981946685, Oslo	100	32,666	NOK 0	80	80
Telia Norge AS, 975961176, Oslo	100	2,000	NOK 2	189	189
TeliaSonera Danmark A/S, 18530740, Copenhagen	100	14,500	DKK 14	6,835	6,835
Amber Teleholding A/S, 20758694, Copenhagen	100	1,000	DKK 1	3,048	3,048
TeliaSonera International Carrier Denmark A/S, 24210413, Copenhagen	100	1,000	DKK 1	172	172
Latvijas Mobilais Telefons SIA, 000305093, Riga	24.5	140,679	LVL 0	2	2
TeliaSonera International Carrier Latvia SIA, 000325135, Riga	100	205,190	LVL 1	13	13
SIA Telia Latvija, 000305757, Riga	100	192,280	LVL 10	13	20
TeliaSonera International Carrier Germany GmbH, HRB50081, Frankfurt am Main	100	–	EUR 3	1,329	1,329
Sonera Deutschland GmbH, HRB74429, Frankfurt am Main	100	–	EUR 1	13	15
TeliaSonera International Carrier France S.A., B421204793, Paris	100	2,699,994	EUR 40	681	681
TeliaSonera International Carrier Switzerland AG, 2171000547-8, Zurich	100	1,000	CHF 1	54	54
TeliaSonera International Carrier Netherlands B.V., 34128048, Amsterdam	100	910	EUR 0	60	60
Telefos II B.V., 34188614, Amsterdam	100	180	EUR 0	26	26
TeliaSonera International Carrier Belgium S.A., 469422293, Brussels	100	50,620	EUR 5	20	20
TeliaSonera International Carrier Italy S.p.A, 07893960018, Turin	100	530,211	EUR 1	17	20
ZAO TeliaSonera International Carrier Russia, 102780919732, Moscow	100	220,807,825	RUB 221	200	200
TeliaSonera International Carrier Poland Sp. z o.o., KRS00000186, Warsaw	100	52,500	PLN 26	63	63
TeliaSonera International Carrier Czech Republic a.s., 26207842, Prague	100	20,000	CZK 200	182	182
TeliaSonera International Carrier Hungaria Távközlési Kft., 01-09-688192, Budapest	100	1	HUF 50	15	16
TeliaSonera International Carrier Ireland Ltd., 347074, Dublin	100	27	EUR 0	0	2
TeliaSonera International Carrier, Inc., 541837195, Herndon, VA	100	100	USD 0	530	678
Telia Swedtel (Philippines), Inc., AS095-003695, Manila	100	124,995	PHP 12	2	2
Other operating, dormant and divested companies				0	0
Total				**110,342**	**96,255**

In all companies, equity participation corresponds to voting rights participation.

The remaining 82 percent of the shares in Telia Nättjänster Norden AB are owned by a subsidiary. Telia Norge Holding AB and Telia NetCom Holding AS jointly own all shares in NetCom AS. Baltic Tele AB holds a majority stake in AS Eesti Telekom (53.7 percent). Amber Teleholding A/S owns 60 percent of the shares in TEO LT, AB. Amber Mobile Teleholding AB owns all shares in UAB Omnitel. Another 24.5 percent of the shares in Latvijas Mobilais Telefons SIA are owned by a subsidiary. TeliaSonera has a board majority on Latvijas Mobilais Telefons. Xfera Móviles S.A. and Fintur Holdings B.V. are indirect subsidiaries to TeliaSonera Finland Oyj.

Other operating and dormant companies do not control Group assets of significant value. Holdings of Other Swedish subsidiaries for the comparative year (SEK 471 million), refer to companies liquidated in 2006 (Telia IT Service AB, Telia Research AB, Telia Internet Services AB, Telia Business Innovation AB and Telia exBN AB).

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

Proposed Appropriation of Earnings

At the disposal of the Annual General Meeting:

	SEK
Retained earnings	49,366,470,025
Net income	3,228,295,108
Total	**52,594,765,133**

The Board and the CEO proposes that this sum be appropriated as follows:

	SEK
SEK 1.80 per share ordinary dividend to the shareholders	8,082,822,983
SEK 4.50 per share extra dividend to the shareholders	20,207,057,459
To be carried forward to 2007	24,304,884,691
Total	**52,594,765,133**

Stockholm, March 13, 2007

Tom von Weymarn
Chairman

Maija-Liisa Friman

Elof Isaksson

Conny Karlsson

Yvonne Karlsson

Lars G Nordström

Timo Peltola

Jon Risfelt

Caroline Sundewall

Berith Westman

Anders Igel
President and CEO

Our auditors' report was rendered March 23, 2007

PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Auditor in charge

Håkan Malmström
Authorized Public Accountant

Auditors' Report

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of TeliaSonera AB (publ) for the year 2006. The company's annual accounts are included in the printed version on pages 38–94. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

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

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, March 23, 2007

PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Auditor in charge

Håkan Malmström
Authorized Public Accountant

Ten-Year Summary

TeliaSonera Group Financial Data (IFRS)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Income statements (SEK in millions)										
Net sales	91,060	87,661	81,937	82,425	59,483	57,196	54,064	52,121	49,569	45,665
Operating income	25,489	17,549	18,793	14,710	–10,895	5,460	12,006	5,946	7,220	3,218
Income after financial items	25,226	17,019	17,448	13,899	–11,616	4,808	11,717	5,980	7,143	3,128
Net income	19,283	13,694	14,264	10,049	–7,997	1,891	10,270	4,226	5,051	2,182
of which attributable to parent company shareholders	16,987	11,697	12,964	9,080	–8,067	1,869	10,278	4,222	5,011	2,222
EBITDA excluding non-recurring items	32,266	29,411	30,196	30,700	15,692	12,915	13,087	14,059	13,309	12,324
EBITDA	31,113	27,508	30,841	32,035	9,421	13,299	21,425	12,875	15,070	10,679
Amortization, depreciation and impairment losses	11,203	13,188	15,596	17,707	20,844	13,975	8,222	7,652	7,146	7,298
Balance sheets (SEK in millions)										
Goodwill and other intangible assets	74,172	74,367	69,534	61,820	68,106	26,816	25,198	2,146	1,844	1,566
Property, plant and equipment	48,195	48,201	47,212	49,161	56,172	47,314	43,807	33,318	34,801	39,239
Financial assets	41,826	40,526	35,353	42,061	48,534	20,784	22,335	18,023	12,553	8,666
Current assets and non-current assets held-for-sale	35,199	40,681	39,873	37,018	33,844	33,277	31,375	23,117	18,080	16,439
Total assets	*199,392*	*203,775*	*191,972*	*190,060*	*206,656*	*128,191*	*122,715*	*76,604*	*67,278*	*65,910*
Total equity	127,717	135,694	128,067	115,834	113,949	60,089	56,308	33,103	29,554	25,793
of which shareholders' equity	119,217	127,049	121,133	112,393	108,829	59,885	55,988	32,893	29,344	25,487
Provisions	15,471	15,564	13,402	15,297	18,406	13,107	11,351	10,488	7,735	12,262
Interest-bearing liabilities	27,729	26,735	24,675	30,554	44,732	29,124	34,042	16,057	13,553	14,813
Non-interest-bearing liabilities	28,475	25,782	25,828	28,375	29,569	25,871	21,014	16,956	16,436	13,042
Total equity and liabilities	*199,392*	*203,775*	*191,972*	*190,060*	*206,656*	*128,191*	*122,715*	*76,604*	*67,278*	*65,910*
Capital employed	127,195	146,712	147,132	142,235	157,035	90,971	92,374	50,936	43,440	46,329
Operating capital	110,163	125,299	126,198	120,006	137,113	70,150	75,042	39,160	34,921	39,192
Net debt	14,957	8,373	7,062	18,207	38,075	20,004	32,512	14,280	12,870	13,254
Net interest-bearing liability	10,697	5,320	3,741	8,847	25,034	10,661	20,235	7,527	6,767	14,609
Cash flows (SEK in millions)										
Cash flow from operating activities	27,501	26,990	24,403	26,443	12,449	10,416	10,152	10,715	10,301	8,920
Cash flow from investing activities	–13,084	–12,236	–7,991	–3,443	–5,553	3,632	–37,121	–10,701	–8,967	–12,426
Cash flow before financing activities	*14,417*	*14,754*	*16,412*	*23,000*	*6,896*	*14,048*	*–26,969*	*14*	*1,334*	*–3,506*
Cash flow from financing activities	–19,382	–15,653	–11,102	–16,412	–10,344	–6,608	26,818	1,005	–2,301	3,896
Cash flow for the year	*–4,965*	*–899*	*5,310*	*6,588*	*–3,448*	*7,440*	*–151*	*1,019*	*–967*	*390*
Free cash flow	16,596	15,594	14,118	17,351	3,877	–6,506	–5,845	2,828	2,638	–707
Investments (SEK in millions)										
CAPEX	11,101	11,583	10,331	9,267	14,345	17,713	16,580	7,701	7,663	9,637
Acquisitions and other investments	3,951	2,732	9,099	2,851	40,093	3,022	31,162	4,444	4,075	1,227
Total investments	*15,052*	*14,315*	*19,430*	*12,118*	*54,438*	*20,735*	*47,742*	*12,145*	*11,738*	*10,864*
Business ratios										
EBITDA margin (%)	35.4	33.6	36.9	37.2	26.4	22.6	24.2	27.0	26.8	27.0
Operating margin (%)	28.0	20.0	22.9	17.8	–18.3	9.5	22.2	11.4	14.6	7.0
Return on sales (%)	21.2	15.6	17.4	12.2	–13.4	3.3	19.0	8.1	10.2	4.8
Amortization, depreciation and impairment losses as a percentage of net sales	12.3	15.0	19.0	21.5	35.0	24.4	15.2	14.7	14.4	16.0
CAPEX as a percentage of net sales	12.2	13.2	12.6	11.2	24.1	31.0	30.7	14.8	15.5	21.1
Total asset turnover (multiple)	0.45	0.44	0.43	0.42	0.36	0.46	0.54	0.72	0.74	0.71
Turnover of capital employed (multiple)	0.67	0.60	0.57	0.55	0.48	0.62	0.75	1.10	1.10	1.02
Return on assets (%)	13.2	9.4	10.5	8.7	–5.7	5.7	13.6	9.4	11.9	6.0
Return on capital employed (%)	19.5	12.6	13.9	11.6	–7.7	7.8	18.9	14.4	17.6	8.6
Return on equity (%)	17.2	10.3	11.6	8.5	–9.7	3.3	23.9	14.2	19.2	9.3
Equity/assets ratio (%)	49.9	58.9	63.8	58.5	54.2	46.4	44.7	41.3	41.8	37.3
Net debt/equity ratio (%)	15.0	7.0	5.8	16.4	34.0	33.6	59.3	45.1	45.7	53.9
Interest coverage ratio (multiple)	18.1	11.7	7.6	5.1	–4.7	3.0	7.3	8.5	10.4	5.3
Self-financing rate (multiple)	1.83	1.89	1.26	2.18	0.23	0.50	0.21	0.88	0.88	0.82
Share data										
Number of outstanding shares (millions)										
– at the end of the period	4,490.5	4,490.5	4,675.2	4,675.2	4,605.8	3.001.2	3.001.2	8.8	8.8	8.8
– average, basic [1]	4,490.5	4,574.0	4,675.2	4,667.6	3,124.3	3,001.2	2,932.8	2,851.2	2,851.2	2,851.2
– average, diluted [1]	4,490.5	4,574,0	4,675.2	4,668.4	3,125.3	3,001.2	2,932.8	2,851.2	2,851.2	2,851.2
Basic and diluted earnings/loss per share (SEK)	3.78	2.56	2.77	1.95	–2.58	0.62	3.50	1.48	1.76	0.78
Cash dividend per share (SEK) [2]	6.30	3.50	1.20	1.00	0.40	0.20	0.50	0.52	0.49	0.42
Total cash dividend (SEK in millions) [2]	28,290	15,717	5,610	4,675	1,870	600	1,501	1,470	1,400	1,210
Payout ratio (%)	166.5	136.9	43.3	51.4	n/a	32.1	14.3	34.8	27.9	54.5
Shareholders' equity per share (SEK)	26.55	28.29	25.91	24.04	23.63	19.95	18.66	11.54	10.29	8.94

1) Adjusted for 324-to-1 share split in 2000.
2) For 2006 as proposed by the Board of Directors and including extra dividends totaling SEK 4.50 per share, or in all SEK 20,207 million.

TeliaSonera Group Operational Data	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Sweden										
Mobile telephony, total subscriptions (thousands)	4,603	4,387	4,243	3,838	3,604	3,439	3,257	2,638	2,206	1,935
Mobile telephony, total GSM/UMTS (thousands)	4,489	4,267	4,117	3,706	3,467	3,295	3,076	2,348	1,703	1,180
Mobile telephony, total NMT (thousands)	114	120	126	132	137	144	181	290	503	755
Mobile telephony, outgoing traffic (millions of minutes)	5,335	4,456	3,814	3,313	3,201	3,016	2,591	2,089	1,745	1,554
Mobile telephony, incoming traffic (millions of minutes)	3,058	2,750	2,573	2,400	2,272	2,067	1,766	1,416	1,091	885
Mobile telephony, traffic per customer and month (minutes)	157	139	131	128	131	127	123	121	114	111
Mobile telephony, SMS messages (millions)	1,249	923	905	794	488	389	185	46	13	4
Mobile telephony, GSM churn (%)	11	11	10	11	12	8	8	9	14	12
Mobile telephony, ARPU (SEK)	204	213	227	252	262	285	308	332	362	345
Broadband ADSL/LAN, subscriptions (thousands)	915	711	526	394	317	194	27	2	–	–
Broadband dedicated access, subscriptions (thousands)	7	6	7	5	4	3	2	1	1	1
Internet dial-up access, subscriptions (thousands)	625	722	817	823	763	747	687	598	439	230
Fixed telephony, PSTN subscriptions (thousands)	3,970	4,369	5,390	5,493	5,579	5,663	5,783	5,889	5,965	6,010
Fixed telephony, ISDN channels (thousands)	616	667	725	790	836	922	838	630	424	244
Finland										
Mobile telephony, total subscriptions (thousands)	2,407	2,507	2,297	2,428	2,790	239	149	33	8	–
of which Sonera	2,407	2,507	2,297	2,428	2,490	–	–	–	–	–
Mobile telephony, outgoing traffic (millions of minutes)	5,936	5,642	4,820	4,743	–	–	–	–	–	–
Mobile telephony, incoming traffic (millions of minutes)	2,554	2,405	2,147	2,090	–	–	–	–	–	–
Mobile telephony, traffic per customer and month (minutes)	285	277	253	232	–	–	–	–	–	–
Mobile telephony, SMS messages (millions)	1,247	1,216	993	832	–	–	–	–	–	–
Mobile telephony, GSM churn (%)	18	26	29	17	–	–	–	–	–	–
Mobile telephony, ARPU (EUR)	29	30	38	38	–	–	–	–	–	–
Broadband, subscriptions (thousands)	412	350	243	150	82	–	–	–	–	–
Internet dial-up access, subscriptions households (thousands)	41	76	113	149	181	–	–	–	–	–
Fixed telephony, PSTN subscriptions (thousands)	401	456	525	570	503	–	–	–	–	–
Fixed telephony, ISDN channels (thousands)	179	191	215	234	219	–	–	–	–	–
Norway										
Mobile telephony, total subscriptions (thousands)	1,641	1,651	1,308	1,195	1,089	970	850	–	–	–
Broadband, subscriptions (thousands)	172	–	–	–	–	–	–	–	–	–
Norway, NetCom										
Mobile telephony, traffic per customer and month (minutes)	226	194	175	164	156	133	130	–	–	–
Mobile telephony, SMS messages (millions)	1,675	1,444	1,171	1,043	756	501	302	–	–	–
Mobile telephony, ARPU (NOK)	368	338	339	342	330	310	308	–	–	–
Denmark										
Mobile telephony, total subscriptions (thousands)	1,123	1,154	1,115	472	421	288	263	170	112	–
Mobile telephony, SMS messages (millions)	4,033	3,579	2,542	1,041	175	61	39	23	–	–
Internet dial-up access, subscriptions (thousands)	17	24	43	28	34	n/a	n/a	n/a	n/a	n/a
Cable TV, subscriptions (thousands)	210	204	201	195	188	179	175	170	164	145
Broadband, subscriptions (thousands)	162	151	126	104	81	58	30	11	3	–
Fixed telephony, prefix and contract customers (thousands)	165	195	212	172	223	n/a	n/a	n/a	n/a	n/a
Baltic countries										
Mobile telephony, subscriptions, Estonia (thousands)	759	677	595	–	–	–	–	–	–	–
Fixed telephony, subscriptions, Estonia (thousands)	381	388	426	–	–	–	–	–	–	–
Mobile telephony, subscriptions, Latvia (thousands)	803	735	649	534	447	–	–	–	–	–
Mobile telephony, subscriptions, Lithuania (thousands)	2,074	1,889	1,338	1,052	851	–	–	–	–	–
Fixed telephony, subscriptions, Lithuania (thousands)	785	798	819	828	936	–	–	–	–	–
Spain										
Mobile telephony, subscriptions (thousands)	24	–	–	–	–	–	–	–	–	–
Eurasia										
Mobile telephony, subscriptions (thousands)	7,352	6,146	3,866	2,385	1,614	–	–	–	–	–
Human Resources										
Number of employees as of December 31	28,528	28,175	29,082	26,694	29,173	17,149	29,868	30,643	30,593	32,549
Average number of full-time employees during the year	26,969	27,403	25,381	26,188	17,277	24,979	30,307	29,546	31,320	33,930
of whom, in Sweden	10,427	11,061	10,948	11,321	12,593	20,922	25,383	25,414	27,540	30,474
of whom, in Finland	5,936	6,369	6,750	6,408	1,142	775	999	662	521	421
of whom, in other countries	10,606	9,973	7,683	8,459	3,542	3,282	3,925	3,470	3,259	3,035
of whom, women	12,164	11,934	11,427	10,936	7,546	9,196	11,521	11,268	11,486	13,703
of whom, men	14,805	15,469	13,954	15,252	9,731	15,783	18,786	18,278	19,834	20,227
Salaries and remuneration (SEK in millions)	8,918	9,023	8,674	8,460	6,732	8,852	9,543	9,184	9,098	9,472
Employer's social security contributions (SEK in millions)	1,903	1,970	1,902	1,950	1,804	2,614	3,055	2,895	2,762	2,807
Salaries and employer's social security contributions as a percentage of operating costs	15.2	15.5	16.4	14.9	14.9	19.4	25.5	26.2	25.8	28.5
Net sales per employee (SEK in thousands)	3,376	3,199	3,228	3,147	3,443	2,290	1,784	1,764	1,583	1,346
Operating income per employee (SEK in thousands)	945	640	740	562	–631	219	396	201	230	95
Change in labor productivity (%)	11.2	8.3	10.8	–4.9	53.5	31.9	8.3	17.9	20.2	8.4
Net income per employee (SEK in thousands)	715	500	511	347	–467	75	339	143	160	65

Definitions

Concepts

EBITDA
An abbreviation of "Earnings Before Interest, Tax, Depreciation and Amortization." Equals operating income before amortization, depreciation and impairment losses, and before income from associated companies.

Non-recurring items
Non-recurring items include capital gains and losses, costs for phasing out operations, personnel redundancy costs, and non-capitalized expenses in conjunction with the merger with Sonera in 2002. Effective January 1, 2003, only capital gains/losses, write-downs, restructuring programs or similar that represent more than SEK 100 million on an individual basis, will be reported as non-recurring. Comparable periods have not been restated.

Adjusted shareholders' equity
Reported equity (excluding minority interests) less the (proposed) dividend.

Capital employed
Total assets less non-interest-bearing liabilities and non-interest-bearing provisions recorded, and the (proposed) dividend.

Operating capital
Non-interest-bearing assets less non-interest-bearing liabilities, including the (proposed) dividend, and non-interest-bearing provisions.

Net interest-bearing liability
Interest-bearing liabilities and provisions less interest-bearing assets but including participations in associated companies.

Net borrowings
Interest-bearing liabilities less interest-bearing assets but including participations in associated companies.

Net debt
Interest-bearing liabilities less short-term investments and cash and bank.

Free cash flow
Cash flow from operating activities less cash CAPEX.

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

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

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

Operating margin (EBIT margin)
Operating income expressed as a percentage of net sales.

Return on sales
Net income (including minority interests) expressed as a percentage of net sales.

Total asset turnover
Net sales divided by the average balance sheet total.

Turnover of capital employed
Net sales divided by the average capital employed.

Return on assets
Operating income plus financial revenues expressed as a percentage of the average balance sheet total.

Return on capital employed
Operating income plus financial revenues expressed as a percentage of average capital employed.

Return on equity
Net income (excluding minority interests) expressed as a percentage of average adjusted shareholders' equity.

Equity/assets ratio
Adjusted shareholders' equity and minority interests expressed as a percentage of total assets.

Net debt/equity ratio
Net debt expressed as a percentage of adjusted shareholders' equity and minority interests.

Interest coverage ratio
Operating income plus financial revenues divided by financial expenses.

Self-financing rate
Cash flow from operating activities divided by gross investments.

Share data
Earnings per share are based on the weighted average number of shares before and after dilution with potential ordinary shares, while shareholders' equity per share is based on the number of shares at the end of the period.

Pay-out ratio
Dividend per share divided by basic earnings per share.

ARPU
Average monthly revenue per user.

Churn
The number of post-paid customers that have left the company expressed as a percentage of the average number of post-paid customers.

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

Notation conventions

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

SEK	Swedish krona	KZT	Kazakhstan tenge
AZN	Azerbaijan manat	LTL	Lithuanian lita
CHF	Swiss franc	LVL	Latvian lat
CZK	Czech koruna	NOK	Norwegian krone
DKK	Danish krone	PHP	Philippine peso
EEK	Estonian kroon	PLN	Polish zloty
EUR	European euro	RUB	Russian ruble
GBP	Pound sterling	TRY	Turkish lira
HUF	Hungarian forint	USD	U.S. dollar
JPY	Japanese yen		

Forward-Looking Statements

This annual report contains statements concerning, among other things, TeliaSonera's financial condition and results of operations that are forward looking in nature. Such statements are not historical facts but, rather, represent TeliaSonera's future expectations. TeliaSonera believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions; however, forward-looking statements involve inherent risks and uncertainties, and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement, including TeliaSonera's market position, growth in the telecommunications industry in Europe, the effects of competition and other economic, business, competitive and/or regulatory factors affecting the business of TeliaSonera and the telecommunications industry in general. Forward-looking statements speak only as of the date they were made, and, other than as required by applicable law, TeliaSonera undertakes no obligation to update any of them in light of new information or future events.

Annual General Meeting 2007

TeliaSonera's Annual General Meeting (AGM) will be held on Tuesday, April 24, 2007, at 5:00 p.m. Swedish time at Stockholmsmässan in Älvsjö, Stockholm, Sweden. The complete notification was published on TeliaSonera's web site, www.teliasonera.com at the end of March. The AGM will be interpreted from Swedish into English and Finnish.

Right to participate in the AGM

Shareholders wishing to participate in the AGM must be listed as shareholders in the printout of the register of shareholders issued by VPC AB on Wednesday, April 18, 2007, and must have notified TeliaSonera AB of their intent to participate in the AGM no later than 4:00 p.m. Swedish time on Wednesday, April 18, 2007.

Registration procedure

TeliaSonera's register of shareholders is maintained by VPC AB. Stock may be registered either in the shareholder's name or in the name of a nominee. To attend the meeting, shareholders whose stock has been registered in the names of nominees must arrange for their shares to be re-registered in their own names at VPC no later than Wednesday, April 18, 2007. This procedure also applies to shareholders using a bank's share deposit and/or trading over the Internet. Contact your trustee in advance for more information.

Finnish shareholders within the Finnish book-entry system (APK) are nominee registered at VPC and must contact APK by e-mail, thy@ncsdgroup.com or by phone, +358 (0)20 770 6609, for re-registration well in advance of Wednesday, April 18, 2007, to be able to participate in the AGM. Please note that APK will not automatically re-register all shareholders. Please also note that these Finnish shareholders must still notify the company of their intention to participate via one of the methods described below.

Notice of intention to attend

Notice can be given from March 26, 2007:

- by phone: +46 (0)8 611 60 15
- by fax: +46 (0)8 611 60 17
- by mail: TeliaSonera AB, Box 10, SE-182 11 Danderyd, Sweden
- on TeliaSonera's web site: www.teliasonera.com under Investor Relations

In providing such notice, shareholders should state:

- name/company
- personal identification/corporate registration number
- daytime telephone number (including area/country code)
- number of accompanying persons

Right to follow the AGM on distance via an Internet connection

Shareholders wishing to follow the AGM on distance via an Internet connection must:

- be listed as shareholders in the printout of the register of shareholders issued by VPC AB on Friday, March 30, 2007, and
- have notified TeliaSonera AB of their intent to follow the Annual General Meeting on distance via an Internet connection not later than 4.00 p.m. Swedish time on Wednesday, April 18, 2007.

The above registration procedure applies also to shareholders who only intend to follow the AGM via an Internet connection except that the re-registration of the shares is not necessary. Shareholders following the AGM via an Internet connection are considered as guests and can only follow the AGM and are not able to vote, make proposals or express opinions. For shareholders wishing to participate in the AGM through a representative and to personally follow the AGM via an Internet connection the notice procedure as a whole will apply.

Shareholders who have fulfilled the above criteria and notified their intention to follow the AGM on distance via an Internet connection will be provided with details of the connection and their personal passwords.

Note that following the AGM via an Internet connection requires a PC and Operating system: Windows XP, Web browser: Internet Explorer 6, Media player: Windows Media Player 9 or higher, Internet connection for the best quality: Broadband with a speed of 1 Mbps or faster (not a requirement).

Decisions to be made by the AGM

The AGM determines, among other matters, the appropriation of the Company's profits and whether to discharge the Board of Directors and President from liability. The AGM also appoints the Board of Directors and makes decisions regarding remuneration to the Board.

The Board of Directors proposes to the AGM 2007 a dividend of SEK 6.30 per share, composed of an ordinary dividend of SEK 1.80 per share and extraordinary dividends of SEK 4.50 per share, to be distributed to the shareholders.

The recommended record date at VPC for the right to receive dividend will be April 27, 2007. If the AGM votes to approve the Board's proposals, dividends are expected to be distributed by VPC on May 3, 2007.

Shareholders' information meeting in Finland

A Finnish shareholders' information meeting will be held on April 25, 2007, at 4 p.m. Finnish time at the Finlandia House, Helsinki. The Finnish shareholders will have the possibility to meet representatives from the management and the Board in person. The meeting will be interpreted into and from Finnish and English. TeliaSonera must receive notice of attendance no later than April 16, 2007.

Notice of intention to attend the Finnish shareholders' information meeting

Notice can be given from March 26, 2007:

- by phone: +358 (0)2040 54444
- by e-mail: communications-fi@sonera.com

Information and a link to notification by e-mail will be available on TeliaSonera's web site: www.teliasonera.com under Investor Relations.

In providing such notice, shareholders should state:

- name/company
- date of birth/corporate registration number
- daytime telephone number (including area/country code)
- number of accompanying persons

How to reach TeliaSonera

TeliaSonera AB
Mailing address: TeliaSonera AB,
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