2014

Annual + Sustainability Report

TeliaSonera

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The audited annual and consolidated accounts comprise pages 14–63, 89–180 and 193. The corporate governance statement examined by the auditors comprises pages 43–63. The sustainability information reviewed by the auditors comprises pages 5–6, 12–13, 64–88 and 181–192.

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Corporate Reg. No. 556103-4249, Registered office: Stockholm, Telephone: +46 (0)8 504 550 00, www.teliasonera.com

Bringing the world closer – on the customer's terms

TeliaSonera provides network access and telecommunication services that help people and companies communicate in an easy, efficient and environmentally friendly way, all the way from the Nordic countries to Nepal. We are also a leading wholesale provider who owns and operates one of the world's most extensive fiber backbones.

With superior network connectivity, seamless services and with competitive and flexible operations we will strengthen our positions in our markets, leading the way in a responsible manner and create value to society, shareholders and to our customers.

At year-end 2014, we had 72.8 million subscriptions of which:

- 65.6 million mobile subscriptions
- 3.0 million fixed telephony subscriptions
- 2.7 million broadband subscriptions
- 1.5 million TV subscriptions

The TeliaSonera share is listed at Nasdaq Stockholm and Helsinki stock exchanges. Market cap was SEK 218 billion at year-end 2014 distributed on 510,566 shareholders.

2014 – a strategically important year

Q1

The Board's review of the last years' transactions in Eurasia was finalized in the quarter. Several of these transactions have been inconsistent with sound business practice and our ethical requirements. We have taken, and will continue to take, a number of measures to transform our internal control systems to make sure we have adequate processes to identify and manage risk going forward.

Q2

We launched a new country-based and customer-centric organization. In line with our strategy to enhance the core we acquired the Danish IT and system integrator Siminn and some Swedish open fiber network companies, such as the communication operator Zitius Service Delivery, Quadracom Networks, and the service provider Riksnet.

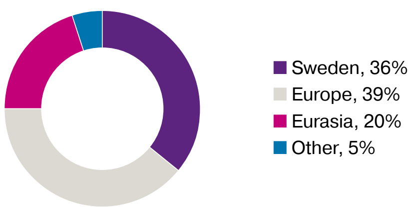
Q3

We agreed to acquire Tele2's operations in Norway and committed ourselves to 98 percent population coverage for 4G by 2016, two years ahead of the obligations. We also agreed with the local Finnish operator DNA on mobile network sharing in the sparsely populated Northern and Eastern Finland.

Q4

TeliaSonera entered into an agreement with Telenor to merge the two companies' Danish operations into a new joint venture in which the parties will own 50 percent each. The transaction requires approval from the EU Commission and a decision on the transaction is expected during 2015.

NET SALES SPLIT SEK 101,060 MILLION



PROPOSED DIVIDEND SEK 3.00 PER SHARE

3.00

FINANCIAL HIGHLIGHTS

SEK in millions except for per share data and margin	2014
Net sales	101,060
EBITDA excluding non-recurring items	35,223
EBITDA Margin (%)	34.9
Operating income excluding non-recurring items	26,656
Net income	15,599
of which attributable to owners of the parent company	14,502
Earnings per share (SEK)	3.35
Free cash flow	13,046

FINANCIAL KEY RATIOS

	December 31, 2014
Return on equity (%, rolling 12 months)	15.0
Return on capital employed (%, rolling 12 months)	12.2
Net debt/EBITDA rate excluding non-recurring items (multiple, rolling 12 months)	1.68

Important steps taken on our new exciting journey

Dear Shareholders and TeliaSonera followers. Our ambition is high, the targets are clear, and we are off to a good start. In the past year, we launched a new organization, updated our strategy and committed to an investment plan to improve our customer offerings and strengthen our market positions. We are now determined to show the way for the industry, with the ambition to become a new generation telecommunications company.

Financial performance

Our financial performance 2014 was broadly in line with our predictions, reinforcing that we are a financially stable company. Our margin is stable, our cash flow is strong, and we can pay our shareholders competitive dividends. Including dividend paid in 2014 of SEK 3 per share, our total shareholder return for the year was close to zero, which was below STOXX 600 Telecommunications Index and OMX Stockholm 30, respectively. I am confident that we can do better over time thanks to the new way of operating and the new strategy we have put in place.

The ongoing industry challenge is to achieve growth – a concern we share with many others in the telecom sector. This may seem a paradox in a communications society advancing at a rate rarely before witnessed.

The connected society

Never before have people communicated with one another as much as they do today. TeliaSonera is in the middle of this information flow, and we see from day to day how our customers change their behavior. Demand for data capacity continues to grow dramatically, especially as online lifestyle, movies and TV shows continue to gain in popularity. Today one-fourth of the data traffic in Europe comprises video, and the proportion is estimated to continue growing rapidly. Through our Carrier business, which is a top 2 global IP-carrier, we can see this locally and globally in our extensive IP-backbone.

We are now on the verge of the next big step, where online healthcare services, vehicles and machines communicating with one another become more and more common. This will pose further challenges to the network. As a telecom operator, we must be able to guarantee the quality and security needed to satisfy the varying needs brought about by all these connected machines and services.

We have taken this exciting technology development into account in our new business strategy, which you can read more about in this report. We will invest in the network and there by continue to offer superior connectivity that attract new customers and make the present customers stay. Our customers want to have, and will have, hassle-free connections meeting their current and future needs at home, at work and on the move.

Living up to these high expectations requires investments. We need to build out, maintain and upgrade our internet infrastructure on a continuous basis. In the next two years, we will invest additionally SEK 4 to 5 billion, of which the majority goes to improved internet experience for our customers.

This major investment includes, for example, a significant increase in fiber connections to homes in Sweden. In the past year, we connected four homes an hour, around the clock, every day of the week. Our ambition is to step up the pace so that around two million Swedish homes would have access to our fiber services in 2018.

The challenge to all telecom operators has long been how to convert demand for data and connected services into growth and increased sales. More than half of our mobile customers in Sweden have signed up on the new pricing plan where you pay for data rather than for calls at a per-minute rate. Half of the customers who reach the data limit set for their subscriptions choose to top up. This is one way for us to convert data growth into increased earnings, simultaneously as the customers gain better control of their costs.

Improved connectivity everywhere

The fact that people live their lives more online sets high requirements for us as a telecom operator. People expect – and rightly so – that our services are available everywhere and all the time. More than 99 percent of the Swedish population is now within the coverage area of our highest-speed mobile technology. When we started providing 4G services in Sweden and Norway five years ago, we were the first in the world to do so, and we continue to improve the network coverage and speed on all our markets. The first steps towards next-generation connectivity were taken in the autumn, as TeliaSonera's subsidiaries in Estonia and Lithuania tested an advanced version of the state-of-theart technology, called LTE Advanced, where the speed is significantly higher than in original 4G.

Closer to the customer with an effective way of working

During the year we introduced a new country-based organization and established a new Group Executive Management Team. We are now organized based on different solutions demanded by our customers, rather than based on different technologies and products. This will lead to a better understanding of our customers' total need and a better customer experience and more satisfied customers. During the next two years, we will invest SEK 2 billion in order to reduce our costs in the long run. In particular, we will invest in upgrading our IT systems. This will make it more efficient for our employees to do business and help customers, and at the same time it lowers our cost level by about SEK 2 billion a year, with full effect at the end of 2017.

In order to expand and to grow and to improve profitability, we are continuously seeking new business opportunities and exciting innovations to add to our core business. During the year, we concluded several small or medium-sized transactions. Through our acquisition of Tele2's operations in Norway, and the suggested combination with Telenor in Denmark, we are part of the ongoing consolidation trend on the European market and strengthen our position on our existing markets.

A responsible company

Our stakeholders have high requirements on us to act responsibly. This is good. No one has more to gain than us from transparency, control and an ethical way of dealing with business and people. Corruption and infringements of human rights poison society. In the same way, a company where you are allowed to act in the grey zone, or violate ethical or moral principles, is bound to fail.

TeliaSonera deals with responsibility issues in various ways, for example by complying with the principles of the UN Global Compact, but we realize that our ambition must be set even higher than that.

To discourage dishonesty and violation of our principles, we have continued to upgrade our internal controls during the year. We now put major efforts on training our employees in issues such as freedom of expression, corruption, occupational health and safety and our customers' right to privacy. At the time of writing, over 5,500 of our employees have completed the internal training in these issues, of which 4,300 in Eurasia. On all our markets we now have a "speak up-line", where both our employees and others can report any misconduct anonymously. Nobody in or outside TeliaSonera should feel uncertain about what our company stands for and that we make every effort to improve.

However, we are aware that through proactive and preventive work, which is a long journey, where we need to ensure doing the right thing, becomes a core part of our DNA and values. We are a big group with operations in some countries that are among the world's most challenging ones in this respect. TeliaSonera is not an isolated island, and as long as our markets struggle with problems, it will also affect us.

We should therefore be ambitious in doing preventive work and act with determination when new problems arise.

A large part of our value is today in two of our key associated companies, MegaFon and Turkcell. We closely follow the situation in Russia and the consequences it can have for our financial holding in MegaFon. There are still some deadlock between the three main owners of Turkcell, and the deadlock affect, for example, our possibilities to receive dividends from the company. We are conducting a constructive dialogue with all the parties involved, and are hopeful to one day find a solution.

The most competent come to us

TeliaSonera has always been able to take pride in its competent employees. Since I started in the company I have visited all our core markets and seen many various operations. Wherever I have gone, I have met people who are among the top in their areas of expertise. It makes me happy and comfortable that we will be able to execute on our strategy.

Our future success depends on how well we can continue to attract competent and passionate people and make them grow to their full potential with us. It is good to see our employee survey showing increased engagement and understanding of our strategy, especially considering the changes and turbulence in recent years.

Nothing is so good that it cannot be made better, and TeliaSonera has just set out on a journey that will take time. We have resources – both people and capital. We have customer demand, and we can meet it with modern solutions and quality. We know where we are going and what we should do to get there. That's a good start. I'm inspired by our opportunities and humbled by our challenges. As a team we will succeed.

Stockholm, March 11, 2015

Thank you for your support – At your service ☺
Johan Dennelind
President and CEO

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Our organization

TeliaSonera's organization is divided geographically by country. The subsidiaries can now make more independent decisions regarding their own market.

In 2014, TeliaSonera launched a new organization. Previously we were divided into different services: mobile and broadband. With the new organization, customers meet one company, irrespective of the services they use. At the same time we also moved our decision-making closer to the customer and the local markets. This makes us more agile; it shortens our decision-making processes and encourages new ways of thinking and personal responsibility.

Focus on countries

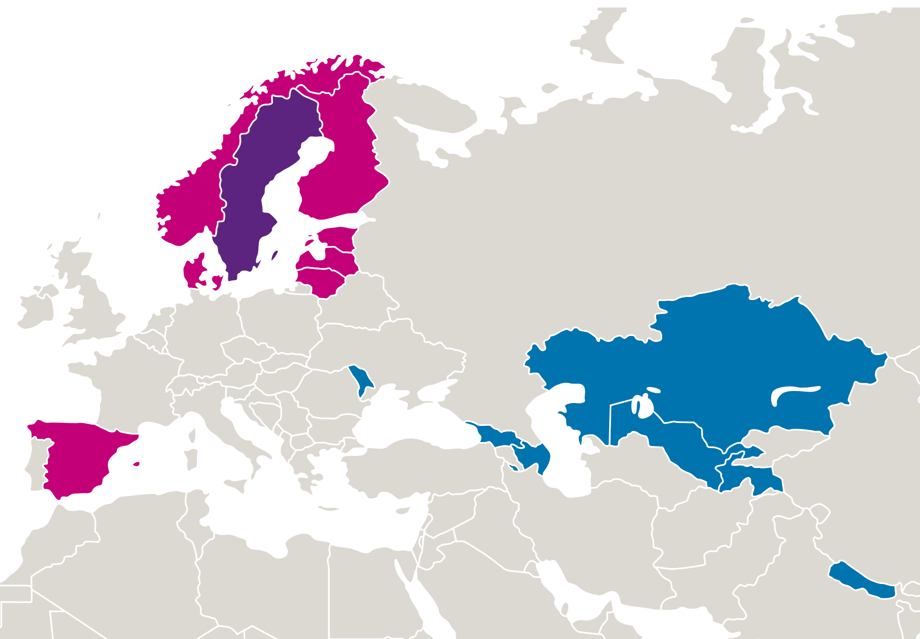
Our new organization is divided geographically by country. The subsidiaries can now make more independent decisions regarding their own market. They are the ones that both have an overview of the market and are close to the customer. The new organization provides the preconditions for local freedom without losing accountability to the group.

We have also strengthened the compliance functions to ensure that TeliaSonera runs a responsible business throughout the group.

From an organizational standpoint, we work in three regions; Sweden, Europe and Eurasia.

Cost-efficient operations

TeliaSonera strives to run cost-efficient operations. We are constantly improving and adjusting our organization so that we can offer high-class services at an attractive price. We do a lot of research and development in-house, but also seek cooperation with others to broaden our operations and expand in areas adjoining our traditional core operations.



Our three regions

- Sweden
- Europe
- Eurasia

Purpose and values

Our ambition is to take TeliaSonera to the next level, to become a New Generation Telco. To grow our business and to stay inspired in our daily work, we need to be truly relevant to our customers.

Everything we do should be a reflection of our purpose; Bringing the world closer – on the customer's terms. This means providing and developing services that generate value to society, and to our customers.

Our values are the compass that leads us in how we act and behave in our daily work.

TeliaSonera's purpose:

Bringing the world closer – on the customer's terms

Our values

We dare to…

lead
by engaging with our customers and challenging ourselves

innovate
by sharing ideas, taking risks and continously learning

speak up
by expressing opinions and concern

We care for…

our customers
by providing solutions that are adapted to their needs

each other
by being supportive, respectful and honest

our world
by acting responsibly and in accordance with our ethical standards

We simplify…

execution
by taking actionable decisions and delivering with speed

teamwork
by transparent communication, active collaboration and knowledge sharing

operations
by efficient processes and clear ownership

Strong market positions

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

Subsidiaries

Country	Trademark	Ownership[1]	Consolidated share[2]	Service	Market position	Market share[3]
Sweden						
Telia, halebop	Telia, Halebop	100%	100%	Mobile	1	38%
	Telia	100%	100%	Broadband	1	39%
	Telia	100%	100%	Fixed voice	1	59%
	Telia	100%	100%	TV	3	15%
Finland						
Sonera, tele finland	Sonera, TeleFinland	100%	100%	Mobile	2	34%
	Sonera	100%	100%	Broadband	2	32%
	Sonera	100%	100%	Fixed voice	2	25%
	Sonera	100%	100%	TV	3	22%
Norway						
NetCom, Chess	NetCom, Chess	100%	100%	Mobile	2	23%
Denmark						
Telia, Call me, dlg Tele	Telia, Call me, DLG Tele[4]	100%	100%, 50%[4]	Mobile	3	18%
	Telia, DLG Tele[4]	100%	100%, 50%[4]	Broadband	5	5%
	Telia, Call me, DLG Tele[4]	100%	100%, 50%[4]	Fixed voice	2	8%
	Telia	100%	100%	TV	>5	<5%

Subsidiaries

Country	Trademark	Ownership[1]	Consolidated share[2]	Service	Market position	Market share[3]
Lithuania						
	Omnitel, Ezys	100%	100%	Mobile	2	34%
	TEO	88.2%	88.2%	Broadband	1	46%
	TEO	88.2%	88.2%	Fixed voice	1	92%
	TEO	88.2%	88.2%	TV	1	26%
Latvia						
	LMT Okarte, Amigo	60.3%[5]	60.3%[5]	Mobile	1	43%
Estonia						
	EMT, Diil	100%	100%	Mobile	1	43%
	Elion	100%	100%	Broadband	1	58%
	Elion	100%	100%	Fixed voice	1	82%
	Elion	100%	100%	TV	2	36%
Spain						
	Yoigo	76.6%	100%	Mobile	4	7%
Kazakhstan						
	Kcell, Activ	61.9%	61.9%	Mobile	1	44%
Azerbaijan						
	Azercell	38.1%	69.5%	Mobile	1	48%
Uzbekistan						
	Ucell	94.0%	100%	Mobile	2	43%
Tajikistan						
	Tcell	60.0%	60.0%	Mobile	1	36%
Georgia						
	Geocell	74.3%	74.3%	Mobile	2	36%
Moldova						
	Moldcell	74.3%	74.3%	Mobile	2	29%
Nepal						
	Ncell	60.4%	80.4%	Mobile	1	56%

Associated companies

Country	Trademark	Ownership[1]	Consolidated share[2]	Service	Market position	Market share[3]
Latvia						
	Lattelecom	49.0%	49.0%	Broadband	1	55%
	Lattelecom	49.0%	49.0%	Fixed voice	1	94%
	Lattelecom	49.0%	49.0%	TV	1	35%
Russia						
	MegaFon	25.2%	26.2%	Mobile	2	35%
Turkey						
	Turkcell	38.0%	38.0%	Mobile	1	49%

[1] Ownership is defined as direct and indirect ownership, i.e. effective ownership.

[2] Consolidated share includes commitments to acquire shares from holders of non-controlling interests.

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

[4] TeliaSonera owns 50 percent of DLG Tele and controls the company through shareholder agreements.

[5] TeliaSonera directly owns 49 percent of LMT and controls the company through shareholder agreements.

Our role in society – improving lives in a connected world

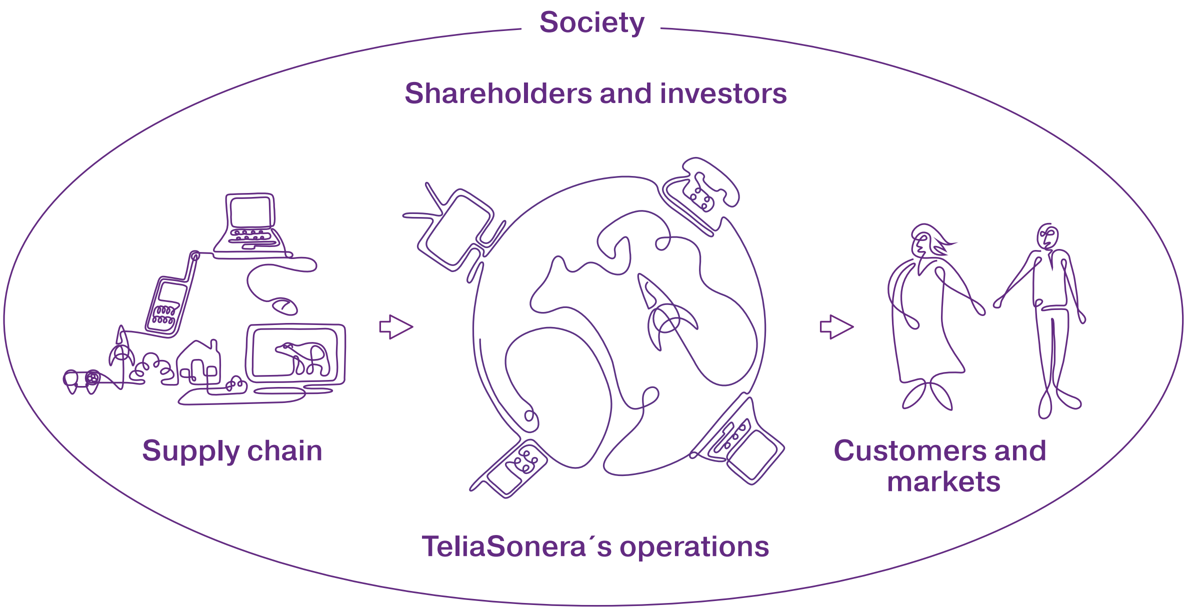
Our role is to create value for businesses, individuals, families and communities through the use of our networks and services.

Last decades' developments in communications technology have fundamentally changed people's way of life and means of work. Access to communication through fast, reliable networks is becoming a fundamental need for everyone in the 21st century. Each day more and more people are connected to the internet and utilize its almost endless potential for learning, doing business, keeping in touch with friends and family and more. Information that was previously at the hands of only a few is now in reach for everyone. TeliaSonera's networks are therefore the foundation for people to access the many possibilities that lie in shared digital learning. There is a clear link between access to modern telecom services and economic and human development, especially in developing countries.

To create value

Our role is to create value for businesses, individuals, families and communities through the use of our networks and services. TeliaSonera's operations stretch around the globe, with subsidiaries from the Atlantic coast in the west to the Himalayas in the east. In each region, people want and need to be in touch with the world around them. For children and youth, it means having access to the same information that is shared at the great universities' campuses. Through our networks, small rural business owners can reach a larger market. Our services let people stay in touch even when the geographical distance is far, making the world more reachable. In many of our markets, we are

Our role in society



also among the biggest employers, creating jobs, support a growing economy and contributing as tax payers. Simply put, we improve lives in a connected world.

Societal development

Our purpose of *Bringing the world closer – on the customer's terms* and our values, *Dare*, *Care* and *Simplify*, support our focus on societal development through providing telecom services that are accessible, available for all, and safe. Affordable and easy to use services are important to bridge the digital divide, enhancing digital equality and literacy for people of all backgrounds. To overcome language barriers, we aim to provide our services in regional dialects and minority languages. Many of our operators offer additional services for the disabled to help them use telecommunication services to improve their quality of life.

Bringing people together

We believe that the continued development of our networks and services is the most efficient way to bring individuals, business and communities together in an increasingly global world. We make infrastructure investments for the future of the communities we operate in. Our investments in improved network coverage and increased capacity not only make us more competitive, but it strengthens local markets' ability to compete globally. Fast, reliable networks are a critical factor for growth and new jobs, not least in rural areas and socio-economically poor regions. We are prepared to assist in rescue work and provide disaster relief during extreme weather conditions and natural disasters, to help coordinate relief work and rebuilding and making sure that affected people can stay in contact with their friends and families.

Our social license to operate depends on the support we receive from the communities in which we operate. The involvement and engagement with local organizations and civil society is of utmost importance to maintain this license and support long-term value creation. From rolling out networks with the full support of the villages in which we operate, to having the best offering in financial and ethical terms, we must understand how to cooperate with stakeholders on a local and a global level. By supporting local suppliers, we make a positive impact in issues like health and safety, by providing training. Together with other operators, we increase the demands on manufacturers to take responsibility for the positive and negative impact of their products in the entire value chain.

Board of Directors' Report

Preamble

TeliaSonera reports its financial results by the three operating segments region Sweden, region Europe and region Eurasia, and Other operations. The regions are country-based organizations, and for which certain financial information is reported. Collectively reported as Other operations are the international carrier operations, customer financing and dunning operations, TeliaSonera Holding, TeliaSonera's shareholdings in Russian MegaFon (25 percent) and Turkish Turkcell (38 percent) as well as Group functions. Group functions include Communications, Corporate Development (including M&A), Finance (including Procurement and Real Estate), Human Resources, Legal Affairs, Commercial, Technology (including IT), CEO Office, Ethics and Compliance and Internal Audit.

In this Report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the full year of 2013, unless otherwise stated.

Our strategy

Our customers do not use our services the way they used to. Demand for our previous core products is declining and they are far less profitable than they used to be. At the same time as we see this trend, demand for data through fiber and smartphones has rocketed, a development that we will benefit from. We will continue improving our core business, to be the natural choice for those who want well-functioning and hassle-free connectivity, whether they are at work, at home or on the go.

To continue offering superior connectivity we must proceed to invest in our networks. Customers use our different services together or as complement to one another. We aim to give them a complete service when they ask for our help, based on their individual needs. We intend to offer total solutions combining the best from IT with the best from telecoms fitting the customer's unique prerequisites. Flexibility and simplicity will make people choose us, stay with us and recommend us to others.

In our Eurasian markets, people do not use online services to the same extent as people in the Nordic and Baltic countries. We intend to be a driving force here and enable these countries to take the next step in their development.

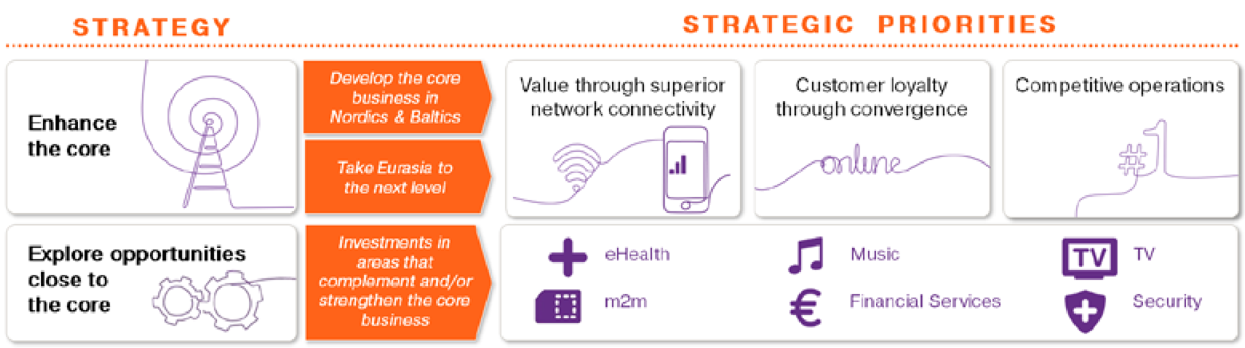
In addition to improving and developing what we already do well, we shall explore new opportunities and venture into new services close to our core business. Streamed TV and music, financial services, e-healthcare solutions and machine-to-machine communication are examples of areas where TeliaSonera can widen the scope of its business and grow.

Our strategic priorities are:

- *Value through superior network connectivity* – Secure the transition from voice to data through future proof network access to end customers
- *Customer loyalty through convergence* – Create a seamless experience across technologies, services and channels
- *Competitive operations* – Simplify operations and transform legacy to create agility and cost efficiency
- *Explore opportunities in adjacent areas close to the core* in TV, e-healthcare, music, machine-to-machine, financial services and security

Sustainability is a vital part of how we do business and critical for how we deliver on our purpose and values. Our sustainability strategy is based on a continued strong foundation in ethical business practices, and identifies new ways to leverage the positive business, social and environmental impact potential of telecom services and sustainability, particularly within the area of digital inclusion. Implementation will be based on the vastly different challenges and opportunities in our markets.

STRATEGY AND STRATEGIC PRIORITIES



Group development in 2014

Financial highlights

- Net sales in local currencies, excluding acquisitions and disposals, decreased 1.8 percent. In reported currency, net sales decreased 0.8 percent to SEK 101,060 million (101,870). Service revenues in local currencies, excluding acquisitions and disposals, decreased 1.0 percent.
- EBITDA, excluding non-recurring items, decreased 1.0 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, decreased 1.0 percent to SEK 35,223 million (35,584). The EBITDA margin, excluding non-recurring items, was stable at 34.9 percent (34.9).
- Operating income, excluding non-recurring items, decreased 6.6 percent to SEK 26,656 million (28,534).
- Net income attributable to owners of the parent company decreased 3.1 percent to SEK 14,502 million (14,970) and earnings per share to SEK 3.35 (3.46).
- Free cash flow decreased to SEK 13,046 (16,310) due to higher cash CAPEX and changes in working capital.

Restated financial information

In this Report, prior periods have been restated to reflect the discovery of certain classification errors, referring to certain mobile equipment sales and commission fees in region Europe. Further, for comparability, reclassifications of balances between cash and cash equivalents and short-term investments, and long-term and short-term investments have been made for 2013. The reclassifications have not affected net debt or operating cash flow. For additional information, see Note C1 to the consolidated financial statements.

Significant events in 2014

During the year, TeliaSonera continued to invest and announced its intention to continue to invest in network capacity and coverage and to improve cost efficiency in the networks to the benefit of its customers, as follows:

- In May, TeliaSonera announced that its international carrier unit had further expanded its North American high-performance connectivity network, now spanning over 24,000 kilometers of fiber coast to coast. Recent additions included the Dallas metro network as well as a points-of-presence in Boca Raton, Florida and Washington, DC.
- In May, TeliaSonera announced that it will lay down 1,250 kilometers of new fiber cable through the north of Sweden to boost capacity for its long-haul network

SEK in millions, except key ratios, per share data and changes	2014	2013	Change (%)
Net sales	101,060	101,870	-0.8
Change (%) local organic	*-1.8*		
of which service revenues (external)[1]	90,951	91,046	-0.1
EBITDA[1] excl. non-recurring items[2]	35,223	35,584	-1.0
Margin (%)	34.9	34.9	
Depreciation, amortization and impairment losses	-15,589	-15,215	2.5
Income from associated companies	4,593	6,021	-23.7
Non-recurring items[2] within EBITDA[1]	-1,549	-1,928	-19.7
Operating income	22,679	24,462	-7.3
Operating income excluding non-recurring items[2]	26,656	28,534	-6.6
Margin (%)	26.4	28.0	
Financial income and expenses, net	-2,573	-3,094	-16.9
Income taxes	-4,508	-4,601	-2.0
Net income	15,599	16,767	-7.0
of which attributable to owners of the parent company	14,502	14,970	-3.1
Earnings per share (SEK)	3.35	3.46	-3.1
Return on capital employed (%)	12.2	13.5	
CAPEX-to-sales (%)[3]	16.5	16.0	
Net debt	59,320	55,774	6.4
Free cash flow	13,046	16,310	-20.0

[1] See Definitions
[2] See section "Non-recurring items" for details
[3] Including license and spectrum fees

in the region, carrying network traffic bound for the rest of Europe on behalf of global internet companies. The new fiber cable called Skanova Backbone North will when finished run across inland terrain through middle and northern Sweden, ending up in the city of Luleå. Because of its cold climate and access to clean and stable energy, the region, which is located just south of the Arctic Circle, has become an increasingly popular site to build datacenters with large server farms in need of cost and energy efficient cooling.
- In August, TeliaSonera announced that its subsidiary Moldcell in Moldova had acquired new licenses and radio frequencies, valid for a 15-year term starting November 6, 2014.
- In August, TeliaSonera announced that its Finnish operator Sonera (TeliaSonera Finland Oyj) and the local Finnish operator DNA had agreed on mobile network sharing in the sparsely populated Northern and Eastern Finland. The joint operation allows for more efficient build out and operation of radio networks in an area making up 50 percent of Finland's total territory in which only approximately 15 percent of its population live, improving customer experience in terms of coverage, speed and quality.
- In September, TeliaSonera announced that continuous CAPEX in the core operations is expected to be around 15 percent of service revenues the next two years. In addition, TeliaSonera will invest total accumulated CAPEX of up to SEK 6–7 billion in 2015–2016 in two main areas: (1) increasing competitiveness and reduce cost by investing in business transformation and (2) additional growth initiatives by primarily accelerating the fiber roll-out in Sweden, new B2B offerings, as well as upgrading data networks in Eurasia.
- In October, TeliaSonera by acquiring Ipeer AB, a leading Swedish corporate supplier of cloud and hosting services, supplemented its product portfolio of network and access services to be able to offer its Swedish business customers completely new total solutions.
- In December, TeliaSonera announced that it had entered into an agreement with Telenor to merge the two companies' Danish operations into a new 50/50-owned joint venture. The merger will create a robust mobile operator able to increase investments in networks with high coverage and performance as well as in attractive and user-friendly services. Combining the fixed networks and services will create an even better broadband provider for Danish consumers and businesses. The transaction requires approval from the EU Commission.
- During the year, TeliaSonera launched 4G roaming on the Spanish market to Swedish and Norwegian customers, enabling customers to continue use high-speed mobile surf also on their vacation. At year-end, TeliaSonera had launched 4G services in 12 countries.
- In Sweden, 4G population coverage exceeded 99 percent at year-end, 4G traffic had surpassed 3G traffic at year-end and 4 new villas per hour were connected to the fiber network during 2014.

TeliaSonera's strategic priorities include exploring opportunities in adjacent areas close to the core in, among others, machine-to-machine (M2M) communication. During the year, TeliaSonera and the global management consultancy Arthur D. Little issued a report on M2M, or Internet of Things. According to the report, the number of connected things in the Nordics has already surpassed the region's total population and the market is expected to grow roughly twice as fast as the global M2M market. TeliaSonera and Arthur D. Little estimate that by 2017 there will be 2.6 Connected Things per person. With extensive mobile networks across its markets, dedicated M2M services, including technology and support, as well as an expert network of industry and operator partners, TeliaSonera deliver comprehensive M2M solutions with seamless quality throughout Europe.

During the year, the Board of Directors and management made further efforts to develop principles, governance and processes that respect human rights and protect TeliaSonera from corruption.
- TeliaSonera launched its new whistle-blowing solution where employees and external stakeholders can raise concerns and report potential misconduct via a local number or a secure web portal.
- TeliaSonera published its first Transparency Report covering the number of authority requests TeliaSonera received in its Swedish and Finnish operations during 2013 and the first six months in 2014.
- E-learning in understanding and complying with the TeliaSonera Code of Ethics and Conduct continued. The training focuses on anti-corruption and human rights. At year-end, more than 23,000 TeliaSonera employees had participated in the mandatory training. After the initial roll-out the work continues by each month requiring new employees entering TeliaSonera and employees returning from longer leave to participate in the training.
- Other actions during the year included, but was not limited to, initial establishment of extended management meetings on region and country level, assembled regularly to discuss and decide on governance, risk, ethics and compliance issues (GREC meetings); and issuing and initiating the implementation of new group policies on financial accounting and reporting as well as on occupational health and safety. For additional information, see the Corporate Governance Statement, sections "Enterprise risk management framework" and "Group policies."

In 2014, events originally emanating from the autumn 2012 allegations that TeliaSonera was involved in bribery or money laundering in connection with its investments in Uzbekistan were as follows:

- In March, TeliaSonera announced that the Dutch authorities carried out searches at two of TeliaSonera's Dutch holding companies, TeliaSonera UTA Holding B.V. and TeliaSonera Uzbek Telecom Holding B.V., as they are subject to a preliminary investigation concerning bribery and money laundering. TeliaSonera is cooperating fully with the Dutch authorities and has, as requested by the authorities, provided a bank guarantee of EUR 10 million as collateral for any financial claims which may be decided against TeliaSonera UTA Holding B.V.
- In March, TeliaSonera announced that it had been informed that the U.S. Department of Justice (DoJ) has an ongoing investigation regarding TeliaSonera's transactions in Uzbekistan. The DoJ sent a request for documents to TeliaSonera. In addition, TeliaSonera has received a request from the U.S. Securities and Exchange Commission (SEC) to submit documents and information related to Uzbekistan.
- In April, at the Annual General Meeting, Marie Ehrling, Chair of the Board, summarized the review of transactions in Eurasia, conducted by the international law firm Norton Rose Fulbright. For additional information, see the Corporate Governance Statement, section "Review of Eurasian transactions and related liability issues."
- In September, TeliaSonera announced that the board of its listed subsidiary Kcell in Kazakhstan had announced that initial investigations had revealed that a number of the company's external supplier contracts were entered into in breach of the company's own internal policies and procedures. To that date there had been no indication that any of the matters under investigation would have any material effect on the company's balance sheet or on its results of operations.
- In December, the Board of Directors issued a statement on potential liability for former officials of TeliaSonera. For additional information, see the Corporate Governance Statement, section "Review of Eurasian transactions and related liability issues."

On April 1, TeliaSonera launched its new operating model improving the local operations' ability to provide an even better customer experience and at the same time clarify performance accountability. The countries are the leading dimension. Countries are grouped in three geographical regions; Sweden, Europe and Eurasia. The new operating model also strengthens the ability to enforce and follow up the sustainability, compliance and governance agendas, and support local management and staff in this regard.

During 2014, changes in TeliaSonera's Nomination Committee and Group Executive Management were as follows:

- On April 28, Niklas Johansson, director-general and head of the department of municipalities and government ownership at the Swedish Ministry of Finance, replaced Magnus Skåninger as the Swedish state's representative and Chair of TeliaSonera's Nomination Committee.
- On February 14, Hélène Barnekow was appointed Senior Vice President and Chief Commercial Officer, and member of the Group Executive Management.
- On April 11, Christian Luiga was appointed Senior Vice President and Chief Financial Officer, and member of the Group Executive Management.
- On May 2, Henriette Wendt was appointed Head of Group Corporate Development and member of the Group Executive Management.
- On May 2, TeliaSonera announced that Karin Eliasson would leave her position as Head of Group Human Resources and on May 27, Cecilia Lundin was appointed new Head of Group Human Resources and member of Group Executive Management.
- On November 5, TeliaSonera announced that Åke Södermark, Senior Vice President and Chief Information Officer, had chosen to leave the Group Executive Management at year-end. He will work for the company until April 1, 2015, at which time he will retire.

In 2014, no material changes took place in the corporate governance of Turkcell, as a consequence of a continued deadlock between the shareholders Cukurova, Altimo and TeliaSonera. The Board of Directors consisted of seven independent members, all appointed by the Turkish Capital Markets Board (CMB). The Board called for a shareholders meeting on May 29, 2014, but the meeting could not be held due to lack of quorum. Hence, no decision on dividend distribution was made during the year. If no Turkcell shareholders meeting is held as of March 31, 2015, the authorities of such shareholder meeting will be performed by an administrative body formed under the authority of the CMB, named the Investor Compensation Center. On July 31, 2014, Cukurova repurchased the long disputed shares, which indirectly holds 13.5 percent of the shares in Turkcell, from Altimo.

In April, TeliaSonera acquired 124,541 own shares at an average price of SEK 46.0244 to cover commitments under its long-term incentive program 2011/2014. For more information on the incentive programs, see section "Long-term incentive program 2014/2017" and Note C31 to the consolidated financial statements.

Net sales SEK in millions	2014	2013	Change (SEK million)	Change (%), total	Change (%), of which local organic[1]	M&A effects	FX effects[2]
Region Sweden	36,456	36,199	257	0.7	0.2	0.6	0.0
Region Europe	39,836	41,360	-1,524	-3.7	-7.3	-0.1	3.7
Region Eurasia	20,458	20,414	44	0.2	4.4	0.0	-4.2
Other operations	7,043	6,668	375	5.6	2.3	0.0	3.3
Elimination of internal sales	-2,734	-2,771	37	1.3	n/a	n/a	n/a
Group	**101,060**	**101,870**	**-810**	**-0.8**	**-1.8**	**0.2**	**0.8**

[1] In local currencies and excluding acquisitions and disposals (M&A effects)
[2] Effects of exchange rate fluctuations

In 2014, TeliaSonera made a number of targeted acquisitions and disposals (see section "Acquisitions and disposals" for further information). In July, TeliaSonera also stated that it is reviewing its future presence in the Spanish market.

During the year, TeliaSonera in line with its funding strategy of diversification and increasing the duration of the debt portfolio, made the following major bond issues under its existing EUR 12 billion EMTN (Euro Medium Term Note) program (see also section "Credit facilities"):

- In February, a 5-year Eurobond of EUR 500 million, maturing in February 2019. The re-offer yield was set at 1.483 percent per annum equivalent to Euro mid-swaps + 45 basis points.
- In November, a 5-year bond issue of SEK 4 billion in the Swedish market, maturing in December 2019. The re-offer yield was set at 1.185 percent per annum equivalent to mid-swaps + 53 basis points.

Net sales

Net sales decreased 0.8 percent to SEK 101,060 million (101,870). Net sales in local currencies and excluding acquisitions and disposals decreased 1.8 percent. The positive effect of exchange rate fluctuations was 0.8 percent and the positive effect of acquisitions and disposals was 0.2 percent. Service revenues in local currencies, excluding acquisitions and disposals, decreased 1.0 percent as growth in Eurasia was not enough to mitigate lower fixed service revenues in Sweden, driven by fixed-line disconnects, and in Spain, following a highly competitive market situation. Also contributing to the decline in service revenues were a negative mobile subscription-base development and fixed-line disconnects in Lithuania, and increased competition in Kazakhstan and Azerbaijan.

Over the year, net sales growth rate, in local currencies and excluding acquisitions and disposals, was negative in all quarters.

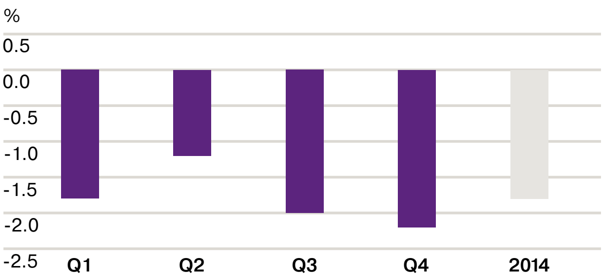
Subscription growth

The total number of subscriptions increased by 1.0 million to 72.8 million, of which Eurasia increased by 0.7 million to 44.9 million. Telephony subscriptions decreased by 0.2 million, while broadband and TV subscriptions increased by 0.2 million and 0.1 million, respectively.

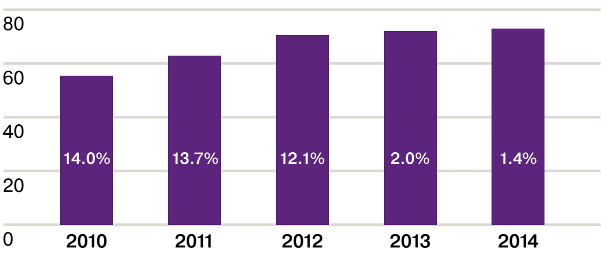
Expenses

Cost of goods and services sold (COGS) was SEK 37,734 million (38,040), 0.8 percent down compared to 2013, mainly due to lower handset sales in Spain and reduced interconnect expenses. Since COGS decline exceeded the net sales decline, gross margin excluding non-recurring items improved to 63.0 percent (62.6).

NET SALES GROWTH IN LOCAL CURRENCIES, EXCL. ACQUISITIONS AND DISPOSALS, QUARTERLY CHANGE Y-O-Y (%)



SUBSCRIPTIONS (MILLIONS) AND CHANGE YEAR-ON-YEAR (%)



Expenses SEK in millions	2014	2013	Change (SEK million)	Change (%)
COGS	-37,734	-38,040	306	-0.8
of which goods and sub-contracting services purchased	-17,922	-18,576	654	-3.5
of which interconnect and roaming expenses	-10,144	-10,694	550	-5.1
of which other network expenses	-6,258	-5,829	-429	7.4
of which change in inventories	-3,410	-2,941	-469	15.9
Personnel expenses	-12,557	-12,226	-331	2.7
Marketing expenses	-5,648	-6,304	656	-10.4
Other expenses	-10,405	-10,069	-336	3.3
Total	**-66,344**	**-66,639**	**295**	**-0.4**
Amortization, depreciation and impairment losses, total	-15,589	-15,215	-374	2.5
Other operating income and expenses, net[1]	-1,040	-1,575	535	34.0
Total expenses	**-82,973**	**-83,429**	**456**	**-0.5**

[1] Excluding amortization, depreciation and impairment losses

Personnel expenses, in local currencies and excluding acquisitions and disposals, increased 0.9 percent compared to 2013. In Sweden, personnel expenses decreased, while Europe, Eurasia and Group functions reported increased costs. Reasons behind the increase were strengthening of customer services in Finland, lower amount of capitalized work in several countries and insourcing of call-center staff in Eurasia.

Marketing expenses, in local currencies and excluding acquisitions and disposals, declined 11.8 percent, with lower equipment subsidies and sales commissions in Spain, Kazakhstan and to some extent also in Norway being the main explanations. Other expenses increased mainly due to higher energy costs.

Amortization, depreciation and impairment losses increased 2.5 percent to SEK 15,589 million (15,215), largely driven by higher impairment losses and accelerated depreciation mainly in Eurasia. Amortization and depreciation excluding non-recurring items increased 1.0 percent to SEK 13,161 million (13,036). In local currencies and excluding acquisitions and disposals, there was a 0.1 percent decrease.

Other operating income and expenses, net excluding amortization, depreciation and impairment losses, was SEK -1,040 million (-1,575).

Non-recurring items

Non-recurring items are not included in "EBITDA excluding non-recurring items" or in "Operating income excluding non-recurring items," but included in the total results for TeliaSonera and for each of the regions.

Non-recurring items affecting operating income totaled SEK -3,976 million (-4,072) and were mainly related to goodwill impairment charges and write-downs of assets in Eurasia, closing down of IT legacy systems and restructuring charges in connection with group cost-reduction initiatives. In addition, there were non-recurring costs associated with settling the lease agreements in Farsta, Stockholm, following the move to new premises in Solna in 2016.

Non-recurring items SEK in millions	2014	2013
Within EBITDA	**-1,549**	**-1,928**
Restructuring charges, synergy implementation costs, etc.:		
Region Sweden	-354	-472
Region Europe	-204	-415
Region Eurasia	-637	-321
Other operations	-246	-331
Capital gains/losses	-107	-389
Within Amortization, depreciation and impairment losses	**-2,428**	**-2,179**
Impairment losses, accelerated depreciation:		
Region Sweden	-29	-296
Region Europe	-152	-1,213
Region Eurasia	-2,246	-500
Other operations	-1	-159
Within Income from associated companies and joint ventures	**–**	**35**
Capital gains/losses	–	35
Total	**-3,976**	**-4,072**

EBITDA excluding non-recurring items SEK in millions	2014	2013	Change (SEK million)	Change (%)
Region Sweden	14,311	14,514	-203	-1.4
Region Europe	9,772	9,740	32	0.3
Region Eurasia	10,859	10,804	55	0.5
Other operations	282	513	-231	-45.1
Eliminations	–	13	-13	
Group	**35,223**	**35,584**	**-361**	**-1.0**

Operating income excluding non-recurring items SEK in millions	2014	2013	Change (SEK million)	Change (%)
Region Sweden	10,130	10,348	-218	-2.1
Region Europe	4,759	5,126	-367	-7.2
Region Eurasia	7,819	7,849	-30	-0.4
Other operations	3,948	5,197	-1,250	-24.0
Eliminations	–	13	-13	
Group	**26,656**	**28,534**	**-1,878**	**-6.6**

Earnings

EBITDA, excluding non-recurring items, decreased 1.0 percent to SEK 35,223 million (35,584). In local currencies and excluding acquisitions and disposals, EBITDA, excluding non-recurring items, also decreased 1.0 percent. The main reasons behind the decline were a negative sales-mix shift in Sweden and challenging market competition in several of the European countries. However, the EBITDA margin remained flat at 34.9 percent (34.9).

Operating income, excluding non-recurring items, decreased 6.6 percent to SEK 26,656 million (28,534), mainly burdened by lower income from associated companies but to some less extent also from lower EBITDA and higher depreciation and amortization. The main reasons behind the lower income from associated companies were negative impact from exchange rate fluctuations and one-off items. The operating margin, excluding income from associated companies and non-recurring items affecting operating income, was 21.8 percent (22.2).

Financial net, taxes and non-controlling interests

Financial items decreased to SEK -2,573 million (-3,094), primarily as a result of lower average interest rates and a lower pension liability that to some extent was offset by a higher discount rate.

Income taxes decreased to SEK -4,508 million (-4,601). The effective tax rate was 22.4 percent (21.5), impacted by reduced earnings from associated companies, non-tax deductible impairment losses and write-downs in Eurasia and a revaluation effect of the net deferred tax assets in Spain related to the enacted tax-rate reduction. In 2013, the effective tax rate was heavily impacted by the enacted tax-rate reduction in Finland. The effective tax rate going forward is expected to be around 21 percent.

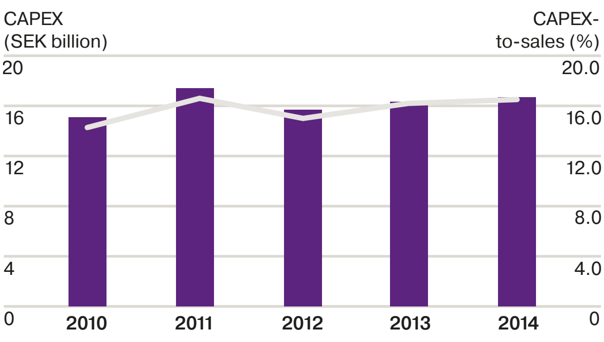
Net income attributable to non-controlling interests in subsidiaries decreased to SEK 1,097 million (1,797), of which SEK 927 million (1,619) was related to region Eurasia and SEK 170 million (179) to region Europe.

Net income attributable to owners of the parent company decreased 3.1 percent to SEK 14,502 million (14,970) and earnings per share to SEK 3.35 (3.46).

CAPEX

CAPEX (capital expenditures) increased to SEK 16,679 million (16,332) and the CAPEX-to-sales ratio to 16.5 percent (16.0). Main CAPEX components were investments in network capacity and coverage to support growing data volumes and to increase population reach, including an extensive roll-out of 4G and fiber. Further, telecom licenses and frequency permits were acquired or renewed in Moldova and Nepal. Fees for the commercial license in Uzbekistan, terminating in 2016, were capitalized. CAPEX, excluding license and spectrum fees, amounted to SEK 15,325 million (14,565) and the CAPEX-to-sales ratio was 15.2 percent (14.3).

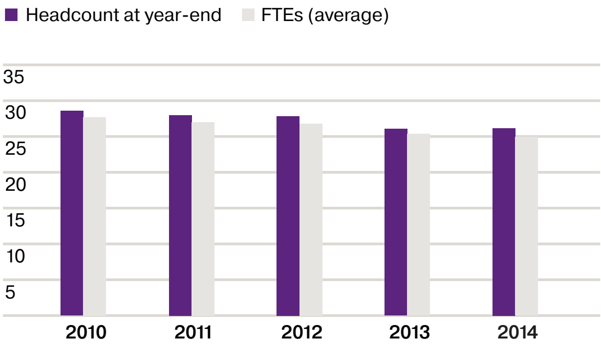
CAPEX AND CAPEX-TO-SALES



Human resources

In 2014, the number of employees increased 0.6 percent from 26,013 to 26,166 at year-end. The net increase from business combinations in 2014 was 203 employees.

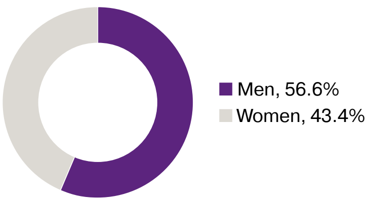
EMPLOYEES (THOUSANDS)



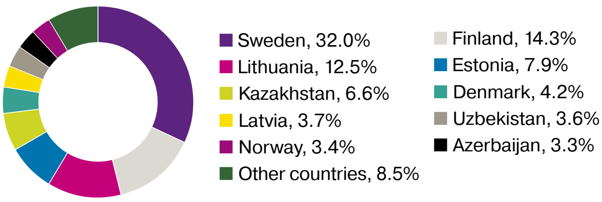
The average number of full-time employees in 2014 was 24,951 (25,321). In total, operations were conducted in 28 countries (29). See also Note C31 to the consolidated financial statements.

EMPLOYEES (FTEs, %)

BY GENDER



BY COUNTRY



For additional information on employees and labor practices, see Occupational health and safety and GRI Index, section "Labor practices and decent work."

Financial position, capital resources and liquidity

Financial position

The financial position remained stable year-on-year. Exchange rate changes contributed to volume growth in reported currency.

Goodwill increased by SEK 3.6 billion to SEK 70.9 billion, mainly due to positive exchange rate differences of SEK 4.1 billion. Impairment charges related to the operations in Kazakhstan, Tajikistan, Georgia and Moldova totaled SEK 0.8 billion, while additional goodwill from business combinations was SEK 0.4 billion. Other intangible assets increased by SEK 1.1 billion to SEK 15.3 billion. Capital expenditures (CAPEX) in other intangible assets were SEK 3.3 billion, of which licenses and spectrum fees SEK 1.4 billion. Amortization amounted to SEK 2.9 billion and impairment losses mainly on obsolete IT systems and platforms to SEK 0.4 billion. Currency effects were positive at SEK 0.7 billion.

Property, plant and equipment increased by SEK 4.9 billion through CAPEX and advances totaling SEK 13.5 billion and decreased due to depreciation and impairment losses amounting to SEK 11.6 billion. Exchange rate differences were positive at SEK 2.8 billion.

Financial assets comprise investments in associated companies and joint ventures, deferred tax assets, pension obligation assets and other non-current assets, mainly long-term interest bearing receivables.

The carrying value of associated companies and joint ventures increased to SEK 32.8 billion (29.4), of which the carrying values of Russian MegaFon and Turkish Turkcell were SEK 6.0 billion and SEK 25.4 billion, respectively. Share of net income in the associates and joint ventures amounting to SEK 4.6 billion added value, as did treasury share transactions in MegaFon of SEK 0.9 billion, offset by dividends received, in total SEK 2.1 billion. Currency effects were limited at SEK -0.1 billion as the depreciation of the Russian ruble were almost compensated for by the appreciation of the Turkish lira.

Deferred tax assets increased due to positive changes in temporary differences related to pension obligations and currency effects. Deferred tax liabilities (included in Provisions) increased mainly as a result of additional provisions for withholding taxes in associated companies and subsidiaries. All in all, the net deferred tax liability of SEK 4.6 billion in 2013 increased to SEK 4.9 billion at year-end 2014.

Financial position SEK in millions	2014	2013	Change (SEK million)	Change (%)
Goodwill and other intangible assets	86,161	81,522	4,639	5.7
Property, plant and equipment	69,669	64,792	4,877	7.5
Financial assets	54,592	46,681	7,911	16.9
Total non-current assets	**210,422**	**192,995**	**17,427**	**9.0**
Current assets	32,909	28,478	4,431	15.6
Cash and cash equivalents	28,735	31,355	-2,620	-8.4
Total current assets	**61,644**	**59,833**	**1,811**	**3.0**
Total assets	**272,066**	**252,828**	**19,238**	**7.6**
Total equity	116,364	112,934	3,430	3.0
Borrowings	101,489	90,723	10,766	11.9
Provisions and other liabilities	54,213	49,171	5,042	10.3
Total equity and liabilities	**272,066**	**252,828**	**19,238**	**7.6**

Long-term interest bearing receivables increased to SEK 14.3 billion (9.5) mainly as a result of using surplus cash to invest in bonds and derivative instruments. Other non-current assets also include a SEK 2,463 million (3,956) receivable on AF Telecom denominated in USD, representing the not yet paid consideration for the 2012 sale of shares in the associated company OAO Telecominvest in Russia. As two installments remain, the current portion of the not yet paid consideration was SEK 2,462 million (1,978).

Net working capital (inventories and non-interest-bearing receivables, less non-interest-bearing liabilities and excluding foreign exchange rate derivatives and accrued interest) ended at SEK -0.7 billion (-0.0).

Total equity increased 3.0 percent to SEK 116.4 billion (112.9). Shareholders' equity rose to SEK 111.4 billion (108.3), positively impacted by net income of SEK 14.5 billion and currency effects of SEK 3.6 billion. Dividends of SEK 13.0 billion and remeasurement effects on pension obligations amounting to SEK 3.1 billion had a negative impact. Equity attributable to non-controlling interests increased to SEK 5.0 billion (4.6), driven by positive currency effects of SEK 0.3 billion as net income offset dividends during the year.

In 2014, falling yields on mortgage bonds, used as reference rates when discounting pension obligations, resulted in remeasurement effects boosting the present value of the pension obligations. At year-end 2013, assets in overfunded pension plans (reported in Financial assets) exceeded liabilities in the underfunded plans (included in Provisions), leading to a total net pension obligation asset of SEK 0.1 billion, while at year-end 2014, the reported total net pension liability was SEK 3.2 billion, of which liabilities in underfunded plans SEK 3.5 billion and assets in overfunded plans SEK 0.3 billion.

Total gross borrowings increased 11.9 percent, with a distinct shift towards long-term borrowings totaling SEK 90.2 billion (80.1). Short-term borrowings were SEK 11.3 billion (10.6). Cash and cash equivalents decreased to SEK 28.7 billion (31.4), impacted by a SEK 2.5 billion shift of the terms of short-term investments in bank deposits to maturities over 3 months (reported in Current assets). Net debt increased from SEK 55.8 billion to SEK 59.3 billion.

The equity/assets ratio, adjusted for the proposed dividend, decreased to 38.0 percent (39.5). The net debt/EBITDA rate increased to 1.68 (1.57) and the net debt/equity ratio to 57.4 percent (55.8).

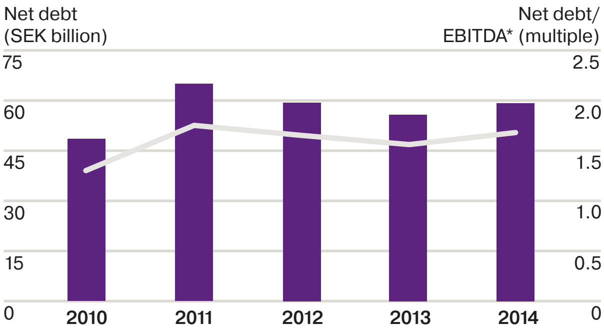
See Consolidated statements of financial position, Consolidated statements of changes in equity and related notes to the consolidated financial statements for further details.

Credit facilities

TeliaSonera believes that its bank credit facilities and open-market financing programs are sufficient for the present liquidity requirements. At year-end, TeliaSonera's surplus liquidity (short-term investments and cash and bank) totaled SEK 31.9 billion (32.1). In addition, the total available unutilized amount under committed bank credit facilities as well as overdraft and short-term credit facilities at year-end was SEK 20.3 billion (10.2).

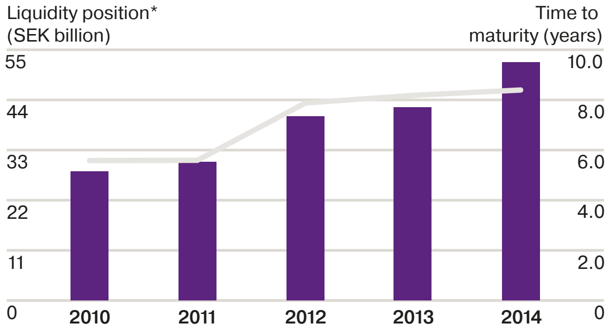
TeliaSonera retained its good credit ratings. In

NET DEBT AND
NET DEBT/EBITDA*



* Excluding non-recurring items

LIQUIDITY POSITION* AND TIME TO MATURITY
OF THE DEBT PORTFOLIO



* Liquidity position: Surplus liquidity plus available unutilized amounts under committed credit facilities

October 2014, Moody's Investors Service confirmed its credit rating on TeliaSonera AB of A3 for long-term and Prime-2 for short-term borrowings but changed the outlook from stable to negative and in January 2015, Standard & Poor's Ratings Services confirmed its rating of A- for long-term borrowings and A-2 for short-term borrowings with a stable outlook.

TeliaSonera generally seeks to arrange its financing through the parent company TeliaSonera AB. The primary means of external borrowing are described in Notes C20 and C26 to the consolidated financial statements. In 2014, TeliaSonera AB issued some SEK 11.4 billion equivalent in the debt capital markets under its EMTN (Euro Medium Term Note) program. The new funding was denominated in EUR and SEK and issued on a long-term basis. At year-end, the average time to maturity of TeliaSonera AB's overall debt portfolio was approximately 8.4 years.

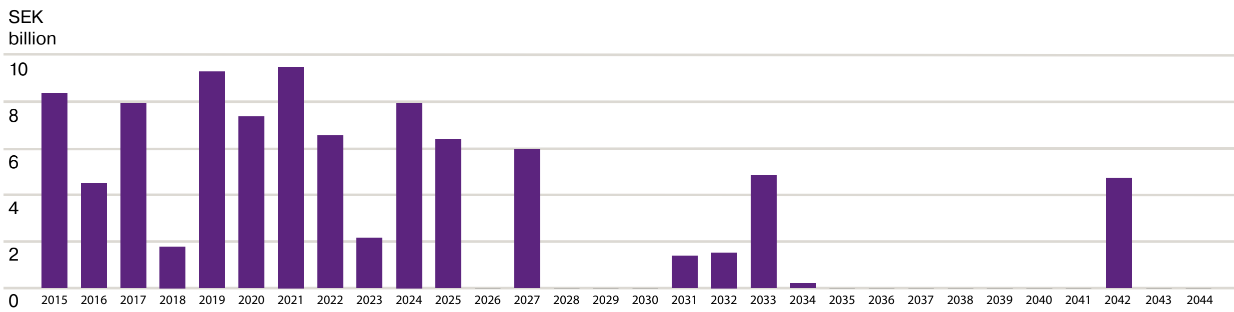
At the end of 2014, TeliaSonera AB had no Commercial Papers outstanding.

Cash repatriation

In general, TeliaSonera has no cash repatriation issues related to its operations in emerging market countries. However, as of December 31, 2014, such issues existed in three countries:

- Uzbekistan due to ongoing foreign exchange restrictions and currency conversion issues. Assets in the Uzbek operations totaled SEK 8.9 billion, of which the largest items were non-current assets used in the operations amounting to SEK 4.6 billion, group goodwill of SEK 1.7 billion as well as the company's cash and cash equivalents of SEK 1.4 billion and short-term investments of SEK 0.7 billion. Liabilities totaled SEK 8.2 billion, of which SEK 6.8 billion referred to borrowings, including accrued interest, from other group companies. Net assets of the Uzbek operations, including accumulated exchange rate differences, were SEK 2.7 billion. The group's net exposure was SEK 9.5 billion (7.0), corresponding to the net assets of the operations and the intra-group receivables. The exposure increase in 2014 was due mainly to exchange rate effects, but also to growth in the underlying operations.
- Nepal due to ongoing administrative issues regarding a dividend distribution.
- Turkey due to ongoing corporate governance issues on shareholder level in the associated company Turkcell prohibiting dividend distribution.

DEBT PORTFOLIO MATURITY SCHEDULE – 2015 AND ONWARDS



Cash flow SEK in millions	2014	2013	Change (SEK million)	Change (%)
Cash flow from operating activities	29,252	31,036	-1,784	-5.7
Cash CAPEX	-16,206	-14,726	-1,480	10.1
Free cash flow	**13,046**	**16,310**	**-3,264**	**-20.0**
Cash flow from other investing activities	-5,774	82	-5,856	
Cash flow before financing activities	**7,272**	**16,392**	**-9,120**	**-55.6**
Cash flow from financing activities	-10,269	-15,013	4,744	-31.6
Cash and cash equivalents, opening balance	**31,355**	**29,690**	**1,665**	**5.6**
Net cash flow for the period	**-2,997**	**1,379**	**-4,376**	
Exchange rate differences	377	286	91	31.8
Cash and cash equivalents, closing balance	**28,735**	**31,355**	**-2,620**	**-8.4**

Cash flow

Cash flow from operating activities decreased to SEK 29.3 billion (31.0), due to lower cash inflow from underlying operations and a negative cash flow generation from changes in working capital ending at SEK 0.1 billion (positive 0.7).

Cash CAPEX (cash used in capital expenditures) increased by SEK 1.5 billion, mainly driven by payments under agreements signed in previous years. In total, free cash flow (cash flow from operating activities less capital expenditures) decreased to SEK 13.0 billion (16.3).

Cash outflow from other investing activities, totaling SEK 5.8 billion (inflow 0.1), consists of acquisitions and disposals, changes in loans receivable and in short term investments, and repayments from or additional contributions to pension funds. Cash paid for acquisitions was SEK 1.1 billion (1.4), while cash received for divesting equity instruments and other assets was SEK 2.2 billion (1.9). Compensation paid from the Swedish pension fund was SEK 0.4 billion (–). Net cash used for granting loans was SEK 5.0 billion (0.4) and cash outflow from net changes in short-term investments SEK 2.2 billion (0.0).

Cash outflow from financing activities in 2014, totaling SEK 10.3 billion (15.0), includes dividends paid to shareholders of the parent company of SEK 13.0 billion (12.3) and to non-controlling interests of SEK 1.1 billion (1.3). Net inflow from new and repaid borrowings in 2014 was SEK 2.7 billion (outflow 2.7). Settlement of hedging activities was positive at SEK 1.2 billion (1.3).

See Consolidated statements of cash flows and related notes to the consolidated financial statements for further details.

Outlook for 2015

EBITDA, excluding non-recurring items, in local currencies, excluding acquisitions and disposals, is expected to be around the same level as in 2014.

CAPEX, excluding license and spectrum fees, is expected to be around SEK 17 billion. Currency fluctuations may impact the reported number in Swedish krona.

In line with the dividend policy, TeliaSonera targets to distribute at least SEK 3.00 for fiscal year 2015. The company shall continue to target a solid investment grade long-term credit rating (A- to BBB+).

TeliaSonera share

The TeliaSonera share is listed on Nasdaq Stockholm and Helsinki. In 2014, the share price in Stockholm declined 5.9 percent, to SEK 50.40. During the same period, the OMX Stockholm 30 Index rose 9.9 percent and the STOXX 600 Telecommunications Index rose 6.9 percent.

At year-end 2014, TeliaSonera's market capitalization was SEK 218 billion. Besides Nasdaq Stockholm and Helsinki, the share was traded at other platforms with the major trading volumes on BATS Chi-X and Boat xoff.

Holdings outside Sweden and Finland increased from 25.6 percent to 28.8 percent and TeliaSonera had 510,566 shareholders at the end of the year, of which one shareholder held more than 10 percent of the shares and votes: the Swedish State with 37.3 percent, and two shareholders held more than 5 percent of the shares and votes: the Swedish State with 37.3 percent and the Finnish State with 7.8 percent. As of the date of this Report, the Finnish State's ownership had been reduced to 3.2 percent, or 137,123,642 shares.

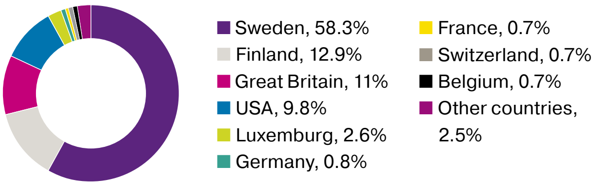
SHAREHOLDER STRUCTURE, DECEMBER 31, 2014

	Number of shareholders	Number of oustanding shares	Percent of outstanding shares/votes
1 – 500	425,446	75,531,363	1.74
501 – 1,000	34,363	27,035,586	0.63
1,001 – 5,000	40,623	91,405,318	2.11
5,001 – 10,000	5,228	38,621,039	0.89
10,001 – 15,000	1,425	17,712,964	0.41
15,001 – 20,000	834	15,279,640	0.35
20,001 –	2,647	4,064,498,871	93.87
Total	**510,566**	**4,330,084,781**	**100.00**

MAJOR SHAREHOLDERS, DECEMBER 31, 2014

Shareholder	Number of outstanding shares	Percent of outstanding shares/votes
Swedish State	1,614,513,748	37.3
Finnish State	337,123,642	7.8
Capital Group Funds	176,452,041	4.1
AMF Insurance & Funds	82,113,251	1.9
BNY Mellon Investment Fund	69,400,269	1.6
Swedbank Robur Funds	65,354,741	1.5
SEB Funds	54,161,105	1.3
SHB Funds	53,857,546	1.2
Nordea Funds	44,581,821	1.0
Fourth Swedish National Pension Fund	36,717,673	0.8
Total other shareholders	1,795,808,944	41.5
Total outstanding shares	**4,330,084,781**	**100.0**

MAJOR SHAREHOLDER COUNTRIES BY NUMBER OF SHARES, AS OF DECEMBER 31, 2014



Quarterly **updated shareholder information** is available at:
www.teliasonera.com/Shareholdings
(Information on the TeliaSonera website does not form part of this Report)

Share data	2014	2013
Paid at year-end (SEK)	50.40	53.55
Highest paid during the year (SEK)	53.20	54.90
Lowest paid during the year (SEK)	44.32	41.80
Number of shares at year-end (millions)	4,330.1	4,330.1
Number of shareholders at year-end	510,566	529,394
Earnings per share (SEK)	3.35	3.46
Dividend per share (SEK)[1]	3.00	3.00
Pay-out ratio (%)[1]	89.6	86.8
Equity per share (SEK)	25.72	25.02

[1] For 2014 as proposed by the Board of Directors
Sources: Euroclear Sweden and SIS Ägarservice

As of December 31, 2014, TeliaSonera's issued and outstanding share capital totaled SEK 13,856,271,299 distributed among 4,330,084,781 shares. All issued shares have been paid in full and carry equal rights to vote and participate in the assets of the company. At the general meeting of shareholders, each shareholder is entitled to vote for the total number of shares she or he owns or represents. Each share is entitled to one vote. TeliaSonera holds no own shares. As of December 31, 2014, TeliaSonera's Finnish pension fund held 366,802 shares and its Finnish personnel fund 78,500 shares in the company, respectively, in total representing 0.01 percent of the outstanding shares.

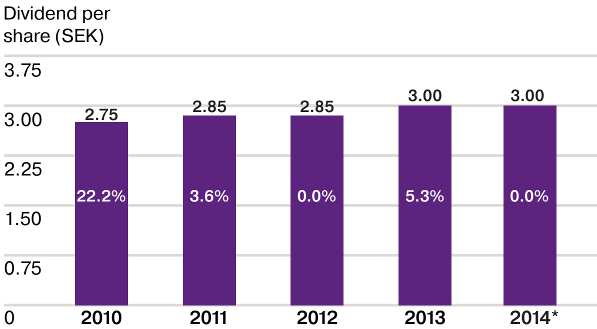
There are no provisions in either the Swedish legislation or in TeliaSonera AB's Articles of Association that would limit the possibility to transfer TeliaSonera shares. TeliaSonera is not aware of any agreements between major shareholders of the company regarding the TeliaSonera shares.

The Board of Directors does not currently have any authorization by the general meeting of shareholders to issue new shares but has the authorization to repurchase a maximum of 10 percent of the company's total number of outstanding shares before the Annual General Meeting 2015. In order to continue to provide the Board of Directors with an instrument to adapt and improve TeliaSonera's capital structure, the Board of Directors proposes that the Annual General Meeting on April 8, 2015, resolves to authorize the Board of Directors to acquire the company's own shares. The authorization may be exercised on one or more occasions before the Annual General Meeting 2016. The maximum number of treasury shares held by the company may not exceed 10 percent of all shares in the company.

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

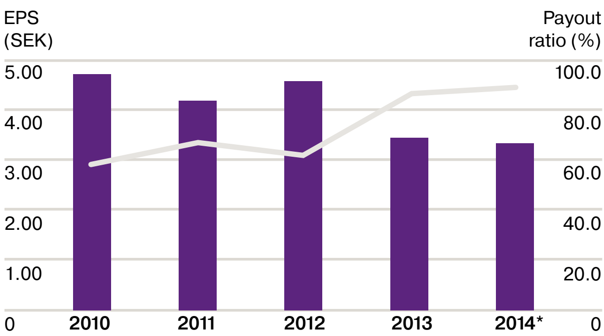
For 2014, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 3.00 (3.00) per share, totaling SEK 12,990 million (12,990), or 89.6 percent (86.8) of net income attributable to owners of the parent company. See also section "Proposed appropriation of earnings."

ORDINARY DIVIDEND PER SHARE AND CHANGE YEAR-ON-YEAR (%)



* For 2014 as proposed by the Board of Directors

EARNINGS PER SHARE (EPS) AND PAY-OUT RATIO



* Pay-out ratio for 2014 according to the Board of Directors' dividend proposal

SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	36,456	36,199	0.7
Change (%) local organic	*0.2*		
of which service revenues (external)	32,897	33,123	-0.7
EBITDA excl. non-recurring items	14,311	14,514	-1.4
Margin (%)	39.3	40.1	
Income from associated companies and joint ventures	-5	-14	64.3
Operating income	9,746	9,580	1.7
Operating income excl. non-recurring items	10,130	10,348	-2.1
CAPEX	4,936	4,414	11.8
CAPEX-to-sales ratio (%)	13.5	12.2	
EBITDA less CAPEX	9,375	10,100	-7.2
Subscriptions, period-end (thousands)			
Mobile	6,578	6,546	0.5
Fixed telephony	2,054	2,209	-7.0
Broadband	1,275	1,208	5.5
TV	697	641	8.7
Employees, period-end	6,740	6,756	-0.2

Additional (unaudited) segment information available at www.teliasonera.com.

Region and country development in 2014

Solid growth in mobile data traffic in Sweden

SHARE OF GROUP TOTAL (%)

During 2014, TeliaSonera celebrated the fifth anniversary of its 4G network in Sweden. Mobile billed revenues were growing supported by solid growth in data traffic. In the fourth quarter, 4G network traffic surpassed 3G network traffic for the first time. In the consumer segment, offerings combining free voice and messaging with different data buckets continued to be provided along with top-up options to encourage data consumption. Iphone 6 was introduced in September and was met by very high demand. The interest in fixed broadband services was strong and there was an extensive roll-out of fiber to meet the demand for high speed internet. On average four new households per hour were connected, while the traditional services such as copper-based telephony services continued to decrease. In the enterprise segment, the market evolved quickly with high price pressure for core access services and increased demand for integrated cloud-based solutions. Niche players challenged the leader position in many areas. In May, TeliaSonera announced that the acquisition of the communication operator Zitius Service Delivery AB was approved by the Swedish Competition Authority and in October, TeliaSonera announced that it had acquired Ipeer AB, a leading corporate supplier of cloud and hosting services.

Net sales in local currency and excluding acquisitions and disposals increased 0.2 percent. Net sales in reported currency including acquisitions and disposals increased 0.7 percent to SEK 36,456 million (36,199). The positive effect of acquisitions and disposals was 0.5 percent. Service revenues, excluding acquisitions and disposals, declined 1.3 percent. Mobile service revenues decreased 0.4 percent, including billed revenue growth of 0.9 percent, supported by strong consumer sales although not enough to compensate for the decline in business sales. Fixed service revenues decreased by 2.3 percent, as growing broadband and TV revenues could not fully compensate for the decline in traditional telephony revenues. The number of mobile, broadband and TV subscriptions continued to grow. Mobile ARPU, broadband ARPU and TV ARPU all increased during the year.

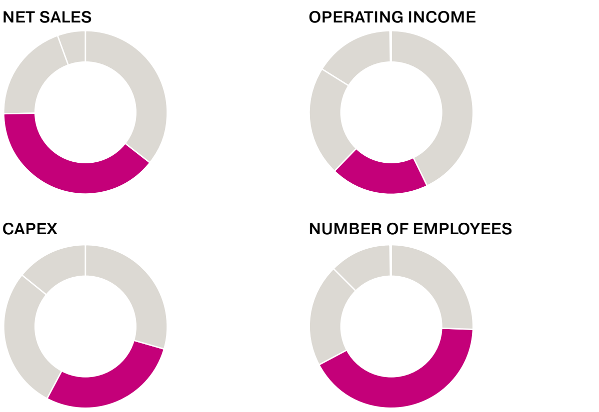
EBITDA, excluding non-recurring items, decreased 1.4 percent to SEK 14,311 million (14,514) while EBITDA excluding non-recurring items, acquisitions and disposals decreased 1.7 percent. The EBITDA was burdened by a decline in service revenues, in particular the drop in copper-based telephony services, and a higher share of equipment sales. In addition, the marketing expenses were higher due to the launch of the new brand strategy. On the positive side, mobile billed revenues increased as well as fiber one-time charges and personnel expenses decreased as a result of restructuring initiatives. The EBITDA margin dropped to 39.3 percent (40.1).

Operating income, excluding non-recurring items, decreased 2.1 percent to SEK 10,130 million (10,348). Non-recurring items reached SEK 384 million and was mainly related to restructuring charges and to some less extent also write-down of IT systems in the fourth quarter. Depreciation and amortization was in line with last year.

CAPEX increased to SEK 4,936 million (4,414). No licenses and spectrum fees were acquired during the year. The fiber roll-out continued at a high pace and more than 1.1 million households are now reached by the services. TeliaSonera's 4G network was further upgraded and population coverage exceeded 99 percent at the end of 2014.

Margin uplift in Europe

SHARE OF GROUP TOTAL (%)



SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	39,836	41,360	-3.7
Change (%) local organic	*-7.3*		
of which service revenues (external)	33,017	32,840	0.5
EBITDA excl. non-recurring items	9,772	9,740	0.3
Margin (%)	24.5	23.5	
Income from associated companies and joint ventures	108	110	-1.2
Operating income	4,401	3,498	25.8
Operating income excl. non-recurring items	4,759	5,126	-7.2
CAPEX	4,699	5,368	-12.5
CAPEX-to-sales ratio (%)	11.8	13.0	
EBITDA less CAPEX	5,073	4,372	16.0
Subscriptions, period-end (thousands)			
Mobile	14,113	13,950	1.2
Fixed telephony	980	1,038	-5.6
Broadband	1,415	1,283	10.3
TV	854	789	8.3
Employees, period-end	10,917	11,120	-1.8

Additional (unaudited) segment information available at www.teliasonera.com; see also section "Group development in 2014" for information on restated financial information.

Market development during the year was centered around monetization of the growing data traffic as a result of more data-centric offerings. The number of mobile subscriptions continued to grow with a shift from pre-paid to post-paid subscriptions in most markets. Fixed-line copper-based services continued to decline while fiber-based services partly compensated for the decline. Price pressure continued, especially in the enterprise segment, while the consumer segment showed more resilience.

Net sales in local currencies and excluding acquisitions and disposals declined 7.3 percent, driven by lower sales in Spain and interconnect price changes. In reported currency, net sales declined 3.7 percent to SEK 39,836 million (41,360). Lower Spanish equipment sales explain 60 percent of the overall sales decline. Mobile service revenue decline was driven by interconnect changes as well as price pressure, partly compensated for by strong growth in data. Fixed telephony revenue, especially within the enterprise segment, was the main driver of the decline.

EBITDA, excluding non-recurring items, remained flat in reported currency at SEK 9,772 million (9,740), while the margin increased to 24.5 percent from 23.5 percent due to a sales mix change with less low-margin equipment sales especially in Spain. In local currencies and excluding acquisitions and disposals EBITDA declined 3.2 percent, burdened by Finland and Spain. In Norway, EBITDA increased due to higher wholesale revenues and lower sales cost.

Operating income, excluding non-recurring items, decreased 7.2 percent in reported currency. Non-recurring items in 2014 related mainly to less personnel and write-downs of IT systems. Operating income increased

25.8 percent in reported currency, due to goodwill impairment charges in the Danish operations in 2013.

CAPEX in local currencies and excluding acquisitions and disposals declined 15.6 percent with the largest decline in Spain as the investments were limited to the most profitable locations. A majority of the investments in the region were still used to enhance mobile network performance. Several investment programs continued to deliver at a high pace to improve the 4G coverage.

Finland – Growth in TV

SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	12,905	12,596	2.5
Change (%) local organic	*-2.6*		
of which service revenues (external)	11,610	11,232	3.4
EBITDA excl. non-recurring items	3,925	3,850	2.0
Margin (%)	30.4	30.6	
Subscriptions, period-end (thousands)			
Mobile	3,365	3,345	0.6
Fixed telephony	99	108	-8.3
Broadband	561	532	5.5
TV	481	436	10.3

Net sales in reported currency increased 2.5 percent to SEK 12,905 million. Service revenues declined 2.6 percent in local currency, excluding acquisitions and disposals, driven by lower mobile interconnect revenues and fixed telephony revenues, especially within the enterprise segment. Mobile service revenues declined, fully explained by lower interconnect revenues. TV services grew 10.1 percent in local currency. Mobile blended ARPU declined due to price pressure, especially in the enterprise segment, while TV ARPU was in line with last year.

The EBITDA margin, excluding non-recurring items, decreased slightly to 30.4 percent from 30.6 percent. In local currency, excluding acquisitions and disposals, EBITDA excluding non-recurring items decreased 3.0 percent due to higher resource costs.

During the year, the number of subscriptions grew except for fixed telephony. The number of mobile subscriptions grew by 20,000, fixed broadband by 29,000 and TV by 45,000.

Norway – Flat sales despite ARPU pressure

SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	6,864	7,056	-2.7
Change (%) local organic	*0.3*		
of which service revenues (external)	5,655	5,904	-4.2
EBITDA excl. non-recurring items	2,130	2,144	-0.7
Margin (%)	31.0	30.4	
Subscriptions, period-end (thousands)			
Mobile	1,600	1,612	-0.7

Net sales in reported currency decreased 2.7 percent to SEK 6,864 million. Service revenues declined 1.2 percent in local currency, excluding acquisitions and disposals. Mobile blended ARPU declined slightly, due to high price pressure in the enterprise segment. Increased wholesale and equipment revenues compensated for the decline in ARPU and kept net sales flat compared to last year in local currency, excluding acquisitions and disposals.

The EBITDA margin, excluding non-recurring items, increased to 31.0 percent from 30.4 percent, since the cost structure was improved by moving more sales to internal channels.

The number of mobile subscriptions decreased by 12,000 during the year, mainly within the M2M subscription base.

Denmark – Continued subscription growth

SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	5,761	5,325	8.2
Change (%) local organic	*1.3*		
of which service revenues (external)	4,272	4,098	4.3
EBITDA excl. non-recurring items	771	731	5.4
Margin (%)	13.4	13.7	
Subscriptions, period-end (thousands)			
Mobile	1,581	1,522	3.9
Fixed telephony	122	121	0.8
Broadband	114	99	15.6
TV	20	18	12.7

Net sales in reported currency increased 8.2 percent to SEK 5,761 million. Service revenues decreased 2.6 percent in local currency, excluding acquisitions and disposals. Mobile service revenues dropped 3.7 percent despite growth in the subscription base, due to fierce price competition. Fixed broadband and TV service revenues showed good growth due to increasing subscription numbers.

The EBITDA margin, excluding non-recurring items, declined slightly to 13.4 percent from 13.7 percent with increased equipment sales having a negative effect on the margin.

The number of mobile subscriptions increased by 59,000 during the year. Fixed telephony subscriptions were flat, while broadband and TV subscriptions grew by 15,000 and 2,000, respectively.

Lithuania – Broadband subscription growth

SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	2,950	2,911	1.3
Change (%) local organic	*-3.7*		
of which service revenues (external)	2,474	2,514	-1.6
EBITDA excl. non-recurring items	1,012	1,027	-1.5
Margin (%)	34.3	35.3	
Subscriptions, period-end (thousands)			
Mobile	1,537	1,634	-5.9
Fixed telephony	468	504	-7.1
Broadband	516	430	20.0
TV	187	172	8.7

Net sales in reported currency increased 1.3 percent to SEK 2,950 million. Service revenues decreased 6.5 percent in local currency, excluding acquisitions and disposals. Mobile service revenues decreased 6.4 percent and fixed service revenues 6.6 percent, the latter mainly driven by decline in fixed telephony. Mobile blended ARPU increased 14 percent due to a higher portion of post-paid subscriptions migrated from pre-paid.

The EBITDA margin, excluding non-recurring items, decreased to 34.3 percent from 35.3 percent. EBITDA in local currency, excluding acquisitions and disposals, decreased 6.2 percent partly due to a change in product mix, with an increased portion of equipment sales.

The number of mobile subscriptions decreased by 97,000 during the year, pre-paid subscriptions declined while post-paid increased in line with the overall trend in the market. Fixed telephony subscriptions declined, while broadband subscriptions grew by 86,000 and TV subscriptions by 15,000.

Latvia – Margin uplift

SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	1,458	1,492	-2.2
Change (%) local organic	*-6.9*		
of which service revenues (external)	1,132	1,088	4.0
EBITDA excl. non-recurring items	454	449	1.1
Margin (%)	31.2	30.1	
Subscriptions, period-end (thousands)			
Mobile	1,113	1,083	2.8

Net sales in reported currency decreased 2.2 percent to SEK 1,458 million. Service revenues declined 0.9 percent in local currency, excluding acquisitions and disposals. While mobile service revenues declined due to lower interconnect revenues, billed revenues increased. Mobile blended ARPU decreased 1.9 percent due to price pressure, especially in the enterprise segment.

The EBITDA margin, excluding non-recurring items, increased to 31.2 percent from 30.1 percent. The lower share of equipment sales helped to improve the margin.

The number of mobile subscriptions increased by 30,000, of which a decline by 38,000 in pre-paid and a growth by 68,000 in post-paid.

Estonia – Strong mobile data growth

SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	2,630	2,599	1.2
Change (%) local organic	*-4.0*		
of which service revenues (external)	2,075	2,042	1.6
EBITDA excl. non-recurring items	855	849	0.7
Margin (%)	32.5	32.7	
Subscriptions, period-end (thousands)			
Mobile	873	865	0.9
Fixed telephony	291	305	-4.6
Broadband	224	222	0.9
TV	166	163	1.8

Net sales in reported currency increased 1.2 percent to SEK 2,630 million. Service revenues declined 4.0 percent in local currency, excluding acquisitions and disposals. Mobile service revenues increased 4.7 percent, partly driven by the increase in mobile data, which more than compensated for the decline in mobile voice. Fixed service revenues declined since the growth in broadband and TV services could not compensate for the decline in fixed telephony services. Mobile blended ARPU increased following the trend with migration from low ARPU pre-paid to higher ARPU post-paid services.

The EBITDA margin, excluding non-recurring items, decreased slightly to 32.5 percent from 32.7 percent.

The number of mobile subscriptions increased by 8,000, where pre-paid subscriptions declined by 34,000 while post-paid increased by 42,000.

Spain – Margin improvement

SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	7,562	9,467	-20.1
Change (%) local organic	*-24.1*		
of which service revenues (external)	5,799	5,961	-2.7
EBITDA excl. non-recurring items	625	690	-9.4
Margin (%)	8.3	7.3	
Subscriptions, period-end (thousands)			
Mobile	4,044	3,889	4.0

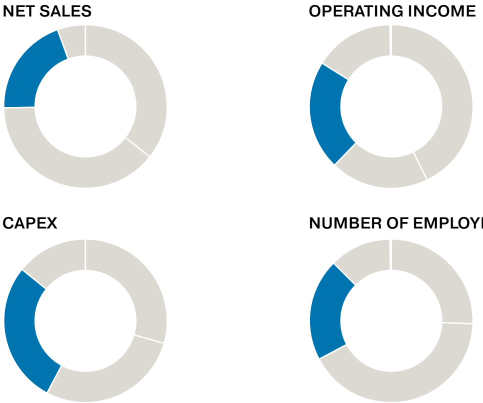
Net sales in reported currency decreased 20.1 percent to SEK 7,562 million. Service revenues declined 7.5 percent in local currency, excluding acquisitions and disposals. Mobile data revenues showed good growth and Yoigo was first to launch a pre-paid 4G service. The decline in equipment sales was more than 50 percent, due to lower subscription growth and focus on more low- to mid-range handsets. Mobile blended ARPU declined 11.6 percent, following heavy price pressure in the Spanish market.

The EBITDA margin, excluding non-recurring items, increased to 8.3 percent from 7.3 percent, boosted by the reduced portion of equipment sales.

The number of mobile subscriptions increased by 155,000 during the year. Contrary to the overall trend towards a larger portion of post-paid subscriptions, Yoigo grew the pre-paid subscription base by 149,000, while post-paid subscriptions grew by 6,000.

Tougher competition in Eurasia

SHARE OF GROUP TOTAL (%)



SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	20,458	20,414	0.2
Change (%) local organic	*4.4*		
of which service revenues (external)	19,473	19,797	-1.6
EBITDA excl. non-recurring items	10,859	10,804	0.5
Margin (%)	53.1	52.9	
Income from associated companies and joint ventures	26	19	40.3
Operating income	4,936	6,640	-25.7
Operating income excl. non-recurring items	7,819	7,849	-0.4
CAPEX	4,724	4,712	0.3
CAPEX-to-sales ratio (%)	23.1	23.1	
EBITDA less CAPEX	6,135	6,092	0.7
Subscriptions, period-end (thousands)			
Mobile	44,866	44,177	1.6
Employees, period-end	5,273	4,904	7.5

Additional (unaudited) segment information available at www.teliasonera.com.

Market development showed an overall slowdown during the year, while a few markets showed continued high growth. The main reasons behind the slower overall growth rate were tougher competition and a more mature mobile penetration rate. In Uzbekistan, the market continued to grow and develop positively from an ARPU perspective, following the absence of a third player during most of the year. Impact on market dynamics from UMS entering the market at the end of the year is yet to be seen. In Nepal, the market continued to grow substantially, fueled by higher penetration driving voice and mobile data volumes. The market development in Kazakhstan displayed a more mature growth profile as recent years penetration-rate uplift resulted in slower organic growth. In Azerbaijan, the market continued to be supported by an increased penetration, although with slightly different dynamics following the introduction of mobile number portability.

Net sales in local currencies and excluding acquisitions and disposals increased 4.4 percent. In reported currency, net sales increased 0.2 percent to SEK 20,458 million (20,414). The negative impact from exchange rate fluctuations was 4.2 percent. The main reason for the slowdown in growth was several markets being negatively impacted by an increasing competition, but also by interconnect price regulation. Furthermore, the development in Russia also had an adverse effect to some extent, both on the macroeconomic environment in several countries and as incoming traffic from Russia declined. In Uzbekistan and Nepal, net sales however continued to show strong growth, in local currency increasing 21.7 percent and 18.9 percent, respectively. The total subscription base development was also positive, growing by 0.7 million or 1.6 percent during the year, despite churning out 1.6 million passive subscriptions in Kazakhstan. As an effect, Kazakhstan was the only country in Eurasia not to display a positive net subscription addition. Also impacting the subscription base was the addition of 0.3 million M2M subscriptions in Azerbaijan and Georgia previously not reported. In Nepal, subscription growth was high with a 1.2 million or 11.3 percent net subscription increase.

EBITDA, excluding non-recurring items, increased 0.5 percent to SEK 10,859 million (10,804), driven primarily by Nepal, Azerbaijan and Uzbekistan, while partly offset by lower EBITDA in Kazakhstan. The main reason behind the strong performance in Nepal and Uzbekistan was significant growth in service revenues, whereas Azerbaijan gained from a lower cost base. Also EBITDA in Azerbaijan was negatively impacted in 2013 by one-off costs related to the ruling in an interconnect court case. Keeping control of the cost base was also an overall contributing factor behind the EBITDA margin increasing to 53.1 percent (52.9). In local currencies, excluding acquisitions and disposals EBITDA increased 5.1 percent reflecting a strengthening of the Swedish krona in relation to the most important Eurasian currencies.

Operating income, excluding non-recurring items, decreased 0.4 percent to SEK 7,819 million (7,849). Non-recurring items amounted to SEK 2,883 million and were mainly related to the write-down of assets under construction and inventories in several countries subsequent to a balance sheet evaluation made by an external independent advisor as well as impairment charges in Tajikistan, Georgia, Moldova and the WiMAX business in Kazakhstan. Operating income decreased by SEK 1,704 million, equal to 25.7 percent, largely as an effect of the non-recurring items.

CAPEX increased slightly to SEK 4,724 million (4,712), while the CAPEX-to-sales ratio remained flat at 23.1 percent. CAPEX included licenses and spectrum fees of SEK 1,354 million of which SEK 1,091 million in Nepal and SEK 235 million in Moldova. The main focus during the year was to increase coverage and capacity and also to expand the networks to facilitate increased data volumes. Focus was also on the 4G roll-out, although 2G and 3G still account for the vast majority of CAPEX.

Kazakhstan – Pressure on service revenues

SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	7,248	8,111	-10.6
Change (%) local organic	*-0.5*		
of which service revenues (external)	7,043	8,104	-13.1
EBITDA excl. non-recurring items	4,032	4,481	-10.0
Margin (%)	55.6	55.2	
Subscriptions, period-end (thousands)			
Mobile	13,099	14,307	-8.4

Net sales in reported currency decreased 10.6 percent. Service revenues in local currency, excluding acquisitions and disposals, decreased 3.2 percent. The main explanations to the decline were changed market dynamics including a higher use of Over-The-Top (OTT) services and government regulation including maximum price, impacting service revenues negatively. Also interconnect revenues were lower since rates were cut after an agreement amongst the operators.

The EBITDA margin, excluding non-recurring items increased to 55.6 percent from 55.2 percent as the negative impact from lower service revenues was more than mitigated by a reduction in mainly sales-related costs and an overall good cost control.

The number of subscriptions decreased by 1.2 million, equal to 8.4 percent, driven by churning out 1.6 million inactive subscriptions.

Azerbaijan – Slowing service revenue development

SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	3,778	3,824	-1.2
Change (%) local organic	*-5.3*		
of which service revenues (external)	3,757	3,809	-1.4
EBITDA excl. non-recurring items	2,042	1,912	6.8
Margin (%)	54.0	50.0	
Subscriptions, period-end (thousands)			
Mobile	4,567	4,379	4.3

Net sales in reported currency decreased 1.2 percent. Service revenues in local currency, excluding acquisitions and disposals, decreased 5.8 percent as international call rates were regulated and the market turned more competitive, triggering price pressure.

The EBITDA margin, excluding non-recurring items, increased to 54.0 percent (50.0), mainly as an effect of 2013 margin being negatively impacted by a lost interconnect-related court case.

The number of subscriptions displayed an increase by 0.2 million, equal to 4.3 percent, partly driven by the addition of 0.1 million M2M subscriptions previously not reported.

Uzbekistan – Continued revenue and earnings growth

SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	3,613	3,118	15.9
Change (%) local organic	*21.7*		
of which service revenues (external)	3,607	3,115	15.8
EBITDA excl. non-recurring items	1,944	1,680	15.7
Margin (%)	53.8	53.9	
Subscriptions, period-end (thousands)			
Mobile	8,574	8,496	0.9

Net sales in reported currency increased 15.9 percent. Service revenues in local currency, excluding acquisitions and disposals, increased 21.6 percent supported by successful data monetization and positive ARPU development.

The EBITDA margin, excluding non-recurring items, remained stable as higher service revenues was offset mainly by higher sales-related costs.

The number of subscriptions increased by 0.1 million or 0.9 percent.

Tajikistan – Pressure on revenues and profitability

SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	857	932	-8.1
Change (%) local organic	*-9.5*		
of which service revenues (external)	708	785	-9.8
EBITDA excl. non-recurring items	364	472	-22.8
Margin (%)	42.5	50.6	
Subscriptions, period-end (thousands)			
Mobile	3,328	3,301	0.8

Net sales in reported currency decreased 8.1 percent. Service revenues in local currency, excluding acquisitions and disposals, decreased 11.2 percent as mainly interconnect revenues were negatively impacted by lower volumes and increased competition on both local and international traffic.

The EBITDA margin, excluding non-recurring items, declined to 42.5 percent (50.6) largely due to lower interconnect revenues and an unfavorable macroeconomic development impacting the market dynamics.

The number of subscriptions displayed a slight increase during the year supported by regional campaigns and to some extent the launch of 4G services.

Georgia – Interconnect regulation hurts earnings

SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	874	915	-4.5
Change (%) local organic	*-3.4*		
of which service revenues (external)	813	901	-9.8
EBITDA excl. non-recurring items	355	385	-7.8
Margin (%)	40.6	42.0	
Subscriptions, period-end (thousands)			
Mobile	2,088	1,803	15.8

Net sales in reported currency decreased 4.5 percent. Service revenues in local currency, excluding acquisitions and disposals, declined 8.7 percent, heavily impacted by lower interconnect revenues as an effect from regulated termination rates and the effect of a lost government tender in 2013.

The EBITDA margin, excluding non-recurring items, decreased to 40.6 percent (42.0), primarily burdened by lower service revenues.

The number of subscriptions increased by 0.3 million, of which 0.2 million were previously not reported M2M subscriptions.

Moldova – Margin pressure

SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	497	512	-3.0
Change (%) local organic	*2.5*		
of which service revenues (external)	436	473	-7.8
EBITDA excl. non-recurring items	131	185	-29.2
Margin (%)	26.4	36.2	
Subscriptions, period-end (thousands)			
Mobile	1,120	1,024	9.4

Net sales in reported currency decreased 3.0 percent. Service revenues in local currency, excluding acquisitions and disposals, declined 2.6 percent, largely explained by lower interconnect revenues due to a regulatory change in interconnect tariffs and increased competition in the marketplace.

The EBITDA margin, excluding non-recurring items, declined to 26.4 percent (36.2), mainly driven by intensified competition, lower interconnect revenues and a higher share of low-margin equipment sales.

The number of subscriptions increased by 0.1 million, equal to 9.4 percent, driven by successful offerings launched during the year.

Nepal – Solid performance

SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	3,593	3,023	18.9
Change (%) local organic	*18.9*		
of which service revenues (external)	3,099	2,604	19.0
EBITDA excl. non-recurring items	2,155	1,803	19.5
Margin (%)	60.0	59.6	
Subscriptions, period-end (thousands)			
Mobile	12,090	10,867	11.3

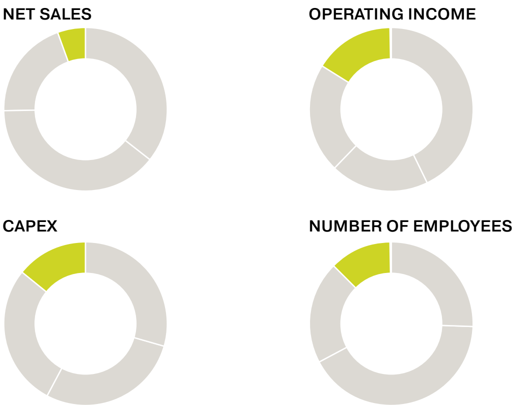
Net sales in reported currency increased 18.9 percent. Service revenues in local currency, excluding acquisitions and disposals, increased 19.1 percent as voice and data volumes grew significantly supported by a larger subscription base and increased demand for mobile data services as well as higher incoming call volumes.

The EBITDA margin, excluding non-recurring items, increased slightly to 60.0 percent (59.6) driven by growth in service revenues.

The number of subscriptions increased by 1.2 million, equal to 11.3 percent, attributable to successful campaigns and customer retention activities.

Other operations

SHARE OF GROUP TOTAL (%)



SEK in millions, except margins, operational data and changes	2014	2013	Change (%)
Net sales	7,043	6,668	5.6
Change (%) local organic	*2.3*		
of which International Carrier	5,964	5,584	6.8
EBITDA excl. non-recurring items	282	513	-45.1
of which International Carrier	371	368	0.7
Margin (%)	4.0	7.7	
Income from associated companies and joint ventures	4,463	5,906	-24.4
of which Russia	2,247	3,128	-28.2
of which Turkey	2,213	2,779	-20.4
Operating income	3,597	4,731	-24.0
Operating income excl. non-recurring items	3,948	5,197	-24.0
CAPEX	2,317	1,839	26.0
Employees, period-end	3,236	3,233	0.1

Additional (unaudited) segment information available at www.teliasonera.com.

Net sales in local currencies and excluding acquisitions and disposals increased 2.3 percent. In reported currency, net sales increased 5.6 percent to SEK 7,043 million (6,668). The increase was explained by higher service revenues in International Carrier and to some extent also from financial services.

EBITDA, excluding non-recurring items, decreased to SEK 282 million (513). For International Carrier, EBITDA was flat as higher service revenues were offset by increased costs for supporting volume growth and improved quality.

Income from associated companies decreased to SEK 4,463 million (5,906) as income from MegaFon and Turkcell declined due to negative impact from exchange rate fluctuations and one-off items.

Operating income declined to SEK 3,597 million (4,731), mainly due to lower income from associates.

CAPEX of SEK 2,317 million (1,839) were mainly related to group-common investments associated with building and enhancing IT assets, the mobile core network and various product platforms. Also in International Carrier, CAPEX increased to support volume growth and some specific key-customer engagements.

Acquisitions and disposals

Date	Country	Comments
March/April, 2014	Finland	On March 10, 2014, TeliaSonera announced that it had signed an agreement to acquire AinaCom's consumer operations and fixed networks. The price of the arrangement was EUR 47 million on a cash and debt-free basis. The acquisition closed on April 1, 2014.
April 1, 2014	Denmark	TeliaSonera acquired the IT and system integrator Síminn Danmark A/S.
May 14, 2014	Sweden	On December 18, 2013, TeliaSonera announced that it had signed agreements to acquire a group of companies within open fiber networks. The acquisition comprised the communication operator Zitius Service Delivery AB as well as Quadracom Networks AB, Quadracom Services AB, QMarket AB and the service provider Rätt Internet Kapacitet i Sverige AB (Riksnet). On May 14, 2014, TeliaSonera announced that the acquisition had been approved by the Swedish Competition Authority. In total, the purchase price amounted to SEK 473 million on a cash and debt-free basis.
May 15, 2014	Sweden	TeliaSonera acquired a 15 percent stake in Zound Industries International AB, a start-up company marketing fashionable electronic accessories. The purchase price was SEK 30 million.
July 7, 2014	Norway	On July 7, 2014, TeliaSonera announced that it had agreed to acquire Tele2's operations in Norway, Tele2 Norge AS and Network Norway AS, at an enterprise value of SEK 5.1 billion on a cash and debt-free basis. TeliaSonera also committed itself to 98 percent population coverage for 4G by 2016, two years ahead of its obligations. The acquisition was subject to Norwegian competition authority approval. On February 5, 2015, TeliaSonera announced that the acquisition had been approved and the transaction closed on February 12, 2015. As part of the remedies provided in order to get the approval, the business customer base and the related marketing and sales organization of Network Norway was sold to ICE Communication Norge AS. In addition, TeliaSonera sold infrastructure to ICE. TeliaSonera and Tele2 had therefore agreed to adjust the enterprise value to SEK 4.5 billion on a cash and debt-free basis. At the same time, TeliaSonera reiterated its 4G coverage commitment. For further information, see Note C33 to the consolidated financial statements.
August 20, 2014	Finland	TeliaSonera announced that its Finnish operator Sonera (TeliaSonera Finland Oyj) and the local Finnish operator DNA had agreed on mobile network sharing in the sparsely populated Northern and Eastern Finland.
October 1, 2014	Sweden	TeliaSonera acquired Ipeer AB including its two subsidiaries, a leading corporate supplier of cloud and hosting services.
December 3, 2014	Denmark	TeliaSonera announced that it had entered into an agreement with Telenor to merge the two companies' Danish operations into a new joint venture in which the parties will own 50 percent each. The transaction requires approval from the EU Commission. An EU decision on the transaction is expected during 2015.
December 16, 2014	Sweden	TeliaSonera acquired Gnesta Stadsnät AB, a local open fiber network operator.

Legal and administrative proceedings

In its normal course of business, TeliaSonera is involved in a number of legal proceedings. These proceedings primarily involve claims arising out of commercial law issues and matters relating to telecommunications regulations and competition law. For further information, see Note C29 to the consolidated financial statements.

Innovation, research and development

Innovation, research and development (R&D) activities are performed to ensure TeliaSonera's leading position in the telecom industry as well as to support competitive operations in the short and long term. During 2014, TeliaSonera had main focus on reviving innovation. Revive innovation has addressed the ability to explore new ideas and revenue streams to become an integral part of the company. Innovation activities typically target new business models, solutions and excellent customer experience.

To strengthen TeliaSonera's market leadership, key focus has been on world-class network quality in mobile and fiber, mobile and fiber network enhancements, online, value-added services and IT enhancements. To safeguard future competitiveness and attractiveness, strategic effort has been spent on understanding customer needs and the related capabilities to offer this experience. The need for cloud-based and software-defined environments is evident for future services and networks. In the network domain, TeliaSonera has investigated how to benefit from NFV (Network Functions Virtualization) and SDN (Software-Defined Networking). To support the core business, adjacencies and value-added services are facilitated in partnership with leading brands and players to enhance the offerings to various customer segments.

The consumer portfolio is developed with new functionality and services regarding data, IPTV, media, security, digital home and applications. Examples are the introduction of Over-The-Top TV offerings in more markets and the continued development of attractive complete offerings and business models with data as the foundation.

The business portfolio is developed with emphasis on data, cloud-based services, applications and net-based communication solutions. In 2014, focus was on defining the future B2B portfolio and the continued development of the M2M (Machine-to-Machine) and IoT (Internet of Things) offerings and partnerships. M2M-in-a-box was announced, which is a cloud service and includes sensors that can be used to connect everything from buildings and shops to vehicles and machinery. In Sweden, a healthcare solution to facilitate care at home was launched. The Västerbotten Region in the northern part of Sweden is piloting the new solution.

A new organizational unit called Innovestments was set up in 2014. During the year, TeliaSonera acquired a minority stake in Zound Industries, a maker of fashionable accessories. Investing in partnerships close to the core business is a way to explore opportunities and to revive innovation as well as to find new growth opportunities. TeliaSonera's partnerships should enable offering the customers the latest trends for the best possible experience of using TeliaSonera's services in their connected lifestyle, whenever and wherever they are.

As of December 31, 2014, TeliaSonera had 389 patent "families" and 2,550 patents and patent applications, none of which, individually, is material to its business. In 2014, TeliaSonera continued to sell some patents as part of the effort to increase the commercialization of the patent portfolio.

In 2014, TeliaSonera incurred R&D expenses of SEK 228 million (294).

Environment

TeliaSonera is committed to environmental responsibility. The work is guided by the Code of Ethics and Conduct which serves as an overall policy document, also covering the majority-owned subsidiaries. As a minimum, TeliaSonera companies shall comply with local legal requirements wherever they operate. TeliaSonera in Sweden does not conduct any operations subject to environmental permits from authorities according to the Swedish Environmental Code, Chapter 9.

For additional information on environmental targets and other initiatives, see Environmental responsibility.

Remuneration to executive management

Proposed remuneration principles for Group Executive Management 2015

The Board of Directors proposes that the Annual General Meeting on April 8, 2015, resolves on the following principles for remuneration to Group Executive Management. Group Executive Management is defined as the President and the other members of the Management Team.

Objective of the principles

The objective of the principles is to ensure that the company can attract and retain the best people in order to support the purpose and strategy of the company. Remuneration to Group Executive Management should be built on a total reward approach and be market relevant, but not leading. The remuneration principles should enable international hiring and should support diversity within Group Executive Management. The market comparison should be made against a set of peer group companies with comparable sizes, industries and complexity. The total reward approach should consist of fixed salary, pension benefits, conditions for notice and severance pay and other benefits.

Fixed salary

The fixed salary of a Group Executive Management member should be based on competence, responsibility and performance. The company uses an international evaluation system in order to evaluate the scope and responsibility of the position. Market benchmark is conducted on a regular basis. The individual performance is monitored and used as a basis for annual reviews of fixed salaries.

Pension

Pension and retirement benefits should be based on a defined contribution model, which means that a premium is paid amounting to a certain percentage of the individual's annual salary. When deciding the size of the premium, the level of total remuneration should be considered. The level of contribution should be benchmarked and may vary due to the composition of fixed salary and pension. The retirement age is normally 65 years of age.

Other benefits

The company provides other benefits in accordance with market practice. A Group Executive Management member may be entitled to a company car, health and care provisions, etc. Internationally hired Group Executive Management members and those who are asked to move to another country can be offered mobility related benefits for a limited period of time.

Notice of termination and severance pay

The termination period for a Group Executive Management member may be up to six (6) months (twelve (12) months for the President) when given by the employee and up to twelve (12) months when given by the company. In case the termination is given by the company the individual may be entitled to a severance payment up to twelve (12) months. Severance pay shall not constitute a basis for calculation of vacation pay or pension benefits. Termination and severance pay will also be reduced if the individual will be entitled to pay from a new employment or if the individual will be conducting own business during the termination period or the severance period.

The Board of Directors may make minor deviations on an individual basis from the principles stated above. The 2014 remuneration policy is reproduced in Note C31 to the consolidated financial statements.

Long-term incentive program 2014/2017

The Annual General Meeting held on April 2, 2014, decided to launch a long-term incentive (LTI) program comprising approximately 200 key employees. This program is not available for the members of Group Executive Management. The LTI program should strengthen TeliaSonera's ability to recruit and retain talented key employees, create a long-term confidence in and commitment to the group's long-term development, strengthen the group's efforts to be more of a united company – "One Group", align key employees' interests with those of the shareholders, increase the part of the remuneration that is linked to the company's performance and encourage shareholding of key employees.

The LTI program rewards performance measured over a minimum of a three year period, is capped to a maximum of 37.5 percent of the annual base salary and is equity based (invested and delivered in TeliaSonera shares with the ambition that the employees should remain shareholders also after vesting). A prerequisite for payout from the LTI program is the continuous employment at the end of the performance period.

The LTI program measures performance over a 3-year period in relation to earnings per share (EPS, weight 50 percent) and total shareholder return (TSR, weight 50 percent) compared to a corresponding TSR development of a pre-defined peer-group of companies. The program may be annually repeated. Equal programs were launched in 2010-2013. The prevalence of an LTI program is subject to the approval of the Annual General Meeting.

For more information on TeliaSonera's LTI programs, see Note C31 to the consolidated financial statements.

Parent company

The parent company TeliaSonera AB (Corporate Reg. No. 556103-4249), which is domiciled in Stockholm, comprises group executive management functions including the group's internal banking operations. The parent company has no foreign branches.

Net sales decreased to SEK 4 million (7), of which SEK 3 million (3) was billed to subsidiaries. Income before taxes fell to SEK 10,243 million (17,862) mainly due to lower dividends from subsidiaries, increased exchange rate losses and negative changes in net appropriations. Net income was SEK 10,012 million (16,860).

Total investments were SEK 4,314 million (1,090), of which SEK 3,621 million (1,052) referred to shareholder contributions to subsidiaries and associates. Cash and cash equivalents totaled SEK 20,379 million (26,782) at year-end. The balance sheet total decreased to SEK 221,300 million (243,680), mainly as a result of capital repayments from subsidiaries and net loan repayments. Shareholders' equity was SEK 83,732 million (86,661), of which non-restricted equity SEK 68,021 million (70,950). The equity/assets ratio was 36.0 percent (33.8). Net debt decreased to SEK 90,401 million (113,578).

As of December 31, 2014, the number of employees was 264 (239).

Significant events after year-end 2014

- On February 5, 2015, TeliaSonera announced that the Norwegian Competition Authority had approved TeliaSonera's acquisition of Tele2's Norwegian operations, Tele2 Norge AS and Network Norway AS, a transaction originally announced on July 7, 2014. As part of the remedies provided in order to have the transaction approved, the business customer base and the related marketing and sales organization of Network Norway was sold to ICE Communication Norge AS. TeliaSonera and Tele2 had therefore agreed to adjust the enterprise value from SEK 5.1 billion to SEK 4.5 billion on a cash and debt-free basis. At the same time, TeliaSonera reiterated its ambition to provide 98 percent population coverage for 4G in Norway already in 2016 – two years ahead of the regulatory requirements.
- On February 16, 2015, TeliaSonera issued a bond of EUR 500 million in a 20-year deal, maturing in February 2035, under its existing EUR 12 billion EMTN (Euro Medium Term Note) program. The re-offer yield was set at 1.70 percent per annum equivalent to midswaps + 63 basis points.

Proposed appropriation of earnings

At the disposal of the Annual General Meeting:

	SEK
Retained earnings	58,008,046,597
Net income	10,012,407,227
Total	**68,020,453,824**

The Board proposes that this sum be appropriated as follows:

	SEK
SEK 3.00 per share ordinary dividend to the shareholders	12,990,254,343
To be carried forward	55,030,199,481
Total	**68,020,453,824**

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

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

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

AGM related documents are available at:
www.teliasonera.com/AGM
(Information on the TeliaSonera website does not form part of this Report)

Risks and uncertainties

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

TeliaSonera has an established risk management framework in place to regularly identify, analyze, assess, and report business, financial as well as ethics and sustainability related risks and uncertainties, and to mitigate such risks when appropriate. Risk management is an integrated part of TeliaSonera's business planning process and monitoring of business performance. Set forth below is a description of factors that may affect TeliaSonera's business, brand perception, financial position, results of operations or the share price from time to time.

For more information on risk management, control environment and ongoing activities, see the Corporate Governance Statement and Sustainability Work. Information on financial risk management is presented in Note C26 to the consolidated financial statements.

Industry and market conditions

Global financial markets unrest

Changes in the global financial markets are difficult to predict. TeliaSonera strives to have a strong balance sheet and operates in a relatively non-cyclical or late-cyclical industry. However, a severe or long-term financial crisis by itself or by triggering a downturn in the economy of one or more countries in which TeliaSonera operates would have an impact on the customers and may have a negative impact on growth and results of operations through reduced telecom spending.

The maturity schedule of TeliaSonera's loan portfolio is aimed to be evenly distributed over several years, and refinancing is expected to be made by using uncommitted open-market debt financing programs and bank loans, alongside the company's free cash flow. In addition, TeliaSonera has committed bank credit lines that are deemed to be sufficient and may be utilized if the open-market refinancing conditions are poor. However, TeliaSonera's cost of funding might be higher should there be unfavorable changes in the global financial markets.

International political and macroeconomic developments

TeliaSonera has material investments and receivables in the Russian Federation related to its associated company OAO MegaFon and the international carrier operations. Following the conflict between the Russian Federation and Ukraine, the European Union and the United States have implemented sanctions directed towards individuals and corporates. The Russian Federation has as a consequence decided on certain counter actions. The sanctions and counter actions may negatively affect the Russian ruble and the Russian economy, which in turn may impact countries whose economies are closely linked to the Russian economy, such as a number of TeliaSonera's Eurasian operations. These developments, as well as other international political conflicts or developments affecting countries in which TeliaSonera is operating, may adversely impact TeliaSonera's cash flows, financial position and results of operations.

Competition and price pressure

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

Transition to new business models in the telecom industry may lead to structural changes and different competitive dynamics. Failure to anticipate and respond to industry dynamics, and to drive a change agenda to meet mature and developing demands in the marketplace, may affect TeliaSonera's customer relationships, service offerings and position in the value chain, and adversely impact its results of operations.

Regulation

TeliaSonera operates in a highly regulated industry. The regulations to which TeliaSonera is subject impose significant limits on its flexibility to manage its business. In a number of countries, TeliaSonera entities have been designated as a party with significant market power in one or several telecom submarkets. As a result, TeliaSonera is required to provide certain services on regulated terms and prices, which may differ from the terms on which it would otherwise have provided those services. Effects from regulatory intervention may be both retroactive and prospective.

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

Emerging markets

TeliaSonera has made significant investments in telecom operators in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal, Russia and Turkey. Historically, the political, economic, legal and regulatory systems in these countries have been less predictable than in countries with more mature institutional structures. The political situation in each of the emerging market countries may remain unpredictable, and markets in which TeliaSonera operates may become unstable, even to the extent that TeliaSonera has to exit a country or a specific operation within a country. Another implication may be unexpected or unpredictable litigation cases.

Other risks associated with operating in emerging market countries include foreign exchange restrictions, which could effectively prevent TeliaSonera from repatriating cash, e.g. by receiving dividends and repayment of loans, or from selling its investments. One example of this is TeliaSonera's operation in Uzbekistan in which the group had a net exposure at year-end of approximately SEK 9.5 billion, corresponding to the net assets of the operations and intra-group receivables. Another risk is the potential establishment of foreign ownership restrictions or other potential actions against entities with foreign ownership, formally or informally.

Such negative political or legal developments or weakening of the economies or currencies in these markets might have a significantly negative effect on TeliaSonera's results of operations and financial position.

TeliaSonera will not enter into countries that are sanctioned for investments by the United Nations or the European Union, but may enter into countries with shifting political stability, provided that the business can be conducted in a responsible and financially sound way. During the project appraisal and due diligence process, a risk evaluation is performed to secure that the business to be acquired or market to be entered into will evolve in accordance with TeliaSonera's sustainability principles.

Operations and strategic activities

Impairment losses and restructuring charges

Factors generally affecting the telecom markets, and changes in the economic, regulatory, business or political environment, as well as TeliaSonera's ongoing review and refinement of its business plans, could adversely affect its financial position and results of operations. TeliaSonera could be required to recognize impairment losses with respect to assets if management's expectation of future cash flows attributable to these assets change, including but not limited to goodwill and fair value adjustments that TeliaSonera has recorded in connection with acquisitions that it has made or may make in the future.

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

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

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

TeliaSonera has made substantial investments in networks and telecom and frequency licenses, and also expects to invest substantial amounts over the next several years in the upgrading and expansion of networks. Normally, TeliaSonera also has to pay fees to acquire new licenses or to renew or maintain the existing licenses. In order to attract new customers, TeliaSonera has previously also engaged in start-up operations, such as Xfera Móviles S.A. (Yoigo) in Spain and Ncell Pvt. Ltd. in Nepal, and may continue to do so, which require substantial investments and expenditure in the build-up phase.

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

Business combinations and strategic alliances

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

Shareholder matters in partly-owned subsidiaries

TeliaSonera conducts some of its activities, particularly outside of the Nordic region, through subsidiaries in which TeliaSonera does not have a 100 percent ownership. Under the governing documents for certain of these entities, the holders of non-controlling interests have protective rights in matters such as approval of dividends, changes in the ownership structure and other shareholder-related matters. One example where TeliaSonera is dependent on a minority owner is Fintur Holdings B.V. (Fintur's minority shareholder is Turkcell) which owns the operations in Kazakhstan, Azerbaijan, Georgia and Moldova. As a result, actions outside TeliaSonera's control and adverse to its interests may affect TeliaSonera's position to act as planned in these partly owned subsidiaries.

Customer service and network quality

In addition to cost efficiency in all operations, TeliaSonera focuses on high-quality service to its customers and high-quality networks. TeliaSonera's ambition to create a service company on the customers' terms requires a major internal change of processes, attitude and focus in many parts of the company. Externally, extreme weather conditions and natural disasters may cause serious problems to network quality and availability and need to be considered in the business continuity planning.

High-quality networks and services are fundamental to the customer perception of TeliaSonera and its success going forward. Whatever the reason, failure to reach or maintain high-quality levels would have an adverse impact on TeliaSonera's business.

Supply chain

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

In connection with signing supplier contracts for delivery of terminals, TeliaSonera may also grant the supplier a guarantee to sell a certain number of each terminal model to its customers. Should the customer demand for a terminal model under such a guarantee turn out to be smaller than anticipated, TeliaSonera's results of operations may be adversely affected.

Ability to recruit and retain skilled personnel

To remain competitive and implement its strategy, and to adapt to changing technologies, TeliaSonera will need to recruit, retain, and where necessary, retrain highly skilled employees with particular expertise. In particular, competition is intense for qualified telecommunications and information technology personnel. To a considerable extent, TeliaSonera's ability to recruit and retain skilled personnel for growth business areas and new technologies will depend on its ability to offer competitive remuneration packages. A complicating factor in some of the countries in which TeliaSonera operates is regulations related to granting work permits for foreign citizens, which is often a bureaucratic and time-consuming procedure. If TeliaSonera fails to recruit or retrain necessary highly skilled employees, its ability to develop high growth business areas and new business areas or remain competitive in the traditional business areas may be limited.

Associated companies and joint operations

Limited influence in associated companies and joint operations

TeliaSonera conducts some of its activities, particularly outside of the Nordic region, through associated companies. Examples of major associated companies are OAO MegaFon in Russia, Turkcell Iletisim Hizmetleri A.S. in Turkey and Lattelecom SIA in Latvia. In turn, these associated companies own stakes in numerous other companies. TeliaSonera does not have a controlling interest in its associated companies and as a result has limited influence over the conduct of all these businesses.

Under the governing documents for certain of these entities, TeliaSonera's partners have control over or share control of key matters such as the approval of business plans and budgets, and decisions as to the timing and amount of cash distributions. The risk of actions outside TeliaSonera's or its associated companies' control and adverse to TeliaSonera's interests, or disagreement or deadlock, is inherent in associated companies and jointly controlled entities. One example of this is the current deadlock between the shareholders of Turkcell.

Further, TeliaSonera might not be able to assure that the associated companies apply the same sustainability principles, increasing the risk for wrongdoings and reputational and financial losses. TeliaSonera strives to use its board presence and active ownership practices to promote the implementation of its sustainability principles.

Variations in the financial performance of these associated companies have an impact on TeliaSonera's results of operations also in the short term.

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

In Sweden, TeliaSonera has entered into a cooperation arrangement with Tele2 to build and operate a UMTS network through a 50 percent owned joint operation, Svenska UMTS-nät AB, which has rights to a Swedish UMTS license. In Denmark, TeliaSonera has entered into a similar agreement with Telenor to build and operate a common radio access network through a 50 percent owned joint operation, TT-Netværket P/S. TeliaSonera has made significant financial investments in these operations. As they are jointly controlled, there is a risk that the partners may disagree on important matters, including the funding of the operations. This risk may be magnified because TeliaSonera and Tele2 and Telenor, respectively, are significant competitors. A disagreement or deadlock regarding these operations or a breach by one of the parties of the material provisions of the cooperation arrangements could have a negative effect on TeliaSonera.

Sustainability

Human rights – freedom of expression

Issues related to human rights pose high risks to the telecom industry. Risks include complicity in human rights violations by operators being linked to excessive governmental demands to the detriment of privacy and freedom of expression and by telecom services being used for the sexual exploitation of children. International standards on human rights go beyond identifying and managing material risks to TeliaSonera, they also relate to the risks to individuals.

National laws and regulations on surveillance of communications or the shut-down of networks could be defined in ways that enable violations of human rights. Government monitoring, blocking or take-down requests often serve a legitimate purpose, including to protect human rights. However, there are major and problematic government requests that might conflict with freedom of expression and privacy. TeliaSonera may be legally required to comply with such requests and, like other telecom operators, only have limited leverage with which to investigate, challenge or reject the requests. In some countries, this dilemma places TeliaSonera at heightened risks of being linked to severe human rights abuses. These risks are further strengthened in relationships with state entities and the fact that major requests often are strictly confidential.

Customer privacy

TeliaSonera manages significant network and data volumes and therefore strives to ensure network integrity and data security and protect customers' personal data. TeliaSonera will only provide personal data to authorities to the extent required by law or with the customer's permission. To ensure customer privacy, TeliaSonera aims to protect assets such as database information, IT infrastructure, internal and public networks as well as office buildings and technical facilities.

TeliaSonera implements measures to prevent and detect the disclosure of sensitive information to unauthorized parties. TeliaSonera takes measures to detect and promptly respond to security incidents. TeliaSonera maintains a zero acceptance policy towards criminal activities and fraud. While TeliaSonera through appropriate measures avoids failure in its work to secure network integrity and data security, external or internal factors may negatively impact security and cause unfavorable effects on customers' perception of how TeliaSonera handles these matters, possibly leading to an adverse impact on TeliaSonera's business and results of operations.

Corruption and unethical business practices

Some of the countries in which TeliaSonera operates are ranked as having high levels of corruption according to sources such as Transparency International, Business Against Corruption and the World Bank. The telecom industry is particularly exposed to bribery and corruption risks due to the dependency on government granted licenses, as well as the need for government granted permits and approvals at several stages of the network roll-out process. In addition, there may be requests for e.g. free services and numbers as well as sponsorships and donations to facilitate operational processes. Actual or perceived corruption or unethical business practices may damage the customers' or other stakeholders' perception of TeliaSonera and also result in financial penalties and debarment from procurement processes.

Review of Eurasian transactions

In April 2013, the Board of Directors assigned the international law firm Norton Rose Fulbright (NRF) to review transactions and agreements made in Eurasia by TeliaSonera in the past few years with the intention to give the Board a clear picture of the transactions and a risk assessment from a business ethics perspective. For advice on implications under Swedish legislation, the Board assigned two Swedish law firms. In consultation with the law firms, TeliaSonera has promptly taken steps, and will continue to take steps, in its business operations as well as in its governance structure and with its personnel which reflect concerns arising from the review. In addition to the NRF review, the Swedish Prosecution Authority's investigation with respect to Uzbekistan is ongoing and TeliaSonera continues to co-operate with and provide assistance to the Prosecutor.

As TeliaSonera will carry on assessing its positions in the Eurasian jurisdictions, there is a risk that future actions taken by the company as a consequence of either the NRF review, the Swedish Prosecution Authority's investigation, or TeliaSonera's own successive improvements to its ethical standards and procedures may adversely impact the results of operations and financial position in TeliaSonera's operations in the Eurasian jurisdictions.

Another risk is presented by the Swedish Prosecution Authority's notification in the beginning of 2013 within the investigation of TeliaSonera's transactions in Uzbekistan, that the Authority is separately investigating the possibility of seeking a corporate fine against TeliaSonera, which under the Swedish Criminal Act can be levied up to a maximum amount of SEK 10 million, and forfeiture of any proceeds to TeliaSonera resulting from the alleged crimes. The Swedish Prosecution Authority may take similar actions with respect to transactions made or agreements entered into by TeliaSonera relating to operations in its other Eurasian markets.

Further, actions taken, or to be taken, by the police, prosecution or regulatory authorities in other jurisdictions against TeliaSonera's operations or transactions, or against third parties, whether they be Swedish or non-Swedish individuals or legal entities, might directly or indirectly harm TeliaSonera's business, results of operations, financial position or brand reputation.

Supply chain

TeliaSonera needs to ensure that its policies on ethical business practices, environmental issues, human rights and labor laws are all fully respected by its suppliers and their sub-suppliers. Failure or perception of failure of TeliaSonera's suppliers to adhere to these requirements may damage the customers' or other stakeholders' perception of TeliaSonera and negatively impact TeliaSonera's business operations and its brand.

Environment and climate change

TeliaSonera expects increasing regulation and taxation of fossil fuel usage, greenhouse gas emissions and electronic waste. Energy shortages and increasing energy costs may incur additional costs or lost revenues for TeliaSonera.

As a consequence of climate change, extreme weather conditions such as storms, heavy rainfalls and floods will be more common and may prevent TeliaSonera from keeping its networks running, negatively affecting its results of operations.

Occupational health and safety

Serious risks related to occupational health and safety (OHS) are generally linked to construction and maintenance work. Such work is mainly carried out by contractors, but TeliaSonera must ensure that these suppliers have proper OHS practices, as accidents or malpractice might damage TeliaSonera's operations or reputation. Most TeliaSonera employees work in office or store settings, where the main risks are psychosocial wellbeing and ergonomics. If not managed properly, these risks may lead to increasing sick leave and a higher number of accidents and injuries, potentially incurring significant costs.

Electromagnetic fields

Concerns have been expressed that the electromagnetic fields 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. Actual or perceived risks of mobile handsets or base stations and related publicity or litigation could reduce the growth rate, customer base or average usage per customer of TeliaSonera's mobile communications services, may result in restrictions on the location and operation of base stations, or could subject TeliaSonera to claims for damages, any of which could have a negative impact on its business, financial position and results of operations.

Labor practices

Within TeliaSonera's geographical footprint, region Eurasia presents the highest risks related to substandard labor practices. The right to freedom of association and collective bargaining may be restricted by the national governments in the Eurasian countries. Although most of the countries have ratified all Core Conventions of the International Labour Organization (ILO), which signifies a public commitment to respect labor rights, there is no guarantee that these rights are fully realized. In these countries, there are also risks related to child, forced and compulsory labor, especially in impoverished areas or during national events. In a country with deficient labor practices, TeliaSonera may, through no fault by itself, anyway be involved and as a consequence be subject to criticism or official actions that may negatively impact its brand reputation and business operations in this and in other countries.

Owning TeliaSonera shares

Volatility in share prices

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

Actions by the largest shareholder

As of the date of this Report, the Swedish State held 37.3 percent of TeliaSonera's outstanding shares. Accordingly, the Swedish State, acting alone, may have the power to influence any matters submitted for a vote of shareholders. The interest of the Swedish State in deciding these matters could be different from the interests of TeliaSonera's other shareholders.

In addition, any sale by the Swedish State of a significant number of TeliaSonera shares, or the public perception that such a sale could occur, may cause the market price of TeliaSonera shares to fluctuate.

Corporate Governance Statement

Chair of the Board comments

It is time for the Board of Directors to sum up another year. Our first year was initially marked by a retrospective review; this year we shifted our focus to a future strategy and to creating the future TeliaSonera.

At the Capital Markets Day in September, the new executive management presented its strategy to create the new TeliaSonera. This provided a clear picture of how to reach our financial goals, the prioritized business areas and how we look upon our geographical presence. To retain our shareholders' confidence during this transformation, the Board has changed TeliaSonera's dividend policy to a dividend of at least SEK 3 per share for the next two years which is the proposal at the 2015 Annual General Meeting.

Our industry is facing great changes and we can see increasing consolidation in the European market. This opens up new business opportunities for TeliaSonera, something we are well positioned for. TeliaSonera is actively searching for cooperation and acquisition opportunities with other telecom companies as well as content providers, in order to strengthen our competiveness.

We are fully aware of the high expectations placed upon the company and the Board. We remember the events and decisions that forced the company to bring about change. The Board's starting point is in the distinct relation between sustainability issues being well integrated in the business strategy and generating long-term, stable profitability.

In all companies, it is the customers that finally control the direction of the business; it is only by fulfilling their expectations that we can deliver solid returns to our shareholders. During the year, we made sure that sustainability and transparency were high-priority issues and well integrated in in our daily work. We fully understand the importance of running a business according to high moral and ethical standards. We have put a lot of effort into clarifying TeliaSonera's values in our own organization, in our subsidiaries and partly-owned companies, as well as companies and authorities we interact with. At the same time we are humbled by the task. TeliaSonera operates in several complex emerging markets. This will continuously put us under pressure, but we are determined to maintain the responsible way of working that we have commenced.

The Board would like to thank the shareholders for their confidence in TeliaSonera. Given the many significant challenges and opportunities, we look forward to a new financial year with optimism and confidence.

Marie Ehrling
Chair of the Board

Introduction

This Corporate Governance Statement was adopted by the Board of Directors at its meeting on March 11, 2015. It was prepared according to the Swedish Corporate Governance Code and the Swedish Annual Reports Act and has been examined by the external auditors. The Statement presents an overview of TeliaSonera's corporate governance model and includes the Board's description of the internal controls environment and risk management regarding financial reporting.

TeliaSonera's strategy means that the company does business in some of the world's most challenging markets when it comes to corruption and violations of human rights. The importance of a zero tolerance across the entire organization against corruption and human rights abuses can therefore not be overestimated. In 2014, a significant part of the work of the Board of Directors and Group Executive Management was devoted to strategic development issues, to implementation of the new operating model as of April 1, and to further sharpening the focus on sustainability, ethics and compliance issues. Important new measures were implemented and announced.

Compliance

It is the opinion of the Board of Directors that TeliaSonera in all respects complied with the Swedish Corporate Governance Code during 2014.

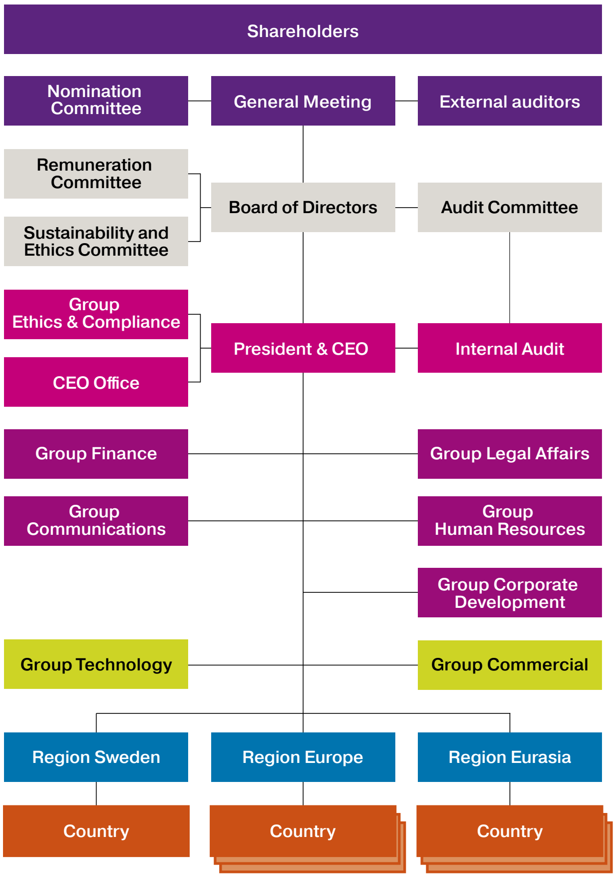
Further, there was no infringement of applicable stock exchange rules and no breach of good practice on the securities market reported by the Nasdaq Stockholm Disciplinary Committee or the Swedish Securities Council.

Updated information required by the Swedish Corporate Governance Code is available at:
www.teliasonera.com/Corporate-Governance
(Information on the TeliaSonera website does not form part of this Statement)

Governing bodies

TeliaSonera's main governing bodies are:

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



Shareholders

Shareholders' General Meeting

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

For **further information** regarding:

- Swedish Companies Act (2005:551), Annual Reports Act (1995:1554), Securities Market Act (2007:528): www.riksdagen.se/en, www.government.se
- Nasdaq Stockholm (issuer rules and surveillance): www.nasdaqomx.com/listing/europe/surveillance/stockholm
- Swedish Corporate Governance Code and specific features of Swedish corporate governance: www.corporategovernanceboard.se

The TeliaSonera share is listed on Nasdaq Stockholm and Nasdaq Helsinki. TeliaSonera has only one type of shares. Each TeliaSonera share represents one vote at the General Meeting of Shareholders. At year-end 2014, TeliaSonera had 510,566 shareholders. For more information on the TeliaSonera share and the shareholder structure, see the Board of Directors' Report.

The Annual General Meeting 2014 was held in Stockholm on April 2, 2014. Among other issues, the Annual General Meeting 2014 decided upon the following:

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

TeliaSonera's **Articles of Association** are available at: www.teliasonera.com/Corporate-Governance, and **AGM minutes and related documents** at: www.teliasonera.com/AGM
(Information on the TeliaSonera website does not form part of this Statement)

Nomination Committee

TeliaSonera's Nomination Committee consists of representatives of the company's in terms of votes four largest shareholders at the turn of the month before the notice of the Annual General Meeting and which also wish to participate in the nomination process ("Nominating Shareholders"), and the Chair of the Board of Directors. The Nomination Committee presently consists of:

- Niklas Johansson, Chair (the Swedish State)
- Kari Järvinen (the Finnish State through Solidium Oy)
- Per Frennberg (Alecta)
- Jan Andersson (Swedbank Robur Fonder)
- Marie Ehrling, Chair of the Board

The Nomination Committee shall in accordance with its instruction:

- Propose the number of Board members elected by the Annual General Meeting
- Nominate the Chair, the Vice-Chair and other members of the Board of Directors
- Propose the Board remuneration that is divided among the Chair, the Vice-Chair and other members and remuneration for serving on committees
- Nominate the Chair of the Annual General Meeting
- Nominate the external auditors and propose remuneration payable to the auditors
- Nominate members of the Nomination Committee until the next Annual General Meeting

The Nomination Committee receives information from the Chair of the Board, other Board members and the CEO on TeliaSonera's position, strategic direction and other relevant circumstances. Based on this information, the Committee assesses the competences needed in the Board as a whole. The Committee has concluded that competences currently needed are experience from:

- The telecommunications industry and industries closely related to it
- Internet-based operations
- Relevant markets
- Market and consumer oriented operations
- Operational sustainability work
- Major listed companies

On the basis of these competence needs, the Nomination Committee evaluates the competences of the present Board members. Taking into account the competences needed in the future, the gender distribution on the Board, the competences of present Board members and the present Board members' availability for re-election, the Committee nominates Board members to the Annual General Meeting.

The Nomination Committee has reported that it complies with the guidelines in the Swedish Corporate Governance Code and that it intends to report its activities at the Annual General Meeting and on the company's website. The Nomination Committee reviews its Instruction annually and as necessary proposes changes thereto to the Annual General Meeting.

Shareholders are welcome to send **nomination proposals** to the Nomination Committee. Proposals can be sent by e-mail to: forslagtillstyrelseledamot@teliasonera.com

Board of Directors

Responsibilities

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

- The strategic direction and key strategic initiatives of the group
- Major investments
- The capital structure and dividend policy
- Appointment and dismissal of the CEO
- The delegation of authority
- The development of group policies
- The overall organization of the group
- The internal controls environment and risk management model of the group
- The core content of the group's external communication

The guidelines for the work of the Board of Directors are set down in standing orders. The standing orders contain rules regarding the number of ordinary board meetings, the agenda items for ordinary board meetings, the tasks of the Chair of the Board, the division of responsibilities between the Board and the CEO and how work is to be carried out in committees.

Members and independence

The Board of Directors consists of eight members elected by the Annual General Meeting, serving one-year terms, and three employee representatives (with three deputies) from the Swedish operations. A Finnish employee representative is present at the Board meetings, but without voting rights. Marie Ehrling is Chair of the Board. The other members of the Board, elected by the Annual General Meeting, are Olli-Pekka Kallasvuo (Vice-Chair), Mats Jansson, Mikko Kosonen, Nina Linander, Martin Lorentzon, Per-Arne Sandström and Kersti Strandqvist.

In accordance with the guidelines of the Swedish Corporate Governance Code, all members elected by the Annual General Meeting 2014 are considered to be independent in relation to the company, to the administration of the company and to major shareholders.

The members of the Board of Directors are presented in more detail, including meeting attendance, remuneration and holdings of TeliaSonera shares, at the end of this Statement.

Annual work cycle

The work of the Board follows an annual cycle. This enables the Board to appropriately address each of its duties and to keep strategic issues, risk assessment and value creation high on the agenda.

Board meetings are normally held in Stockholm, but one meeting a year has been held in Helsinki. As of 2015, this meeting will rotate between Helsinki, Oslo and Copenhagen. At least one other meeting is held elsewhere to be able to discuss local issues more deeply, make specific site visits, etc. In 2014, one Board meeting was held in Istanbul.

Statutory meeting

The annual cycle starts with the statutory Board meeting which is held immediately after the AGM. At this meeting, members of the Committees are appointed and the Board resolves on matters such as signatory powers.

Q1 report meeting

At the next ordinary meeting, the Board approves the interim financial report and reviews the risk report for the first quarter of the year.

Strategy input meeting

At the third ordinary meeting, the Board is updated on and discusses various strategic issues.

Q2 report meeting

The Board convenes to approve the interim financial report and review the risk report for the second quarter of the year.

First strategic planning meeting

An ordinary Board meeting focused on the first step of the strategic planning process by discussing the scope and key assumptions.

Q3 report meeting

An ordinary Board meeting is held to approve the interim financial report and review the risk report for the third quarter of the year and to discuss the second step of the strategic planning process – the strategic options. This meeting is also devoted to the annual evaluation of the Board's internal work.

Business and financial plan meeting

As the final step of the strategic planning process, an ordinary meeting is held for the Board to approve management's business and financial plan and to discuss target setting for executive management. This meeting also comprises an annual review of the capital structure and dividend policy.

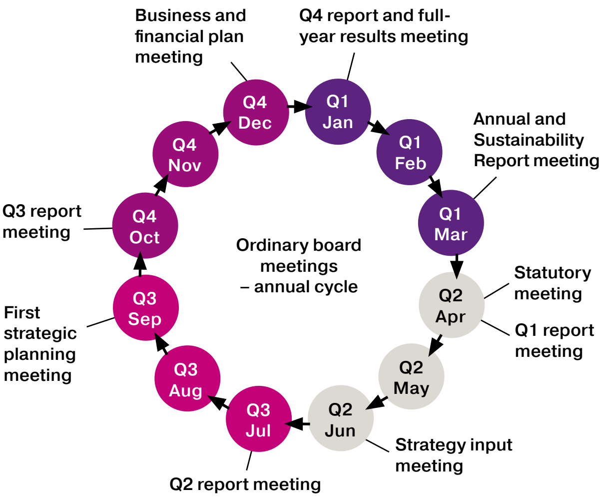
Q4 report and full-year financial results meeting

Following the end of the calendar year, this ordinary Board meeting focuses on the financial results of the entire year and the fourth-quarter financial report and risk report, also including a final decision on target setting for executive management and the dividend proposal for the year.

Annual and Sustainability Report meeting

This ordinary meeting closes the annual work cycle of the Board of Directors by an approval of the Annual and Sustainability Report.

THE BOARD'S ANNUAL WORK CYCLE



In addition, ordinary Board meetings include:

- An integrated management report by the CEO, comprising:
  - Comments on progress towards the long-term ambitions in terms of customers, shareholders, people and sustainability
  - Financial performance and an operational update covering competitor, commercial, technology, people, and regulatory and legal issues
  - Updates on strategy issues and on M&A activities externally and internally
- Reports on committee work by the respective Committee Chair
- A closed session without management being present

Board work in 2014

In 2014, the Board of Directors held 9 ordinary meetings and 6 extra meetings. In addition to following up on the day-to-day business of the group, the Board of Directors paid special attention to:

- Strategic options, with specific review of the changing business environment in the telecom industry
- Follow-up of major strategic initiatives within the business operations, including for example pricing strategy and fiber roll-out
- Review of the overall sustainability risks for the group, including decisions on updated group policies
- Further follow-up of the review of transactions in Eurasia including evaluation of alternatives and making decisions on certain liability issues caused by the 2014 AGM resolution (for further information, see section ”Review of Eurasian transactions and related liability issues”)
- Follow-up of the severe corruption and money-laundering allegations related to the investments in Uzbekistan, currently under criminal investigation by the Swedish Prosecution Authority
- Review of an efficiency initiative where the group will invest SEK 2 billion to reduce costs by SEK 2 billion with full yearly effect by the end of 2017
- Regulatory developments in the telecom industry
- Structure for target model and financial targets
- Potential acquisitions and increase of ownership in subsidiaries
- Investments in frequencies, in particular in Nepal and Moldova
- Follow-up of CAPEX, in particular related to network investments
- Developments in the associated companies in Turkey and Russia
- Funding and debt structure
- Operational model and organizational issues
- Human Resources issues, in particular succession planning and performance management

Further, the Board of Directors evaluated its internal work during 2014 by self-assessment, based on individually responding to formal surveys and bilateral interviews with the Chair of the Board. The results of the evaluation were reported to the Nomination Committee.

Review of Eurasian transactions and related liability issues

In April 2013, the Board of Directors initiated a thorough review of the transactions and agreements made in the past few years and TeliaSonera's partners in Eurasia. The review gave the Board a clear picture of the transactions in Eurasia and a risk assessment from a business ethical perspective. TeliaSonera's present processes and routines were also analyzed in order to assess whether they were suitable and sufficient for managing the identified risks.

The review project was finalized in the first quarter of 2014. At the 2014 Annual General Meeting (AGM), the Chair of the Board presented the outcome of the review, the scope and the methodology as well as the measures taken so far as a consequence of the review.

> The Board of Directors' review summary presented at the 2014 AGM by the Chair of the Board is available at:
> www.teliasonera.com/AGM
> (Information on the TeliaSonera website does not form part of this Statement)

On December 9, 2014, the Board of Directors issued a statement on potential liability for earlier officials of the TeliaSonera group on which the Board had concluded and decided as follows.

The 2014 AGM resolved not to grant former president and CEO Lars Nyberg discharge from liability with respect to fiscal year 2013. During that year, Lars Nyberg was working in the company only in January. According to the Swedish Companies Act, if the company decides to sue, it must be done not later than one year after the Annual Report and the Auditors' Report were presented to the AGM. Consequently, the Board of Directors promptly ensured that a comprehensive investigation of the matter was made. The results and the recommendation from the investigation were discussed thoroughly by the Board. The advice that the Board received concluded that there were no prerequisites for suing Lars Nyberg because of his limited role in January 2013. The original transactions were not covered by the AGM's resolution not to grant discharge from liability, as they had been initiated and decided on during earlier fiscal years. Considering this and after a comprehensive evaluation of the different alternatives, the Board decided not to sue Lars Nyberg for fiscal year 2013.

The Board also noted that, according to the Swedish Companies Act, it is possible to present claims even though discharge from liability has been granted, if the AGM that granted the discharge from liability had not been given essentially accurate and complete information about the circumstances that the claim concerns. Such claims must be brought before the end of the financial year that occurs five years after when the events on which the claims are based on took place. Based on potential findings of the ongoing investigations or circumstances otherwise detected, the Board of Directors left open the possibility of suing for damages against earlier officials of the TeliaSonera group.

> The **full statement** by the Board of Directors is available at:
> www.teliasonera.com/statement
> (Information on the TeliaSonera website does not form part of this Statement)

Additionally, in March 2014, the Dutch authorities carried out searches at two of TeliaSonera's Dutch holding companies, TeliaSonera UTA Holding B.V. and TeliaSonera Uzbek Telecom Holding B.V., as being subject to a preliminary investigation concerning bribery and money laundering. TeliaSonera cooperates fully with the Dutch authorities. Also in March, TeliaSonera was informed that the U.S. Department of Justice (DoJ) has an ongoing investigation regarding TeliaSonera's transactions in Uzbekistan. The DoJ sent a request for documents to TeliaSonera. Finally, TeliaSonera received a request from the U.S. Securities and Exchange Commission (SEC) to submit documents and information related to Uzbekistan.

See also the Board of Directors' Report, section "Significant events in 2014" and Risks and uncertainties, section "Review of Eurasian transactions."

Committees and committee work in 2014

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

The Remuneration Committee handles issues regarding salary and other remuneration to the CEO and Group Executive Management, incentive programs that target a broader group of employees and succession planning. The Remuneration Committee has the authority to approve remuneration to the members of Group Executive Management, except for the CEO remuneration which is decided by the entire Board of Directors.

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

The Sustainability and Ethics Committee primarily reviews the progress of the Sustainability Priority Action Plan and the Ethics and Compliance programs as well as the external sustainability reporting.

Remuneration Committee

Marie Ehrling is Chair of the Remuneration Committee. In 2014, the Committee held 10 meetings and handled, amongst others, the following issues:

- Structure for target model and financial targets
- Succession planning
- Performance management
- Long-term incentive programs
- Remuneration to the CEO and Group Executive Management

As part of the Board of Directors' overall assessment, the Remuneration Committee evaluated its internal work during 2014 by self-assessment.

Audit Committee

Nina Linander is Chair of the Audit Committee. In 2014, the Committee held 7 meetings. At each Board meeting following a Committee meeting, the Chair of the Audit Committee reported a summary of the issues raised, proposals as well as assessments and reviews performed within the Committee. When identifying risk areas related to financial reporting, the Committee collaborates with the CEO and CFO, the external auditors as well as the internal audit and internal control functions. The input forms the basis when deciding on future focus areas.

Committee work in 2014 included, amongst others, the following issues:

- Overseeing improvements of financial reporting and financial processes, with specific focus on risk identification and assessment of the internal controls environment
- Assessment and review of a number of investigations related to the Eurasian operations
- Assessment and review of the quality and integrity of risk governance
- Reviews of the company's external financial reporting
- Reviews of reports issued by the external auditors and follow-up of recommended actions

ORGANIZATION OF THE BOARD WORK

Board of Directors
11 members (of which 3 employee representatives)

Remuneration Committee
3 members

- Group remuneration policy
- Executive compensation
- Incentive programs
- Succession planning

Audit Committee
4 members

Oversight over

- Financial reporting
- Internal controls
- Auditing
- Area-related group policies, processes and systems

Sustainability and Ethics Committee
4 members

Oversight over

- Area-related reporting
- Area-related group policies, processes and systems
- Area-related action and implementation plans

MEMBERS OF THE BOARD COMMITTEES

Members of the Committees of the Board of Directors in 2014

Remuneration Committee	Audit Committee	Sustainability and Ethics Committee
Marie Ehrling (Chair) Mats Jansson Olli-Pekka Kallasvuo	Nina Linander (Chair) Marie Ehrling Martin Lorentzon Per-Arne Sandström	Mikko Kosonen (Chair) Marie Ehrling Martin Lorentzon Kersti Strandqvist

- Reviews of reports issued by the internal auditors and follow-up of recommended actions
- Review and follow-up of whistle-blowing cases
- Reviews of important risk areas, e.g. treasury, procurement, regulatory development, litigation, M&A, insurance and pensions
- Review of the annual impairment testing process and significant testing parameters
- Review of the CAPEX process and quarterly follow-up of CAPEX programs
- Reviews of significant accounting policies and key sources of estimation uncertainty, e.g. revenue recognition, asset valuation and pension accounting
- Reviews of group policies as preparation for Board approval
- Assessment of the group's capital structure and review of its dividend policy
- Overseeing an efficient transition to the new external audit firm
- Assessment and approval of the external and internal auditors' audit plans
- Closed sessions with the external as well as the internal auditors without management being present
- Assessment of the independence of the external auditors

As part of the Board of Directors' overall assessment, the Audit Committee evaluated its internal work during 2014 by self-assessment.

Sustainability and Ethics Committee

Mikko Kosonen is Chair of the Sustainability and Ethics Committee. The Committee held 7 meetings during 2014. At each Board meeting following a Committee meeting, the Chair of the Sustainability and Ethics Committee reported on key discussion items and brought proposals on decision items to the Board agenda.

Committee work in 2014 included, amongst others, the following issues:

- Map and review of the status of ongoing ethics, compliance and sustainability initiatives in TeliaSonera
- Establish a vision of leadership in sustainability
- Review of the development of the group ethics and compliance function, including forensic capabilities
- Approval of the sustainability priority action plan and regular follow-up, with special attention on the anti-corruption program status and actions, including e.g. corruption risk-assessment by country, instructions and training, whistle-blowing tools, etc.
- Reviews of sustainability-related risks in the quarterly risk reports
- Follow-up of the compliance with the OECD Guidelines for Multinational Enterprises
- Review of TeliaSonera's external sustainability reporting

As part of the Board of Directors' overall assessment, the Sustainability and Ethics Committee evaluated its internal work during 2014 by self-assessment.

CEO and Group Executive Management

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

Headed by the CEO, Group Executive Management currently comprises the CEO, CFO, General Counsel, Head of Group Human Resources, Head of Group Communications, Head of Group Corporate Development, Head of Group Technology, Head of Group Commercial and the Presidents of the Regions. Group Executive Management meets on a monthly basis. These meetings are devoted to follow-up on strategic and business performance, major change programs, risks and other issues of strategic nature and group-wide importance.

See also section "Governance, Risk, Ethics and Compliance (GREC) meetings."

The members of Group Executive Management are presented in more detail, including remuneration and holdings of TeliaSonera shares, at the end of this Statement.

Group-wide governance framework

GROUP-WIDE GOVERNANCE FRAMEWORK – STRUCTURE

Deciding what we shall achieve

↓

Setting the boundaries for how we act

↓

Follow-up of our performance

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

Deciding what we shall achieve

GROUP-WIDE GOVERNANCE FRAMEWORK – STRUCTURE

Deciding what we shall achieve

- Purpose
- Strategic priorities
- Operational and financial targets

↓

Setting the boundaries for how we act

↓

Follow-up of our performance

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

Purpose: Bringing the world closer – on the customer's terms

Our ambition is to take TeliaSonera to the next level, to become a New Generation Telco. To grow our business and to stay inspired in our daily work, we need to be truly relevant to our consumer and business customers. Our purpose that shows us how we will get there, is therefore from the customer perspective.

Strategic priorities

Our strategic priorities are:

- *Value through superior network connectivity* – Secure the transition from voice to data through future proof network access to end customers
- *Customer loyalty through convergence* – Create a seamless experience across technologies, services and channels
- *Competitive operations* – Simplify operations and transform legacy to create agility and cost efficiency
- *Explore opportunities in adjacent areas close to the core* in TV, e-healthcare, music, machine-to-machine, financial services and security

Operational and financial targets

Operational and financial targets are set for the group as a whole and for each region, country and business unit.

Setting the boundaries for how we act

GROUP-WIDE GOVERNANCE FRAMEWORK – STRUCTURE

Deciding what we shall achieve

↓

Setting the boundaries for how we act

- Set of values
- Code of Ethics and Conduct
- Sustainability
- Whistle-blowing process
- Group policies
- Organization
- Delegation of obligations and authority

↓

Follow-up of our performance

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

Set of values

TeliaSonera's set of values – *Dare*, *Care* and *Simplify* – is the compass that leads us in how we act and behave in our daily work.

- *We dare to* – innovate by sharing ideas, taking risk and continuously learn; lead by engaging with our customers and challenging ourselves; speak up by expressing opinions and concerns.
- *We care for* – our customers by providing solutions that are adapted to their needs; each other by being supportive, respectful and honest; our world by acting responsibly and in accordance with our ethical standards.
- *We simplify* – execution by taking actionable decisions and deliver with speed; teamwork by transparent communication, active collaboration and knowledge sharing; our operations by efficient processes and clear ownership.

Code of Ethics and Conduct

The TeliaSonera Code of Ethics and Conduct, issued by the Board of Directors, serves as an overall policy document for guiding the behavior of the employees. The Code defines how TeliaSonera's employees should interact with different stakeholders, including customers, business partners, competitors, co-workers, shareholders, governments and regulatory bodies, as well as local communities wherever TeliaSonera operates. The policy document covers all entities in which TeliaSonera holds more than a 50 percent ownership and is available in 21 languages.

> The **TeliaSonera Code of Ethics and Conduct** is available at:
> www.teliasonera.com/Code-of-Ethics
> (Information on the TeliaSonera website does not form part of this Statement)

Sustainability

Sustainability covers all efforts related to how TeliaSonera accounts for its long-term impact on society and the environment. This means managing ethical and legal requirements, risks and opportunities in the operations and throughout the value chain. TeliaSonera's sustainability work involves ensuring the health and safety of employees, minimizing negative environmental impact, respecting human rights, complying with ethical business practices in all markets, improving the protection of customer privacy and more.

Implementation issues and follow-up related to sustainability risks, opportunities and compliance are discussed within the Sustainability and Ethics Committee. Group Executive Management and the Governance, Risk, Ethics and Compliance (GREC) meetings are the main discussion and decision-making forums. The Head of the Sustainability Strategy function within group function Corporate Development and the Chief Ethics and Compliance Officer, who is responsible for the compliance framework, together manage group-level prioritization, coordination and oversight of sustainability issues.

For additional information, see section "Enterprise risk management framework" and Sustainability in TeliaSonera.

Whistle-blowing process

The Board of Directors has established a whistle-blowing process enabling employees and others to anonymously report violations in accounting, reporting or internal controls, as well as non-compliance with local laws or breaches of TeliaSonera´s policies and ethical instructions. The solution is hosted by an external service provider specializing in operating confidential telephone and online reporting systems. For additional information, see Whistle-blowing and Speak-Up Line.

> To the reader of this Statement: If **you believe there are deficiencies** in TeliaSonera's financial reporting or if **you suspect any misconduct** within the TeliaSonera group, you may report your concerns at:
> www.speakupline.ethicspoint.com

Group policies

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

Group policies are relatively short and mainly principles-based. Group instructions are normally more detailed and operational and shall be in line with group policies. Group policies and group instructions are binding for all entities in which TeliaSonera has management responsibility.

Group policies are approved by the Board of Directors and group instructions by the CEO. Group guidelines are non-binding recommendations that should be in line with group policies and instructions and are approved by the heads of group functions. All valid policies, instructions and guidelines on group level are posted to a common intranet page available to all employees.

In addition to the overall policy document TeliaSonera Code of Ethics and Conduct, the Board has currently issued group policies as presented in the table.

> Certain group policies are **public documents** available at:
> www.teliasonera.com/en/about-us/public-policies/
> (Information on the TeliaSonera website does not form part of this Statement)

Group policies issued by the Board – Area and purpose	
Financial management	To set the rules for managing financial risks and for counterparty credit ratings
Risk management	To describe the enterprise risk management framework
Financial accounting and reporting	To require that proper accounting and reporting standards are prepared, regularly updated and made available to consolidated entities and applied by the entities when reporting to the group
Procurement	To provide a single point of reference and direction for procurement activities and a clear understanding of the procurement principles
Insurance	To have an insurance cover for management, employees and business activities in line with peers within the telecom industry
Privacy	To respect and safeguard customer privacy by setting high and consistent standards
Security	To describe the governance as well as control, facilitation and implementation of security measures
Communication	To ensure that all communication of the group is accurate and provided in a professional and timely manner
Freedom of expression in telecommunications	To define our commitments in relation to requests or demands with potentially serious impacts on freedom of expression in telecommunications
Sponsorships and donations	To define a consistent and group-wide approach to sponsorships and donations
Remuneration	To set the strategic direction and clarify the approach on designing and implementing remuneration practices for employees at all levels
Recruitment	To ensure that recruitment is used as an enabler for continued business success
Occupational health and safety	To set the framework aiming at providing and constantly improving a safe and healthy workplace by ensuring safety in work processes, preventing and reacting to conditions of ill-health and supporting measures to promote health and wellbeing
Pensions	To assist in providing pension benefits by clarifying the structure, design and management of pension plans
Anti-corruption	To set the standards for ethical business practices throughout the operations
Insider trading	To ensure a high standard of ethical behavior towards the capital markets by defining trading and reporting rules
Patents	To protect the investments in research and development and to utilize the patent portfolio effectively

Organization

TeliaSonera's largest businesses are mobile, broadband and fixed-line operations in the Nordics and Baltics, and mobile operations in Eurasia.

The guiding principle for TeliaSonera's organizational structure is to provide clarity, accountability and to support a customer-centric operating model. The operating model is country-based with strong commercial and technology functions on group level. Countries are grouped in three geographical regions.

Region Sweden

The region comprises TeliaSonera's mobile, broadband and fixed-line operations in Sweden.

Region Europe

The region comprises TeliaSonera's mobile, broadband and fixed-line operations in Finland, Norway, Denmark, Lithuania, Latvia, Estonia and Spain.

Region Eurasia

The region comprises TeliaSonera's mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal.

Group functions

The group functions assist the CEO in setting the framework for the activities of the countries and provide the countries with process development support and common platforms within the areas communication, corporate development (including M&A), finance (including procurement and real estate), human resources and legal affairs as well as group-wide commercial and technology issues.

Delegation of obligations and authority

The CEO has issued a delegation of obligations and authority, which defines the obligations imposed on the heads of regions and group functions, and within which limits they may make decisions. Decision authority and obligations are delegated person-to-person via solid reporting lines based on the roles in the operational organization.

Follow-up of our performance

GROUP-WIDE GOVERNANCE FRAMEWORK – STRUCTURE

Deciding what we shall achieve

↓

Setting the boundaries for how we act

↓

Follow-up of our performance
- Business reviews
- Risk areas and sustainability focus areas
- Performance management

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

Business reviews

The CEO sets goals for the operations based on the decisions of the Board of Directors. To ensure performance, managers have annual targets for their respective operation. The plan for each business is documented in annual operating plans and the follow-up is conducted on a monthly basis, complemented with forecasts and quarterly business review meetings on country and region levels.

The business review meetings are held as physical meetings and include financial and business reviews for the reporting period and forecast period as well as reviewing of risks and operations performance metrics on customer service levels, network quality, etc. The business reviews allows for frequent follow-up of key operational KPIs on region and group level. The operational KPIs are a key part of the follow-up and consist of several measurements which give management a good overview of current state and progress over time. To monitor and improve the customer experience that TeliaSonera provides, the Net Promoter Score (NPS®) framework has been implemented. At the region review meetings, the CEO, CFO, Group Controller and selected members of Group Executive Management attend in addition to the respective region management.

The Board of Directors receives reports on operational performance on a monthly basis, and at each ordinary Board meeting the group's operational and financial performance is presented in detail by the CEO and the CFO, respectively (see also the Board's annual work cycle as described in section "Board of Directors").

Risk areas and sustainability focus areas

See section "Governance, Risk, Ethics and Compliance (GREC) meetings."

Performance management

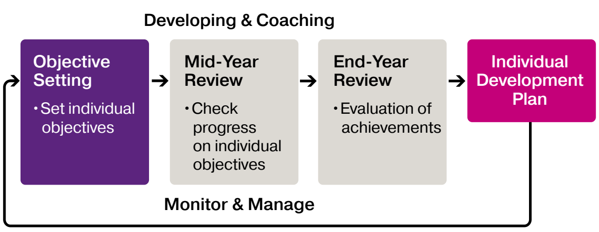
TeliaSonera is developing a high performance company culture in order to outperform competition and reach challenging goals. Setting individual objectives linked to strategic business goals and providing frequent feedback are crucial activities for managers at all levels. TeliaSonera has established a group-wide performance management model.

The model, which aims to focus on TeliaSonera's business objectives and to cascade them into the different regions and countries, is designed to:
- Help managers to set and cascade business objectives
- Review individual performance
- Develop and reward high performance
- Address poor performance

In TeliaSonera, performance is not only about what to achieve but also how to achieve objectives, i.e. what kind of competences and behaviors the employee applies in order to reach results. A group-wide competence framework is established that outlines successful leadership competences for different roles and levels. The framework offers support to leaders when providing feedback to individuals on performance and on which competences to develop. In order to establish shared principles and expectations on competences and behaviors, TeliaSonera's set of values are used as a platform for the evaluation of preferred behaviors.

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

PERFORMANCE MANAGEMENT PROCESS



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

Enterprise risk management (ERM) framework

Operating in a broad range of geographical product and service markets in the highly competitive and regulated telecommunications industry, TeliaSonera is subject to a variety of risks and uncertainties. TeliaSonera has defined risk as anything that could have a material adverse effect on the achievement of TeliaSonera's goals. Risks can be threats, uncertainties or lost opportunities relating to TeliaSonera's current or future operations or activities. Risks and uncertainties related to business, ethics and sustainability as well as shareholder issues are described in Risks and uncertainties and financial risks in Note C26 to the consolidated financial statements.

Three-line defense – integrated governance, risk management and compliance

Risk management in TeliaSonera may be illustrated as a three-line defense being an integral part of the group's operational activities, business planning process and monitoring of business performance. Risks that may pose a threat to achieving business objectives are identified and assessed, and measures are implemented to mitigate and monitor the identified risks. The aim is not only to focus on risks from a negative perspective, but also to acknowledge that successful risk management is essential for strategy execution and sustainable growth.

ENTERPRISE RISK MANAGEMENT – LINES OF DEFENSE

Risks and uncertainties

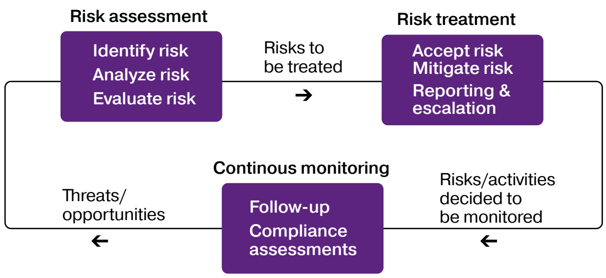
As further described below, the defense line roles and responsibilities include:

- *First-line defense*: The line organization owns its operational risks and is responsible and accountable for assessing, controlling and mitigating the risks as well as for internal control and assurance activities.
- *Second-line defense*: Provided by Governance, Risk, Ethics and Compliance (GREC) meetings, the group-level ERM function, the internal controls function within Group Finance and the Group Ethics and Compliance Office.
- *Third-line defense*: The group internal audit function provides independent assurance on the risk management process and internal controls environment. External parties, such as the external auditors and regulatory bodies, provide assurance in relation to specific objectives and requirements, e.g. on the information presented in the consolidated financial statements or reported to the Swedish Financial Supervisory Authority.

Risk management process

As a basis for first-line defense, TeliaSonera's group instructions on risk management define roles and responsibilities as well as the main components of the risk management process which are risk assessment, risk treatment and continuous monitoring.

RISK MANAGEMENT – PROCESS FLOW



The objective of the continuous risk management process is to regularly assess, treat and monitor all risks that may harm the achievement of TeliaSonera's objectives. Risk management shall be fully integrated into the business processes. The risk management procedures shall be transparent, feasible and traceable. Management shall ensure that a personal sense of responsibility and common view and awareness of risk is established as well as facilitate accountability of risks in daily decision-making. Risk reporting is integrated into the business planning process and risks shall be reviewed at business reviews and escalated through the line organization.

Quarterly, the Audit Committee and the Board of Directors receive a consolidated risk report, aligned with the Board's annual work cycle as described in section "Board of Directors." The consolidated report is divided into four sections:

- Financial risks
- Business-related risks
- Country-related risks
- Legal and regulatory risks

Under these sections, each risk is presented either as group-wide or by region and includes a:

- Risk description
- Description of risk mitigating activities
- Potential financial impact when possible
- Probability grading (high, medium and low risk)

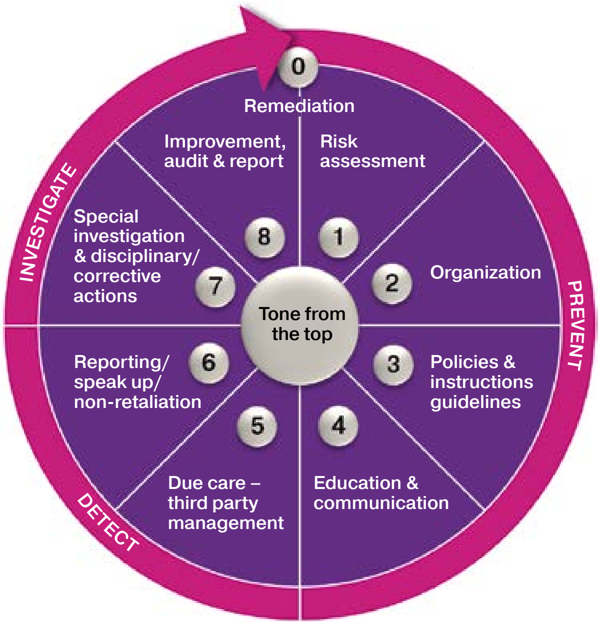
In addition, the Audit Committee quarterly receives a consolidated litigation report with short-form details of ongoing, pending and threatened legal and administrative proceedings. Each case description also includes nominal and estimated financial impact when possible and a probability grading (high, medium and low risk).

Risk and compliance evaluations and assessments shall be conducted proactively, repeatedly and timely by management in order to ensure that all employees are aware of and take steps to comply with the relevant requirements. Compliance means conforming to both external and internal requirements such as the applicable legislation, international standards and norms as well as group policies, instructions and directives. The most significant risk areas are monitored by the internal controls function within Group Finance (see section "Internal controls over financial reporting") and the Group Ethics and Compliance Office (see section "Compliance framework and programs").

Compliance framework and programs

Also supporting first-line defense, TeliaSonera's has established a framework to enable systematic work with compliance issues. The compliance framework consists of eight steps that are founded on a sound and clear tone from the top. It is designed to adhere to international standards and is based on Prevent, Detect and Investigate principles.

COMPLIANCE FRAMEWORK



Prioritized risk areas are identified based on risk assessments. The most significant risks are monitored by the Group Ethics and Compliance Office and managed according to the framework through subject-specific compliance programs to ensure consistency and follow-up in implementation and reporting. Currently prioritized risk areas are reflected by the following ongoing programs:

- Anti-corruption program
- Freedom of expression program
- Customer privacy program
- Occupational health and safety program

For additional information on the approach and work in the respective area, see Sustainability in TeliaSonera, Anti-corruption, Freedom of expression, Customer privacy and Occupational health and safety.

GREC MEETING (GROUP LEVEL) - RISK AREAS AND RESPONSIBILITIES

Governance, Risk, Ethics and Compliance (GREC) meeting

Head of Group Corporate Development	Group CFO	Group CTO	Head of Group Legal Affairs	Heads of Regions/ Head of Group Commercial	Head of Group HR	Group Ethics and Compliance
Strategic & emerging risks	Financial risks	Technology & security risks	Legal risks	Business risks	Labor and employee risks	Ethics & compliance risks

Country risks	
Reputational risks	Head of Group Communications
Human rights risks	

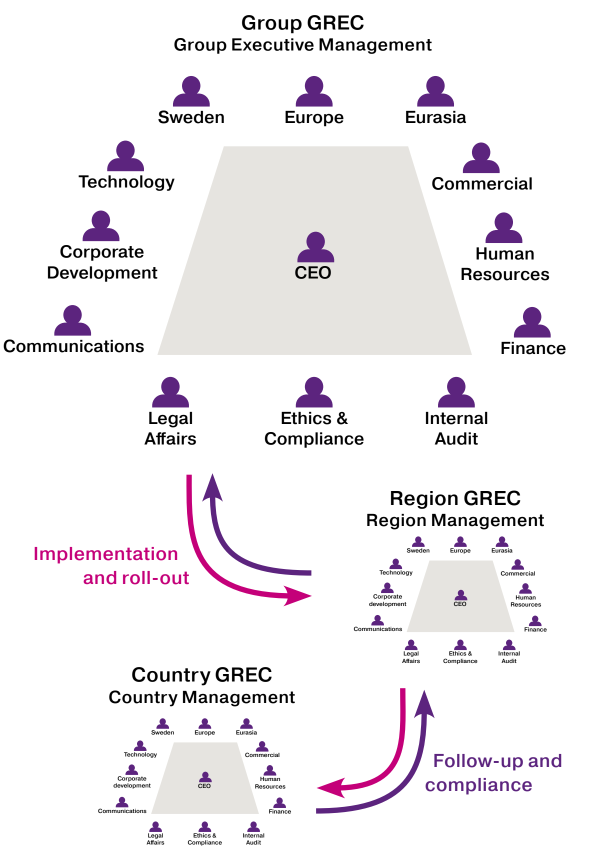
Governance, Risk, Ethics and Compliance (GREC) meetings

At the GREC meetings, which are held at least quarterly, management meets to update, discuss, decide and follow-up on ongoing activities and initiatives within the different risk areas and sustainability focus areas. The GREC meeting agenda is risk-based, where all participants are accountable for a specific risk area. The purpose of the GREC meetings is to:

- Integrate the risk areas
- Deepen the understanding of risks through executive level responsibility
- Further embed risk management into the decision making process

On group level, the GREC meeting is chaired by the CEO and consists of Group Executive Management extended with the Head of CEO Office, the Head of ERM, the Chief Ethics and Compliance Officer as well as the Head of Internal Audit.

In 2014, GREC meetings were introduced also on region and country level. At year-end, all regions and most of the countries had held their first GREC meetings. The purpose, agenda and participants of local GREC meetings mirror the group-level GREC.



Group-level ERM function

The Head of the ERM function, within group function Corporate Development, has the responsibility for coordinating and monitoring the group's risk management processes, and for ensuring a consistent approach throughout the line organization. The role also includes responsibility for ensuring a structured approach towards risk management and reporting as well as ensuring a holistic view on risk for the group.

Internal controls over financial reporting

In accordance with the Swedish Companies Act and the Swedish Corporate Governance Code, the Board of Directors is responsible for internal controls over financial reporting. The Board continuously reviews the performance of internal controls and initiates activities to foster continuous improvement of internal controls.

TeliaSonera's risk management framework includes internal controls over financial reporting, and is in line with the COSO framework for internal controls. It consists of interrelated areas, which are control environment, risk assessment, control activities, information and communication, and monitoring. To establish a consistent approach to and a group-common view of risks related to incorrect financial reporting, group-common risk catalogues are being implemented in all major entities in which TeliaSonera has management responsibility. The internal controls function within Group Finance is responsible for developing and maintaining the IT-based tool for managing the risk catalogues.

Internal control is an integral part of TeliaSonera's corporate governance and enterprise risk management which involves boards of directors, executive management and employees on all organizational levels. It is a process which includes methods and processes to:

- Safeguard the group's assets
- Ensure the reliability and correctness of financial reporting
- Secure compliance with applicable legislation and guidelines
- Ensure that objectives are met and continuous improvement of operational efficiency

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

Control environment

The most essential parts of TeliaSonera's control environment are the group policies with related group instructions and detailed group directives. Management at all levels is responsible for ensuring that the organization complies with the Delegation of obligations and authority, the financial governing documents, the reporting framework and other group requirements. Group Finance staff is responsible for monthly monitoring and, if significant, communication of changes in legislation, listing requirements and financial reporting standards affecting financial group instructions or directives.

Management in each entity or group function is responsible for ensuring that:

- Monthly and quarterly financial statements comply with TeliaSonera's accounting policies
- Financial reports are delivered on time
- Activities to mitigate the risks, as specified in the group risk catalogues, have been implemented and are performed
- Required reconciliations are properly performed
- Material business and financial risks are identified and reported

The TeliaSonera financial shared services unit supports harmonized and standardized financial accounting processes and controls across large wholly-owned units.

Risk assessment

TeliaSonera has a risk-based approach towards internal controls over financial reporting. Risk management related to financial reporting is incorporated in the group-common risk management framework as described in section "Enterprise risk management framework." As such, assessment and management of risks that may result in inaccurate financial reporting is a natural part of the daily work. The group risk catalogues are used as a baseline. Risk assessments are performed from both a top-down and a bottom-up perspective. The results of the risk assessments are documented in the group risk catalogues.

Control activities

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

Information and communication

Group policies, instructions and directives, the reporting framework guidelines and other requirements regarding accounting and reporting as well as performing internal controls are made accessible to all employees concerned, through the use of TeliaSonera's regular internal communication channels. In recent years, employees at group level have also significantly increased internal training activities to ensure harmonization within important areas such as revenue recognition, distinction between capital and operating expenditure, etc.

Financial performance metrics in the business operations are reported monthly and the results are shared within management teams on region or country level. Sharing gives a good opportunity for benchmarks and learning.

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

Monitoring

TeliaSonera has implemented a structured process for performance monitoring of internal controls. This process includes all countries, regions and group functions and consists of a self-assessment of the risk mitigating activities. On behalf of Group Executive Management, an annual risk-based compliance review of key risks is carried out by the internal controls function within Group Finance in order to assess the quality of self-assessments, risk mitigation and the overall internal controls environment.

The results of the self-assessments and the compliance review are communicated to all relevant entities and the GREC meetings as well as to the Audit Committee. The Audit Committee also receives reports directly from both external and internal auditors. The reports are discussed and follow-up observations are made by the Committee. Both the external and internal auditors are represented at the Committee meetings.

At least once a year, the entire Board of Directors meets with the external auditors, in part without the presence of management.

Technology governance approach

The scope of the group's technology strategy includes both networks and IT. The strategy sets the direction for how technology within the group shall enable business success, in particular when addressing the group's strategic priorities: value through superior network connectivity, customer loyalty through convergence, competitive operations and exploring opportunities close to the core.

Technology supply is managed through four strategic focus areas, as follows:

- Quality of service
- Integrated service platform
- Best in class service provider
- Expanding the service portfolio

The roles and responsibilities of the technology governance bodies in TeliaSonera, enabling common decision-making and efficient communication, are as follows.

TECHNOLOGY GOVERNANCE BODIES AND THEIR RESPONSIBILITIES

Board of Directors	Sets the strategic priorities
Axiom	Coordinates the strategic priorities
Group Investment Forum	Approves strategic initiatives and financial plans
Group CTO & Country CTO Council	Approves the Technology Strategy, Technology Roadmap, Technology Strategic Financial Plan
Technology Investment Forum	Validates common projects, information processes and technology decisions in line with technology roadmaps and security instructions

The Axiom (An eXecutive decision and Information Operations Meeting) coordinates strategic priorities within the group and consists of selected members of Group Executive Management. The chair alternates between the Chief Technology Officer (CTO) and the Chief Commercial Officer. The Group Investment Forum allocates investment budgets for the group and countries according to the strategic priorities and consists of selected members of Group Executive Management. The Forum is chaired by the Chief Financial Officer.

The Group CTO and Country CTO Council enforces that all technology decisions are in line with TeliaSonera's strategic priorities. The Technology Investment Forum (TIF) exists at group level and at country level. Decisions on group-common or multi-country investments are made by the Group TIF, while decisions related to a single country are made by the Country TIF concerned.

Group Internal Audit

The internal audit function reviews the group operations and makes proposals aiming at improving the internal controls environment as well as efficiency in processes and systems. Through operational reviews, a systematic, disciplined approach to evaluate and improve the effectiveness of governance is achieved.

The direction of the work of the internal audit function is stated in the annual audit scope. In order to reflect the overall business objectives and risks, the audit scope is aligned with the group's business plan and strategy. The audit scope determines priorities, timing and resource allocation. It is approved by the Audit Committee and presented to the external auditors on an annual basis. Within the audit scope, the detailed audit assignments are defined on a quarterly basis. The quarterly audit assignments are discussed with the external auditors in order to identify areas for mutual reliance and to avoid duplicate work. In 2014, important focus areas were:

- Procurement and logistics
- IT and information security
- Human resources processes

The Eurasian operations are an important part of the audit scope, including on-site reviews with special focus on processes and governance.

The Head of Group Internal Audit reports administratively to the CEO and functionally to the Audit Committee. The results from each specific audit assignment are reported to the line manager responsible for the audited area or unit, and in addition to the relevant function-related area manager and to the external auditors. A summary of audit findings is reported to the Audit Committee on a quarterly basis.

The Head of Group Internal Audit is also responsible, together with two external members acting within the Equality of Access Board, for overseeing developments in relation to equal treatment of internal and external wholesale customers in Sweden.

Auditors

Number of auditors and duties

According to its Articles of Association, TeliaSonera AB shall have no less than two and no more than three auditors and no more than the same number of deputy auditors. The Annual General Meeting can also appoint only one auditor, if the auditor in question is a public accounting firm. The auditors report to the shareholders at General Meetings. The duties of the auditors include:

- Updating the Board of Directors on the planning, scope and content of the annual audit
- Examining financial statements to assess accuracy and completeness of the accounts and adherence to applicable financial reporting standards
- Examining the Board of Directors' and the President's administration of the company
- Conducting a statutory examination of this Corporate Governance Statement
- Advising the Board of Directors of non-audit services performed, the consideration paid and other issues determining the auditors' independence

Besides the audit report submitted to the shareholders at each Annual General Meeting, the auditors also issue a review report on the third quarter consolidated financial statements. To the Audit Committee and Group Executive Management, the auditors quarterly submit a report on TeliaSonera's financial statements and, in November each year, a report on internal controls within financial reporting and IT. For further information on the contacts between the Board and the auditors, see sections "Board of Directors" and "Internal controls over financial reporting."

In addition, the auditors perform an annual limited assurance of the information presented in Sustainability Work and GRI Index.

Current auditors and fees

At the Annual General Meeting 2014, Deloitte AB was elected as auditor until the end of the Annual General Meeting 2015. Deloitte AB has appointed Jan Palmqvist (born 1962), Authorized Public Accountant, to serve as auditor in charge. Deloitte AB is often engaged by TeliaSonera's largest shareholder, the Swedish State, for both audit and advisory services. Jan Palmqvist does not hold any shares in TeliaSonera AB.

For information on fees paid for audit-related and other services, see Note C32 to the consolidated financial statements.

Board of Directors

Marie Ehrling

(Born 1955)
Chair of the Board. Elected to the Board of Directors in 2013. She is Chair of the Remuneration Committee of TeliaSonera. Ms. Ehrling was President of TeliaSonera's Swedish operations between 2002 and 2006. During 1982 – 2002, she worked for SAS Group, holding various executive positions including Deputy CEO and Head of SAS Airline. Ms. Ehrling is Vice-Chair of Nordea Bank AB and serves as board member of Securitas AB and Axel Johnson AB. She is elected member and Vice-Chair of Royal Swedish Academy of Engineering Sciences (IVA). Marie Ehrling holds a BSc in Business and Economics and an Honorary Doctorate.
Shares in TeliaSonera: 15,000.

Olli-Pekka Kallasvuo

(Born 1953)
Vice-Chair of the Board. Elected to the Board of Directors in 2012. He is a member of the Remuneration Committee of TeliaSonera. Mr. Kallasvuo was CEO and board member of Nokia Oyj from 2006 to 2010. Previously, he held executive positions at Nokia, including the positions of COO, CFO, Head of Mobile Phones Division and Head of Nokia Americas. Mr. Kallasvuo is today Vice-Chair of SRV Group Plc. as well as a board member of Aperios Partners Ltd, Zenterio AB, Cleantech Industries Global N.V., Entrada Oy and Foundation for Economic Education. Mr. Kallasvuo holds a Master of Law and an Honorary Doctorate.
Shares in TeliaSonera: 35,896.

Mats Jansson

(Born 1951)
Elected to the Board of Directors in 2013. He is a member of the Remuneration Committee of TeliaSonera. Mr. Jansson was CEO of SAS AB between 2007 and 2010 and prior to that worked as CEO of Axel Johnson AB 2005 – 2006 and served as Chair of the Board and CEO of Axfood AB 2000 – 2005. Currently, Mr. Jansson is Chair of the Board of Delhaize Group and senior advisor of JP Morgan and Prime, respectively. Mr. Jansson has studied economical history, geography and sociology.
Shares in TeliaSonera: 4,500.

Mikko Kosonen

(Born 1957)
Elected to the Board of Directors in 2013. He is Chair of the Sustainability and Ethics Committee of TeliaSonera. Mr. Kosonen is since 2008 the president of the Finnish Innovation Fund Sitra. Prior to that, he held several leading positions at Nokia between 1984 and 2007, where his final role was that of Senior Vice President, Strategy and Business Infrastructure. He is a member of the board of Technology Academy Finland and Foundation for Economic Education. Mr. Kosonen holds a Doctorate Degree in Economics/International Business.
Shares in TeliaSonera: 2,000.

Nina Linander

(Born 1959)
Elected to the Board of Directors in 2013. She is Chair of the Audit Committee of TeliaSonera. Ms. Linander is a former partner at Stanton Chase International between 2006 and 2012 and prior to that SVP and Head of Treasury at Electrolux AB 2001 – 2005. Nina Linander is currently a board member of AB Industrivärden, Skanska AB, Castellum AB, Specialfastigheter AB and Awapatent AB, among others. Ms. Linander holds a BSc degree in Economics and a MBA (IMD) degree.
Shares in TeliaSonera: 5,700.

Martin Lorentzon

(Born 1969)
Elected to the Board of Directors in 2013. He is a member of the Audit Committee and the Sustainability and Ethics Committee, respectively, of TeliaSonera. Mr. Lorentzon is founder and Chair of the Board of Spotify AB. He was also founder of TradeDoubler AB where he also served as a board member. Mr. Lorentzon holds a Master of Science in Engineering.
Shares in TeliaSonera: 1,100,000[1].

Per-Arne Sandström

(Born 1947)
Elected to the Board of Directors in 2010. He is a member of the Audit Committee of TeliaSonera. Mr. Sandström has been deputy CEO and Chief Operating Officer of Telefonaktiebolaget L M Ericsson and has held a number of managerial positions in the Ericsson Group. He is a board member of SAAB AB. Mr. Sandström studied engineering.
Shares in TeliaSonera: 400.

Kersti Strandqvist

(Born 1963)
Elected to the Board of Directors in 2013. She is a member of the Sustainability and Ethics Committee of TeliaSonera. Ms. Strandqvist is Head of Corporate Sustainability since 2010 and a member of the Group Management of SCA AB. Prior to that she served in several different managerial positions including R&D and as business area director within the SCA Group 1997 – 2010. Ms. Strandqvist holds a Master of Science in Chemical Engineering and a Licentiate of Technology.
Shares in TeliaSonera: 4,280.

Board of Directors

Agneta Ahlström

(Born 1960)
Employee representative, appointed by the trade union to the Board of Directors in 2007. Ms. Ahlström is Chair of the Swedish Union for white-collar workers in the private labour market, Telecommunications section (Unionen-Tele). Previously, she was Chair of the section of SIF-TELE at TeliaSonera International Carrier.
Shares in TeliaSonera: 200.

Stefan Carlsson

(Born 1956)
Employee representative, appointed by the trade union to the Board of Directors in November 2009. Mr. Carlsson is deputy Chair of the Swedish Union for white-collar workers in the private labour market, Telecommunications section (Unionen-Tele) and executive board member of Unionen. Previously, he was second deputy Chair of SIF and Unionen.
Shares in TeliaSonera: 650.

Peter Wiklund

(Born 1968)
Employee representative, appointed by the trade union to the Board of Directors in 2014. In addition, Mr. Wiklund is Chair of the Union of Service and Communication Employees within TeliaSonera, SEKO klubb TeliaSonera.
Shares in TeliaSonera: 0.

Eva-Marie Penttilä

(Born 1977)
Finnish employee representative without voting rights, appointed by Trade Union Pro.
Shares in TeliaSonera: 0.

Information on the members of the Board of Directors is also available at www.teliasonera.com/Corporate-Governance.
Shares in TeliaSonera include shareholdings by spouse and/or affiliated persons when appropriate. Holdings as of the publication date of this Report.
The information is regularly updated at www.teliasonera.com/Insiders.

Deputy employee representatives
Hans Gustavsson (Born 1954), SEKO klubb TeliaSonera. Shares in TeliaSonera: 110.
Marianne Johansson (Born 1957), Unionen-Tele. Shares in TeliaSonera: 1,500.
Arja Kovin (Born 1964), Unionen-Tele. Shares in TeliaSonera: 0.

[1] Through companies

Remuneration during 2014, attendance and number of shares

Name	Elected year	Position	Meeting attendance: Board	Meeting attendance: Remuneration committee	Meeting attendance: Audit committee	Meeting attendance: Sustainability & ethics committee	Total remuneration (SEK)	Shares in TeliaSonera
Marie Ehrling	2013	Chair of the Board and Chair of the Remuneration Committee	15/15	10/10	6/7	7/7	1,469,225	15,000
Olli-Pekka Kallasvuo	2012	Vice-Chair of the Board	15/15	10/10			795,000	35,896
Mats Jansson	2013	Director	14/15	8/10			509,892	4,500
Mikko Kosonen	2013	Director and Chair of the Sustainability and Ethics Committee	15/15			7/7	614,892	2,000
Nina Linander	2013	Director and Chair of the Audit Committee	15/15		7/7		614,892	5,700
Martin Lorentzon	2013	Director	14/15		7/7	7/7	664,892	1,100,000
Per-Arne Sandström	2010	Director	15/15		7/7		564,892	400
Kersti Strandqvist	2013	Director	15/15			7/7	564,892	4,280
Agneta Ahlström	2007	Employee representative	14/15					200
Stefan Carlsson	2009	Employee representative	14/15					650
Peter Wiklund	2014	Employee representative	13/15					0

All board members elected by the Shareholders´ General Meeting are considered to be independent in relation to the company, the administration of the company and to major shareholders.

See also Note C31 to the consolidated financial statements.
Shares in TeliaSonera include shareholdings by spouse and/or affiliated persons when appropriate. Holdings as of the date of this Annual and Sustainability Report. The information is regularly updated at www.teliasonera.com/Insiders.

Group Executive Management

Johan Dennelind

(Born 1969)
President and Chief Executive Officer.
Between 2010 and 2013, Mr. Dennelind was International CEO South Africa at Vodacom. Previously he had several managerial positions at Telenor in Sweden and Malaysia, i. a. CEO of DiGi Telecommunications Malaysia between 2008 and 2010. Prior to that he had several managerial positions at Telia. Mr. Dennelind is a board member of GSMA and World Childhood Foundation. Mr. Dennelind holds a Master of Science in Business Administration.
Shares in TeliaSonera: 100,000.

Robert Andersson

(Born 1960)
Executive Vice President and Head of region Europe. Prior to joining TeliaSonera, Mr. Andersson held several managerial positions within Nokia in different international business and support roles, including Executive Vice President of Customer and Market Operations, Executive Vice President, Devices Finance, Strategy and Sourcing and Senior Vice President Corporate Alliances and Business Development. He is a board member of Enea AB. Mr. Andersson holds a Master of Science in Economics and a Master in Business Administration.
Shares in TeliaSonera: 10,000.

Hélène Barnekow

(Born 1964)
Senior Vice President and Chief Commercial Officer. Ms. Barnekow has several years of experience from the mobile and IT business, most recently as head of Worldwide Field & Partner Marketing at EMC Corporation. Prior to that she held several managerial positions at Sony Ericsson Mobile Communications between 2001 and 2009. She has also been working at Ericsson. Ms. Barnekow holds a Master of Science in International Business.
Shares in TeliaSonera: 5,000.

Jonas Bengtsson

(Born 1970)
Senior Vice President and General Counsel. Prior to joining TeliaSonera, Mr. Bengtsson was the Group General Counsel at Tele2 between 2007 and 2013. Mr. Bengtsson has almost 20 years' experience as a commercial lawyer, of which approximately 15 years as a general counsel in the telecom industry and has worked for, i.a. Telenor Sweden, Utfors and the law firm Mannheimer Swartling. Mr. Bengtsson holds a law degree.
Shares in TeliaSonera: 19,500.

Peter Borsos

(Born 1969)
Senior Vice President and Head of Group Communications. Previously, Mr. Borsos was EVP and Director of Communications at Swedbank Group. Prior to that he held various managerial positions within Swedbank and Bank of Åland. He started his career at Nordiska Fondkommission AB. Mr. Borsos holds a Master of Science in Management and Economics.
Shares in TeliaSonera: 10,000.

Malin Frenning

(Born 1967)
Executive Vice President and Head of region Sweden. Ms. Frenning has more than twenty years of experience from senior management positions in TeliaSonera with specific focus on the senior executive, business management, international business strategy and carrier business. Ms. Frenning holds a Master of Science in Mechanical Engineering and is Honorary Doctor of Technology.
Shares in TeliaSonera: 400.

Erik Hallberg

(Born 1956)
Executive Vice President and Head of region Eurasia. Mr. Hallberg was President of TeliaSonera International Carrier until December 2013. He joined TeliaSonera in 1999 and has held various positions within Mobility Services and Broadband Services. He served as Senior Vice President and Head of Market area Baltic countries for four years. Mr. Hallberg studied engineering
Shares in TeliaSonera: 3,522.

Sverker Hannervall

(Born 1960)
Senior Vice President and Chief Technology Officer. Between 2004 and 2008 he was General Manager of Cisco Systems in Sweden. Previously, Mr. Hannervall was President and CEO of Trio AB and prior to that Executive Vice President of Telelogic AB. Between 1984 and 1997 he held various managerial positions at IBM. He is member of the board of the Swedish Institute of Computer Science Mr. Hannervall holds a Master of Science in Engineering.
Shares in TeliaSonera: 1,807.

Group Executive Management

Christian Luiga

(Born 1968)
Senior Vice President and Chief Financial Officer. Head of Corporate Control since March 2009. Prior to joining TeliaSonera, Mr. Luiga was CFO of Teleca AB since 2004 and between 2002 and 2004 he served as CFO of Framfab AB. Mr. Luiga has his background as controller in several companies. Mr. Luiga holds a Bachelor of Science in Economics.

Shares in TeliaSonera: 20,876.

Cecilia Lundin

(Born 1970)
Senior Vice President and Head of Group Human Resources. Previously Ms. Lundin was Head of Human Resources at Investment AB Kinnevik. Prior to that she held positions as human resources executive at Novartis in the Nordics, Tele2 and Billerud, respectively. Cecilia Lundin holds a Master of Science in Economics.
Shares in TeliaSonera: 1,000.

Henriette Wendt

(Born 1969)
Senior Vice President and Head of Group Corporate Development. Previously Ms. Wendt was Head of Corporate Strategy and Participation Management at Swisscom. Prior to that she held various managerial positions within Motorola and other technology companies. She started her career as a strategy consultant with Monitor Company. Ms. Wendt holds a Master's Degree in Business Administration.
Shares in TeliaSonera: 0.

Åke Södermark

(Born 1954)
Senior Vice President and Chief Information Officer at TeliaSonera and member of Group Executive Management until December, 31, 2014.

Information on the members of Group Executive Management is also available at www.teliasonera.com/Corporate-Governance.
Shares in TeliaSonera include shareholdings by spouse and/or affiliated persons when appropriate. Holdings as of the date of this Annual and Sustainability Report. The information is regularly updated at www.teliasonera.com/Insiders.

Remuneration and other benefits during 2014, capital value of pension commitments

SEK	Base salary	Other remuneration	Other benefits	Pension expense	Total remuneration and benefits	Capital value of pension commitment
Johan Dennelind, CEO	14,000,000	206,213	92,979	5,491,179	**19,790,371**	–
Other members of Group Executive Management (11 individuals)	47,031,353	3,068,310	1,306,202	15,433,352	**66,839,217**	**11,430,349**

See also Note C31 to the consolidated financial statements and the Board of Directors' Report (Remuneration to executive management).

Sustainability focus area summary

In 2014, TeliaSonera focused its sustainability efforts on six areas. Progress on these areas is presented in this table, together with the long-term ambition.

Focus area	Key achievements in 2014	Actions for 2015	Long-term ambition
Anti-corruption	Conducted risk assessments to identify exposures and risk for corruption and bribery together with operational management. Anti-corruption policy, instruction and guidelines were developed. Group-wide externally hosted whistle-blowing solution implemented, where reports are managed and investigations initiated by the Special Investigations Office. Anti-corruption face to face training workshops to over 5,500 employees in high risk markets or functions.	Follow-up on risk assessment action plan implementation in all high risk markets with on-site visits. Continue implementing compliance measures within the operational processes. E-learning and face to face ethical dilemma trainings to build a culture of transparency and integrity. Continued proactive stakeholder collaboration.	TeliaSonera shall have a best practice anti-corruption program in place, where activities to prevent, detect and deter any form of corrupt behavior or bribery are embedded into the operational processes.
Freedom of expression	Implementation of the industry guiding principles related to freedom of expression and privacy continued. Implementation of the group freedom of expression policy started. Shared learning and advocacy in the context of the Industry Dialogue and GNI collaborations. Transparency reporting started.	Continued implementation of the group freedom of expression policy. Further elaboration of processes, training, compliance, monitoring and review. Continued shared learning within the Industry Dialogue and GNI collaborations, also in the field of remedy. Intensified stakeholder dialogue.	TeliaSonera shall have a good understanding of the freedom of expression impacts of our operations, respect freedom of expression, provide remedy and pro-actively work to reduce negative impacts along the value chain.
Customer privacy	Governance organization appointed and governance process defined. Group privacy instruction approved and roll-out initiated. Privacy awareness video launched and e-learning roll-out started.	Continued implementation of the group privacy policy and instruction, including training, execution of local roadmaps and "privacy by design" approach. Further develop governance process, reporting, measuring and monitoring as well as group guidance.	TeliaSonera shall have robust processes in place to respect and protect privacy. Privacy shall be a natural part of the design of our products, services, processes and infrastructure.
Occupational health and safety (OHS)	A new group function created to oversee OHS practices throughout the group. OHS assessments completed in 15 local companies. A network of OHS experts launched. Group OHS policy and instruction approved. Local implementation plans in place. Training of OHS experts on the new requirements started.	Implementation of the group OHS policy and instruction in local companies in accordance with local implementation plans. Reviews of implementation status.	The OHS culture shall be part of all employees' everyday working life. Our OHS work shall be recognized as a good benchmarking example within our industry.
Sustainability in the supply chain	New risk and compliance unit in place, supporting the procurement organization in supplier screening processes. Updated supplier code of conduct. Supplier sustainability evaluation process implemented. Supplier site visits carried out. Training in sustainability and supply chain screening process carried out for procurement employees.	Implement the updated supplier code of conduct. Continue screening of suppliers' sustainability performance. Increase the number of supplier audits.	TeliaSonera shall support suppliers in improving their sustainability understanding and capacity. All suppliers shall comply with the supplier code of conduct.
Environmental responsibility	Training and capacity building related to environmental impact and the environmental targets. Revision of scope and baseline of the environmental targets. Expanded purchasing of renewable energy.	Development of a group environmental policy. Energy assessments to be carried out according to the EU Energy Efficiency Directive requirements. More focus on reclaiming devices and customer engagement. Better understanding of, and control over, e-waste streams.	Group environmental targets shall be achieved. TeliaSonera shall have a good understanding of its negative and positive environmental impacts, and have processes in place for reducing negative impact and increasing positive impact.

United Nations Global Compact principles

TeliaSonera is a signatory to the United Nations Global Compact since 2013. This report represents our Communication On Progress.

TeliaSonera's implementation of the UN Global Compact principles is outlined in the table below. Our statement of continuing support for the Global Compact is found in Comments by the CEO. Four business units – Omnitel and TEO in Lithuania, Moldcell in Moldova and Kcell in Kazakhstan – are themselves also signatories to the Global Compact. This Annual and Sustainability Report represents the Communication On Progress also for these companies.

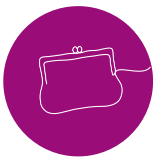
Principle	Human Rights	Approach and outcomes
1	Support and respect the protection of internationally proclaimed human rights	See Sustainability in TeliaSonera, section "Our commitments," Freedom of expression and Customer privacy.
2	Make sure that we are not complicit in human rights abuses	See Freedom of expression and Customer privacy.
	Labor	
3	Uphold the freedom of association and the effective recognition of the right to collective bargaining	See Occupational health and safety, Sustainability in the supply chain and "G4-11."
4	Uphold the elimination of all forms of forced and compulsory labor	See Occupational health and safety and Sustainability in the supply chain.
5	Uphold the effective abolition of child labor	See Occupational health and safety and Sustainability in the supply chain.
6	Uphold the elimination of discrimination in respect of employment and occupation	See Occupational health and safety.
	Environment	
7	Support a precautionary approach to environmental challenges	See Environmental responsibility and "G4-14."
8	Undertake initiatives to promote greater environmental responsibility	See Environmental responsibility.
9	Encourage the development and diffusion of environmentally friendly technologies	See Environmental responsibility.
	Anti-corruption	
10	Work against corruption in all its forms, including extortion and bribery	See Anti-corruption.

Sustainability in TeliaSonera

In TeliaSonera, sustainability covers all efforts related to how we account for our long-term impact on society and the environment. Our responsibility extends throughout the entire value chain. We believe that when we do good, it strengthens not only our business but also the societies in which we operate, creating long-term shared value. By increasing positive and reducing and mitigating negative impact, sustainability becomes a vital part of the execution of the company strategy and of our promise and values.

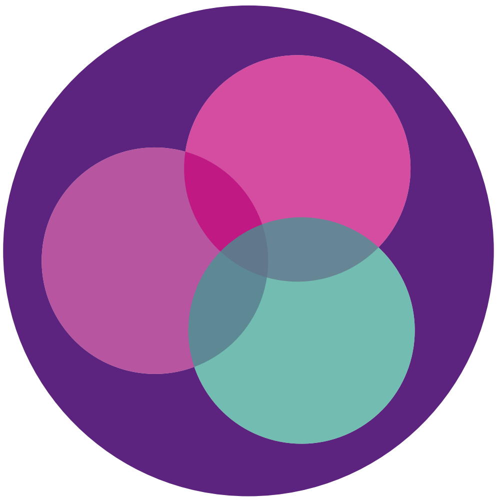
Ethics

Credibility and responsibility: Responsible business goes from words to action and from policy to implementation, with a values-based leadership that leads by example.



Economic

Long-term value creation for society and business: We create value for societies where we operate. We look for emerging opportunities by leveraging megatrends.



Social

Empowering employees and stakeholders: We ensure the transition towards a sustainable society by investing in our employees and stakeholders.

Environment

Environmental efficiency: We use natural resources consciously and cost efficiently, and address the need for environmentally smart solutions for our customers.

We strive to be fully accountable and transparent towards our stakeholders. It is crucial that we can show how we run an ethical and responsible business.
We achieve this through:

- Living by the letter and spirit of the law.
- Adhering to international norms and guidelines for ethical business practices.
- Ensuring that our suppliers and partners understand and live by our standards and requirements.
- Integrating good governance practices and best in class compliance in our daily operations.

Sustainability focus areas

In 2014, our sustainability work focused on the following areas:

- Anti-corruption
- Freedom of expression
- Customer privacy
- Occupational health and safety
- Sustainability in the supply chain
- Environmental responsibility

Progress and key achievements during the year, actions planned for 2015 and long-term ambition related to these areas are found in Sustainability focus area summary.

During the year the main management and organizational attention was given to the first four focus areas, which have been identified as the most critical from a risk management perspective.

A new sustainability strategy

Work on a new sustainability strategy began in late 2014. Based on input from the materiality review and the current business strategy, the strategy is based on value preservation through a strong fundament in ethical business practices, and value creation by leveraging the business and societal development potential of our services. We will identify opportunities for societal value creation by being connected to our networks, and by enabling more people from all groups to get connected and use our services. The strategy will cut across all markets and operations, and will influence our stakeholder engagement, innovation and partnership approach. It will be shaped and developed together with key stakeholders, to ensure that our priorities and work is aligned with their expectations.

Our commitments

TeliaSonera is committed to the United Nations' Universal Declaration of Human Rights, and the core conventions of the International Labour Organization (ILO). We have also made a commitment to observe the OECD Guidelines for Multinational Enterprises and are a signatory to the United Nations Global Compact. Four TeliaSonera subsidiaries – TEO and Omnitel in Lithuania, Kcell in Kazakhstan and Moldcell in Moldova - are also signatories, and members of their national Global Compact Networks. Our associated company Turkcell in Turkey has also signed the UN Global Compact.

These commitments are incorporated into the Code of Ethics and Conduct, which covers all companies where we have management control.

According to a self-assessment, TeliaSonera's work and commitments are in line with the ISO 26000 Guidance on Social Responsibility.

Code of Ethics and Conduct and policy framework

The Code of Ethics and Conduct governs how all employees shall behave and how our business shall be run to meet ethical and sustainability expectations. A number of specific policies complement the code. For more information about the policy framework, see Corporate Governance Statement, sections "Code of Ethics and Conduct" and "Group policies."

A mandatory web-based training course on the Code of Ethics and Conduct, covering topics such as discrimination, human rights, privacy and anti-corruption, was launched in 2013 and completed during the first quarter of 2014, with a participation rate exceeding 90 percent of targeted employees. The e-learning is mandatory for all new employees.

In late 2014, the Group Ethics and Compliance Office initiated a revision of the Code of Ethics and Conduct and all policies and instructions. A policy management system will be implemented in 2015 to ensure availability and easy access to these documents for employees.

Sustainability organization

The Sustainability Strategy function and the Ethics and Compliance Office are responsible for the overall development and oversight of the sustainability work. Additionally, other functions such as the Risk and Compliance function in Group Procurement, Enterprise Risk Management and Group Communications are responsible for other respective issues and focus areas.

Sustainability Strategy is part of the Corporate Development function and is responsible for developing and implementing the sustainability strategy, reporting and sustainability related key performance indicators.

The Ethics and Compliance Office has the overall responsibility of ensuring a systematic and consistent approach to managing ethical and legal requirements, compliance and risks.

Together, the country organizations and group functions are responsible for local implementation and initiatives that drive the sustainability strategy and compliance programs.

The organizational chart below describes decision-making and reporting regarding sustainability and compliance.

The ethics and compliance organization was significantly strengthened during 2014. The Group Ethics and Compliance Office consists of nine persons responsible for group and region coordination and oversight. In addition, there are seven country Ethics and Compliance Officers in region Eurasia. In region Europe and Sweden, country Ethics and Compliance Coordinators dedicate part of their time to ethics and compliance work.

SUSTAINABILITY GOVERNANCE

Whistle-blowing and Speak-Up Line

In line with our commitment to transparency and accountability, we encourage and expect our employees and external parties to speak up and report any concerns or suspected wrongdoings that may be in violation of local laws or breaches of TeliaSonera's Code of Ethics and Conduct, policies and instructions.

TeliaSonera's whistle-blowing channel Speak-Up Line was launched in English in March 2014. The Speak-Up Line is hosted by an external company specialized in operating confidential telephone and online reporting systems. It is accessible through a local phone number or online, and since the third quarter of 2014 the service is available 24/7 in 22 languages.

Employees with concerns are encouraged first to speak directly with their line manager or local Human Resources function. The Speak-Up Line is an additional channel and option in situations where employees are afraid of retaliation if speaking with their manager and therefore wish to remain anonymous, or for external stakeholders to file a report. All reports submitted through the Speak-Up Line are directed to the Special Investigations Office, which consists of specially trained employees responsible for assessing and potentially initiating an investigation. The Special Investigations Office was established in 2014 as part of the Group Ethics and Compliance Office. The Special Investigations Office is responsible for ensuring that group-wide consistent standards are followed with regards to investigations and disciplinary actions as well as case management and reporting of cases.

Employees who file a report or raise a concern in good faith are protected by the non-retaliation instruction.

In July, the group ethics forum, headed by the CEO, was formed. The ethics forum is an oversight committee for internal investigation and decides on disciplinary actions.

Whistle-blowing cases in 2014

During the year, cases were reported from almost all business units. The peak period in reporting was during the second and third quarter, most likely a result of the roll-out and local implementation schedule of the Speak-Up Line. The Speak-Up Line reports concerned HR related matters and breaches of the Code of Ethics and Conduct. Suspected incidents of conflict of interest, corruption, embezzlement, procurement fraud or other fraud were reported through the Speak-Up Line but also via e-mail or personally to managers or the Group Ethics and Compliance Office. Of the suspected incidents, 42 whistle-blowing cases were registered for investigation by the Special Investigations Office. Additionally, 19 investigations were requested by managers that came through normal, non-anonymous channels of reporting. The majority of cases investigated concerned region Eurasia.

Most cases were closed within the year. Disciplinary actions were decided by the ethics forum concerning seven employees in four business units following investigations into breaches of the Code of Ethics and Conduct and retaliation. One internal investigation conducted at Kcell in Kazakhstan required public announcement of the investigation as it involved senior level employees having engaged in potentially fraudulent actions. The employees are no longer with the company and the investigation has been handed over to the local general prosecutor.

Consolidated case reports were presented to the Audit Committee and Sustainability and Ethics Committee throughout the year. These case reports summarized matters relating to internal investigations, including whistle-blowing cases registered for investigation, investigations requested by managers, and incidents investigated by Group Security. The reports included allegations of certain significance, progress on investigations and the final results of the investigations.

In parallel to investigating current alleged malpractice, there is ongoing work with reviewing historical reports and investigations from previous years.

We have identified patterns of fraudulent behavior which have been developed over several years in our operations in region Eurasia. Fraudulent schemes, with common methodology, were present at several region Eurasia business units. In particular we have noted frequent contracting of third parties in breach of standard processes, suspectedly to support embezzlement of funds. The ongoing focus is to review third party relationships in the group, and strengthen processes to prevent such breaches.

In 2015, employees and managers will be trained in correctly registering case reports and escalating the reports so that the Special Investigations Office can ensure a consistent investigation process and implementation of disciplinary actions. We will further develop the gathering of analytics for reporting and communication purposes, both internally and externally.

Indices and recognitions

TeliaSonera is included in several sustainability and socially responsible investment (SRI) indices, such as:

- Carbon Disclosure Project (CDP). We scored 98/A, meaning inclusion in both Carbon Performance Leadership Index (CPLI) and Carbon Disclosure Leadership Index (CDLI).
- Oekom Prime. TeliaSonera Group and TEO in Lithuania were both ranked Prime.
- FTSE4Good Index.
- Ethibel EXCELLENCE Investment Register.
- OMX GES Sustainability Sweden, OMX GES Sustainability Sweden Ethical and OMX GES Sustainability Index.

As a requirement by many business customers, we carried out a sustainability self-assessment in EcoVadis. We scored 58 out of 100, which is above the industry average.

Stakeholder engagement

Stakeholder engagement is a fundamental part of a successful sustainability approach. By identifying the most important sustainability issues together with our stakeholders, we are able to focus our efforts on what really matters.

Understanding our stakeholders

Every day we engage with thousands of stakeholders – private and business customers, government officials, owners and investors, suppliers, and more. The topics discussed, and the outcome of the interactions, have an impact on our sustainability work and help us understand expectations, risks and opportunities related to how we run our business both in the short and long term. We need to identify the best ways of engaging with our stakeholders to create value not only for the company but for society and the communities in which we operate.

See www.teliasonera.com/sustainability/impacts/key-stakeholders for more information about how and on which issues we engage with our key stakeholder groups.

Materiality review

To ensure that our work, reporting and communication regarding sustainability is aligned with our stakeholders' expectations and understanding of what is most important, we conducted a materiality review together with an independent third party. Considering the criticism against TeliaSonera and our clear focus on improving mainly ethics and anti-corruption practices, we have only conducted small-scale materiality reviews as our priorities have been clear. The review this year helped us gain valuable input to the ongoing work of formulating the new sustainability strategy, as it focused on identifying business opportunities and issues where shared value creation is in focus.

The review consisted of three steps:

1. Issue identification
Identify relevant issues, considering operational conditions, industry and global megatrends

2. Prioritization
Prioritize by importance and potential (risks and opportunities)

3. Validation
Validate prioritization with relevant stakeholders

1. Relevant sustainability issues were identified based on a wide range of industry and global trends, analysis by industry experts and a benchmark of peers, as well as insights from the business strategy and priorities.
2. First step prioritization of issues was carried out through internal interviews and workshops with representatives from all parts of the organization, where the issues were discussed from a risk and opportunity perspective and their relevance to the overall business strategy.
3. The most relevant issues were discussed with key external stakeholder groups to validate the prioritization, further identify risks and opportunities and understand expectations. Surveys, interviews and roundtables were conducted in Sweden and Lithuania and with the management team in region Eurasia.

Stakeholder group	Type of engagement	Key issues
Employees	Employee commitment survey, interviews, workshops	Our sustainability commitment, internal communication, turning risks into opportunities
Consumers	Survey	Protection of children, network coverage and resilience, digital inclusion, customer privacy
Enterprise customers	Face to face meetings	Energy efficiency, data security, network coverage and resilience, supplier sustainability requirements
NGOs and civil society	Roundtable	Protection of children, human rights, digital inclusion, supplier sustainability requirements, transparency, anti-corruption
Owners and investors	Roundtable	Anti-corruption, human rights, environmental responsibility, digital inclusion, tax, transparency

In summary, the following issues or areas were identified as the most material:

Ethics and anti-corruption	Community engagement
Freedom of expression in telecommunications	Customer privacy
Network resilience	Health and safety in the supply chain
Protection of children	Tax
Digital inclusion	Environmental responsibility

Going forward, many of the areas currently managed mainly as risks, such as customers' privacy and freedom of expression, have big opportunities both for business and social development. The discussions also showed that we have not succeeded in getting the message across on our work and impact, especially regarding the positive environmental impact of our services.

We will draw on the findings from the materiality review as we develop a more comprehensive stakeholder engagement approach. Protection of children and digital inclusion, which present big opportunities for business and social value creation, were rated higher in this stakeholder review compared to last years' more limited reviews. It is clear that these issues require a more focused engagement approach.

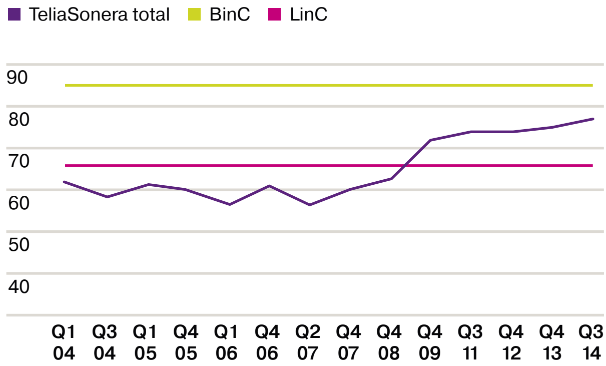
Employee commitment survey

Since 2004 we conduct an employee commitment survey annually to support our business by indicating where we have made progress, and where we still can improve our performance at all levels of the organization.

The survey results have improved every year since 2007. 2014 we reached an overall score of 77 (75) out of 100.

For the second year the ECS survey included questions on sustainability. Employees were asked how they perceive our sustainability work, if we take enough action and if they think that they get enough information on what is happening. The overall score was 67 (59), a significant increase from previous year. All regions increased their score but the biggest positive changes were found in group functions, highlighting that employees in all parts of the organization now feel that TeliaSonera is both better at working with, and communicating internally, our sustainability work.

ECS – EMPLOYMENT COMMITMENT SURVEY[1]



Benchmark High (BinC) 85%: achieved by 20% of analyzed workgroups
Benchmark Low (LinC) 66%: achieved by 45% of analyzed workgroups

[1] The 2013 and 2014 ECS results reflect the new organization structure.

Source: TNS Sifo IT-Telecom studies 2011–2013

Swedish and Finnish state ownership

The Swedish and Finnish governments, who at the date of this report together hold 40.5 percent (37.3 and 3.2 percent respectively) of the shares in TeliaSonera, both have sustainability high on the agenda.

The Swedish government requires state-owned companies to define and adopt sustainability targets and develop business plans where sustainability is integrated into business strategies and day-to-day management. The sustainability targets are followed up through dialogue in the same way that financial objectives are already monitored.

Solidium, the Finnish state holding company owning the shares, believes that a high-quality sustainability policy is one of the prerequisites for successful business and for generating long-term financial value. Good management of sustainability issues provides efficient risk management.

Both the Swedish and Finnish governments expect companies in which they have ownership to report on their sustainability work using the Global Reporting Initiative (GRI) guidelines.

TeliaSonera has an active dialogue with both state owners and meet their representatives regularly to discuss the risks and opportunities associated with sustainability.

Significant events in 2014

- In September, TeliaSonera organized an investor trip to Kazakhstan and Uzbekistan. The purpose of the trip, in which most of the biggest shareholders and investors in Sweden and Finland participated, was to in a transparent way meet with local representatives of TeliaSonera's local companies Kcell and Ucell to discuss critical sustainability issues such as corruption and freedom of expression. After the trip, a follow-up session to answer further questions was arranged.
- A sustainability update for owners and investors was carried out in August, with focus on anti-corruption. It also served as briefing for the investor trip, with presentations from external experts on Kazakhstan and Uzbekistan regarding the history and conditions of the countries.
- TeliaSonera participated in a number of events related to its anti-corruption commitments, and several local companies received awards for their anti-corruption work. See Anti-corruption.
- The Industry Dialogue and Global Network Initiative held their second round of joint learning forums on the topic of transparency reporting. The learning forums enable civil society organizations, academics, investors, government officials, international organizations and ICT companies to share their perspectives on current challenges relating to freedom of expression and privacy. TeliaSonera presented its work on transparency at the UN Internet Governance Forum and at the ID/GNI learning forum. See Freedom of expression.

Criticism from stakeholders

TeliaSonera has received criticism from many stakeholders, mainly relating to business ethics and corruption and human rights, particularly related to freedom of expression and privacy. We acknowledge that although much has been done to strengthen our approach and daily management of the most critical issues, much work remains. We aim to be transparent and to proactively communicate with all stakeholders regarding our challenges and how we manage these.

- Transactions in Uzbekistan have been the main focus for several years, and a number of investigations are ongoing. Additionally, other irregularities which need to be addressed have been identified through internal and external checks and controls. TeliaSonera has responded to the criticism. A large number of actions have been taken as a result of strenghtened internal control and a better understanding of where governance and third party management has failed. Work with further strengthening control is ongoing. For more information on actions taken, see Anti-corruption, Sustainability in TeliaSonera, section "Whistle-blowing cases in 2014" and Board of Directors' Report, section "Group development in 2014" and Corporate Governance Statement, "Review of Eurasian transactions and related liability issues."
- We operate in challenging markets where the freedom of expression and privacy of our customers can be restricted or violated. Network shutdowns or surveillance of individuals are often highlighted by human rights NGOs and media. For more information about events during the year and our response, see Freedom of expression.
- TeliaSonera was criticized in Swedish media for supporting the Uzbekistan national cotton harvest, a nation-wide labor mobilization system accused for child and forced labor and other human rights violations. Previously, decisions regarding the local company Ucell's contribution to the cotton harvest were taken in the Uzbek regions, in dialogue between Ucell and local authorities. In 2014, the decision was escalated to group level with the purpose of improving control and minimizing corruption and human rights risks, resulting in Ucell providing local cotton pickers with food distributed by a local event agency which had undergone strict due diligence. Some international organizations claim that the child and forced labor situation during the cotton harvest has improved, while others do not support this view. We continue to see our involuntary support and participation to the cotton harvest, which is not linked in any way to our business, as problematic and undesirable. In 2015, we will engage in close dialogue with human rights NGOs and other key stakeholders to define our position and approach.
- In some countries, it has proved difficult to establish the ultimate beneficial ownership of certain companies that are minority owners in local operations, and thus business partners, of TeliaSonera. During the year criticism from Swedish media was directed mainly at the unclear ownership of a minority shareholder in Azercell in Azerbaijan. We continue looking into these issues in order to bring clarity and to better evaluate associated risks.

Anti-corruption

It is in TeliaSonera's interest to prevent corrupt practices since such practices undermine fair competition, prohibit ethical business and have a detrimental effect on societies.

Our commitment

We continue to communicate and enforce our clear statement and commitment on zero tolerance against corruption. The Chair of the Board participates regularly in external events and speaks about her strong commitment to fight corruption and the journey that TeliaSonera has embarked on. Our CEO brings attention and maintains a regular dialogue on the way that corruption damages a country and its ability to attract foreign investment in meetings with state government officials and business leaders.

Building an anti-corruption program

Starting in 2013 and continuing in 2014, our priority was to establish and start the implementation of an anti-corruption program. The anti-corruption program is a tool to ensure that we have effective and adequate procedures aimed at preventing the company from taking part in corrupt business practices and ensuring that we adhere to applicable laws and regulations, as well as relevant ethical standards and our policies and instructions. During the year, TeliaSonera continued to invest substantially in promoting understanding and building capacity related to the anti-corruption program.

The anti-corruption program has been developed and improved according to our compliance framework, which consists of eight steps founded on a clear "tone from the top" and with board oversight embedded in the overall program. The compliance framework is structured on Prevent, Detect and Investigate principles and based on a model described as an "effective compliance program" and "adequate procedures" by such authorities as the US Department of Justice and the UK Bribery Act. For more information about the compliance framework, see Corporate Governance Statement, section "Compliance framework and programs."

Progress on development and implementation of the anti-corruption program is continually monitored, and an annual plan for the program is made by the Chief Ethics and Compliance Officer. The plan is approved by the CEO, with information communicated to GREC and the Sustainability and Ethics Committee following the Annual General Meeting. During the year, progress on the program was presented to GREC, to the Sustainability and Ethics Committee and to the Board several times. In addition, updates and findings from whistle-blowing investigations related to corruption were presented to the Audit Committee. For more information, see Sustainability in TeliaSonera, section "Whistle-blowing cases in 2014."

Remedial actions

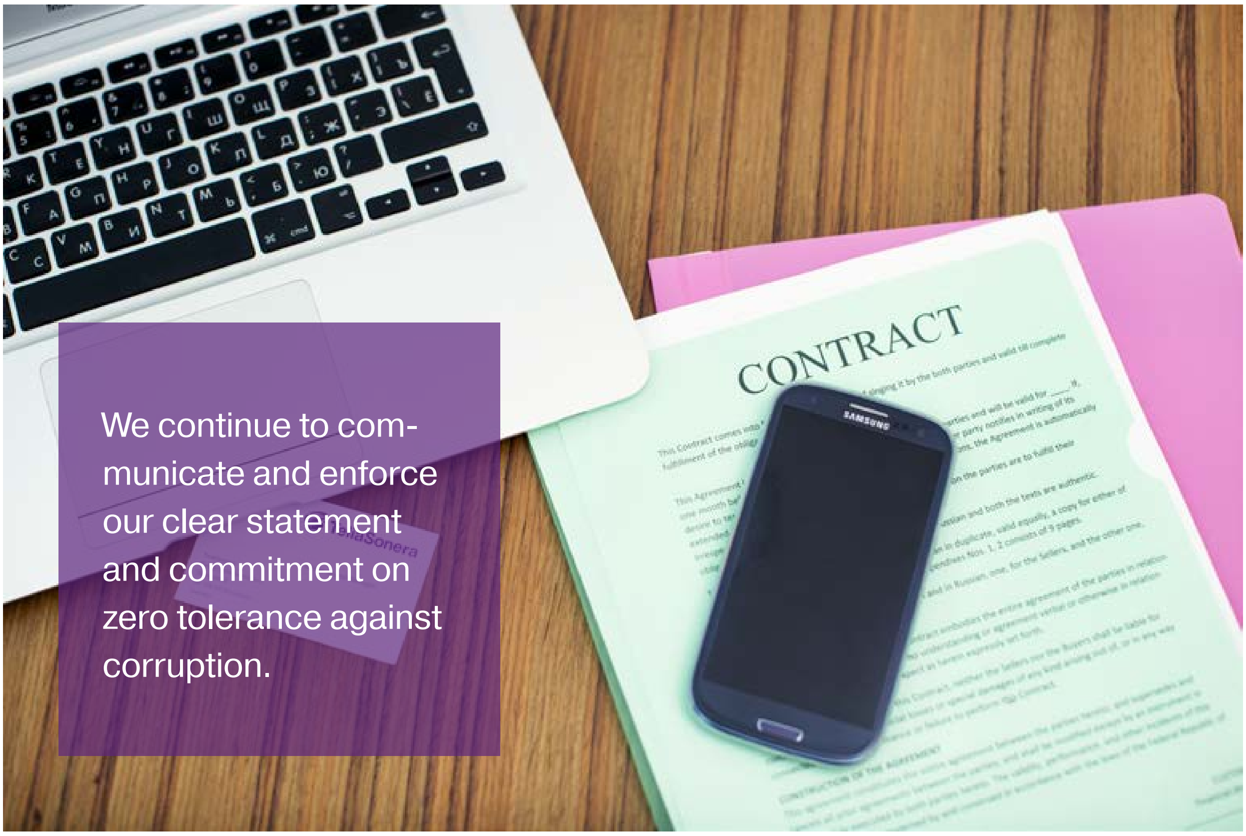
Based on internal and external reviews and audit findings, and findings arising from the implementation of the anti-corruption program, it became evident that remedial actions are required to ensure that we fulfil our anti-corruption policy requirements. The remedial actions are fundamental to the implementation of adequate procedures and an effective anti-corruption program.

Subsequently, a remediation action plan was developed by Group Ethics and Compliance and regularly communicated to the Board of Directors and GREC.

The main remedial actions consist of building a governance structure in the Eurasian operations that supports the implementation of TeliaSonera policies, instructions and guidelines, and improving management capabilities and control. This is especially relevant for operational third party management. The lack of control in procurement in region Eurasia is a significant weakness that needs to be fully remediated in order for the anti-corruption program to have full effect. Additional remedial actions include building a culture of transparency, integrity and non-retaliation.

Policies and governing documents

The group anti-corruption policy defines the ethical and legal framework for the company regarding corruption and bribery. A new anti-corruption policy was approved by the Board in March. An anti-corruption instruction to



We continue to communicate and enforce our clear statement and commitment on zero tolerance against corruption.

support the implementation of the policy was approved in April and updated in September to include more details on gifts, hospitality and conflict of interest as well as interaction with government officials. In addition, the Group Ethics and Compliance Office prepared the guiding principles on anti-corruption which contain more specific and detailed guidance for actual scenarios as well as questions and answers.

During the year, we continued to revise other governing documents and processes to ensure that they are aligned and comply with the group anti-corruption policy. The new policy on sponsorships and donations, group procurement policy and instruction on whistle-blowing and non-retaliation are all aligned with the requirements in the anti-corruption policy.

All governing documents related to anti-corruption are available in English and Russian as well as in most local languages on the TeliaSonera website or local intranets. The content of these documents is communicated during anti-corruption training and by raising awareness through group- and country-specific intranet articles.

Risk assessments

In line with the risk management framework, line management, with support and guidelines from the ethics and compliance organization, is responsible for identifying and assessing corruption and bribery risks as part of business operations.

To support this process and to ensure a consistent view on corruption risk throughout the group, the Group Ethics and Compliance Office facilitated country, institutional and operational risk assessments for the seven high-risk markets in region Eurasia during the first half of 2014. The results from these assessments were communicated to the Board of Directors, the Sustainability and Ethics Committee, GREC and the relevant management teams.

Following these assessments, action and remediation plans were created by local management to minimize the identified risks and remediate any noted issues. As part of the annual follow-up process, the Group Ethics and Compliance Office initiated local visits in the fourth quarter to follow up on the implementation of action and remediation plans.

While the focus has been on the high-risk markets, assessments were initiated in the majority of TeliaSonera's markets during the year and will be concluded in 2015.

Training and communication

A vital part of the anti-corruption program is training. During 2014, trainings for employees working in areas exposed to corruption risk was emphasized. Reaching out to all employees in high-risk functions or countries, over 5,500 employees were trained in face-to-face training workshops during the year, including almost all employees in region Eurasia. Additionally, key employees in functions such as finance, legal and procurement have all participated in trainings. The face-to-face trainings will continue during 2015.

An effective form of anti-corruption training is group face-to-face training based on ethical dilemmas. These training sessions will be rolled out in 2015 and will initially focus on high-risk employees working in sales, procurement and finance, as well as people dealing with government officials. An anti-corruption e-learning provided by TRACE International will be available to all employees.

Our goal is that every employee should increase their knowledge of what corruption is, how we fight it and how they should act. Each manager has a vital role in ensuring that the commitment and "tone from the top" from the Board and CEO permeate the entire organization. All employees should be knowledgeable about the resources and tools available to them, for example the Speak-Up Line. During the fourth quarter of 2014, a group-wide information campaign on the Speak-Up Line was arranged.

Third party due care

The third party due care process requires that third parties are engaged with proper business justification. Due diligence is carried out to ensure that we know with whom we are doing business, and the process also includes screening, supplier evaluation, compliance monitoring and training. Internal requirements and guidelines are available for local companies to incorporate into their operations. For more information about supplier management, see Sustainability in the supply chain.

Proactive external collaboration

TeliaSonera is an active participant in external dialogue and work against corruption, which helps us to contribute to a more transparent business environment. In dialogue with stakeholders we aspire to be fully transparent in our anti-corruption efforts. We are actively seeking opportunities for collective action against corruption and poor governance in our high-risk markets.

Stakeholder collaboration during 2014 included:

- TeliaSonera joined TRACE International, a non-profit organization that pools resources to provide members with anti-bribery compliance support.
- TeliaSonera co-hosted the globally respected anti-corruption conference C5, which was held in Copenhagen, Denmark in November.
- TeliaSonera signed the UN Global Compact's Call to Action against corruption and was present in Washington DC, United States on December 10, when the Call for Action was forwarded to the UN Secretary General. The initiative highlights the private sector's continued efforts to work together with other stakeholders to address corruption.
- Ncell in Nepal together with Transparency International pledged to participate in a project called "Promoting Ethical Culture." The project aims to create a level playing field in the Nepalese market. This initiative will leverage transparency and accountability in the private sector which benefits all of the involved parties: the private sector, government and the general public.
- Omnitel and TEO in Lithuania are members of the "Clear Wave" (Baltoji Banga) business initiative to promote ethical business practices in Lithuania. TEO also received an award from the government of Lithuania in connection with the International Anti-Corruption Day for its efforts to implement an anti-corruption policy and make it part of the organizational culture.
- Identifying a lack of industry-specific anti-corruption initiatives, TeliaSonera initiated a dialogue with Transparency International UK and Hungary to form such a collective action initiative.

Freedom of expression

It is our duty to respect our customers' and users' freedom of expression.

Freedom of expression in telecommunications – a global challenge

Telecommunication enables exchange of ideas and access to information in a way that supports economic and social development, advances knowledge and increases openness and transparency. Issues related to freedom of expression – a fundamental human right – pose a high risk to users of telecom services globally. Freedom of expression "hot spots" include mass surveillance, network shutdowns, localization of mobile devices, blocking of content or restriction of access, and orders to send out information on goverments' behalf. Through legislation and decisions from authorities, states define the scope of surveillance of communications.

For TeliaSonera, these issues are relevant in all of our markets. There is a growing understanding that multi-stakeholder collaboration provides better leverage to promote freedom of expression than when states, operators and NGOs act alone, and that transparency in surveillance activities contributes to a more open world where customer privacy and freedom of expression are at the forefront.

In relations between TeliaSonera and authorities that require and enforce surveillance, we see the right to privacy as an essential requirement for the right to freedom of expression. We also have direct obligations towards our customers in this respect.

Our approach and focus

TeliaSonera's response to these challenges is to put processes in place to fulfil our responsibility and commitment to respect freedom of expression, as laid out in the UN Guiding Principles on Business and Human Rights. We seek to limit potential harm to freedom of expression of individuals through management commitment, collaboration with industry peers, processes for assessment and escalation of unconventional government requests or demands, and tools for promoting and respecting freedom of expression in situations where we believe that this right is at stake.

Stakeholder collaboration offers better opportunities for leverage in making a difference, for customers and other stakeholders. TeliaSonera's long-standing commitment to the Telecommunications Industry Dialogue (ID) is our way of concretizing this collaborative approach and making it useful for us and the entire industry.

The freedom of expression work which identifies, evaluates and prioritizes risks to rights holders' freedom of expression - focuses on:

- Implementing the group policy on freedom of expression in telecommunications.
- Implementing the ID's guiding principles on freedom of expression and privacy.
- Participating actively in the ID and in its collaboration with the Global Network Initiative (GNI).

The Telecommunications Industry Dialogue

The Telecommunications Industry Dialogue is the initiative of a group of international telecom operators and vendors who joined forces in 2011 to define industry best practice in the context of the UN Guiding Principles on Business and Human Rights. In March 2013, participating companies signed industry guiding principles on telecommunications and freedom of expression and privacy. The ID is open to other telecom companies committed to advancing freedom of expression and privacy.

The initiative, which today includes nine international telecom companies, adds leverage to advocacy of promoting freedom of expression and privacy in the telecom industry. Our active participation also stimulates shared learning.

The ID has formally established its own governance and also signed a collaboration with the multi-stakeholder Global Network Initiative (GNI). By working together, the two initiatives aim to advance freedom of expression and privacy rights in the ICT industry more effectively. This collaboration also provides a common platform for sharing best practices, learning and tools.

Transparency reporting

TeliaSonera's first transparency report released in August 2014 includes statistics on the number of requests from authorities in Finland and Sweden upon TeliaSonera to hand over personal data, as well as information on unconventional requests and demands throughout the group covered by our freedom of expression policy. In January 2015, the reporting was expanded to cover five more countries, and also provides a list of relevant legislation in all our markets. The report will be published every six months. See www.teliasonera.com/en/sustainability/transparency-report-new.

Information provided at the above link does not form part of the Annual and Sustainability Report and has not been externally assured.

TeliaSonera's implementation of the Industry Dialogue Guiding Principles

More information about the ID and its activities, including the ten Guiding Principles available in several languages, can be found at www.telecomindustrydialogue.org. The table below, including the full text of the Guiding Principles, can be found at www.teliasonera.com/Documents/Sustainability/IDTable.pdf.

1 Policy commitment

A group policy on freedom of expression in telecommunications, based on an internal human rights impact assessment and on the ID Guiding Principles was adopted in December 2013. The policy, which covers both traditional telecommunications and internet related issues, also addresses ID Principle 4.

The policy addresses TeliaSonera's commitments in relation to requests or demands with potentially serious impacts on freedom of expression in telecommunications, i.e. targeted surveillance in exceptional cases; mass surveillance where authorities demand unrestricted real-time network access; shutdown of all or parts of a network; blocking or restricting access to specific services, websites or content; blocking or restricting individual customers' access to services or networks; obligations to transmit mandatory communications issued by the government authorities; and proposals for new laws or significant imposed operational changes.

During the year, the policy was introduced on board level in all majority-owned companies, followed by a local board decision to adopt the policy and instruction. By end of 2014, all except one local company had formally adopted the policy and most local companies had published it on their websites.

An important part of our commitment to freedom of expression is the CEO statement, which sets the tone from the top to internal and external stakeholders. See www.teliasonera.com/sustainability/human-rights/ceo-statement-freedom-of-expression-policy.

2 Impact assessment and due diligence

In 2013 TeliaSonera finalized an internal human rights impact assessment covering all majority owned companies. The results indicated that freedom of expression and privacy are areas that need continued focus. In 2014 we began preparing to conduct a next human rights impact assessment.

3 Processes and routines to handle and anticipate government requests

Uncontroversial and daily routine requests for lawful targeted surveillance from police or other authorities, including requests to provide details of specific individual customers' communications (usually historic communications metadata, traffic data and location data, and/or content), form part of many investigations carried out by law enforcement authorities in criminal cases.

Requests or demands with potentially serious impacts on freedom of expression, such as those listed in relation to ID Principle 1, including targeted surveillance in exceptional cases, are subject to enhanced decision-making in line with the freedom of expression policy and instruction.

Guidance for relevant employees on how to interpret government demands and requests as narrowly as possible is included in internal training and awareness building, as well as in the form presented under ID Principle 7.

4 Mitigating risks of governmental demands

The group instruction sets out practical steps that shall be taken whenever a local company receives a request or demand that might have potentially serious impacts on freedom of expression in telecommunications. These steps include assessments to be conducted, as well as an escalation procedure to be used when applicable. Guidance is provided in a form for assessments and escalations which are logged for future internal analysis.

In the case of a "major event" as defined in the policy, we seek to promote freedom of expression by applying a practical "point of challenge" such as requesting that a decision be put in writing or postponing implementation to the greatest extent possible. On occasions when we were required to suspend services, we did not communicate that this was the result of technical problems.

Based on the policy, we also seek to influence legislation in relation to surveillance of communications. During the year we held high-level meetings with decision-makers and influencers in Azerbaijan, Georgia, Moldova, Tajikistan and Uzbekistan. TeliaSonera will continue to advocate its view on surveillance as defined in the policy.

5 Employee safety and liberty

The group instruction states that an assessment of any risks to the safety and liberty of TeliaSonera employees shall be conducted when relevant, such as when there are explicit or implicit threats to employees in connection with government requests or demands. This aspect is included in training relevant employees and in local security arrangements, as well as in TeliaSonera's crisis management planning.

6 Raising awareness and training

Ongoing training in the Code of Ethics and Conduct covers issues regarding freedom of expression and privacy.

TeliaSonera prioritizes training of relevant employees and presenting the policy, instructions and guidance for local management teams as well as in other internal forums.

During 2014, TeliaSonera provided detailed guidance and training for relevant personnel and local management in some markets as well as the most important group and region management teams. This included topics such as unconventional requests from authorities and demands that risk our customers' freedom of expression and how to perform, in such cases, a "point of challenge" to respect freedom of expression.

7 Sharing knowledge

TeliaSonera actively participates in the ID, including in its collaboration with the GNI, and in interaction with different relevant stakeholders. We meet regularly with the investor community, where freedom of expression is often discussed in detail. During 2014, TeliaSonera participated in several international forums addressing freedom of expression and privacy, such as the Freedom Online Coalition Annual meeting, the UN Internet Governance Forum and an ID/GNI learning forum.

TeliaSonera has also made publicly available its internal tool for assessments and escalation of government requests and demands with potentially serious impacts on freedom of expression in telecommunications. The document, available at www.teliasonera.com/Documents/Sustainability/AssessmentsandEscalationform.pdf, was initially shared with the other ID participating companies and with GNI in February 2015. Our aim in sharing this tool is to support implementation and further development of industry best practice globally to promote and respect freedom of expression in telecommunications.

8 External reporting

TeliaSonera reports on requests and demands with potentially serious impacts on freedom of expression in telecommunications, if possible when the respective event occurs. During the year, we published news about incidents such as the blocking of certain tv programs in Lithuania and Latvia, new legislation in Kazakhstan and blocking of sites in Tajikistan. Most often, TeliaSonera is constrained by legislation or other circumstances from reporting, fully or partially, on such events as they occur. Therefore, as part of our transparency reporting, we aim to add further information to the extent possible, without disclosing the country in question or in any other way breaking any applicable provisions on confidentiality or risking the safety of local employees.

During 2014, we logged some 20 major requests or demands from governments across our operations which had or might have potentially serious impacts on freedom of expression in telecommunications.

9 Informing on policy and regulations on freedom of expression and privacy

TeliaSonera advocates and encourages governments to protect freedom of expression, and continually raises these issues with governments and authorities throughout our markets.

In the 2013 Sustainability Report, we shared a case on lobbying for better legislation in Georgia. In November 2014, the Georgian parliament approved a legislative package including surveillance of communications and real-time access. The law on surveillance is now much more clear and transparent and limited to specific types of crimes. The provisions on real-time access stay unchanged, however now with control by a court and data privacy officer. A specific protocol on real-time access is expected by March 2015. TeliaSonera will continue to lobby the legislation based on our group policy.

10 Grievance mechanisms

This issue has proven to be a challenge for large parts of the ICT industry. TeliaSonera will continue to explore this matter, mainly through the ID. During 2014, the ID companies shared ideas on how to implement operational-level grievance mechanisms and we aim together to continue this work in 2015.

TeliaSonera's Speak-Up Line is available for employees and external stakeholders to report violations of the Code of Ethics and Conduct and other policies.

Additional ID commitments:
→ *Promoting the principles where TeliaSones does not have organizational control*

We have used our influence to promote the ID Principles at MegaFon and Turkcell. The dialogue will continue during 2015.

→ *Making available guidance and information on the main laws, regulations and standards TeliaSonera operates under*

Work is ongoing within the ID, with a first step planned to be ready during the first half of 2015.

Customer privacy

TeliaSonera is committed to respecting and safeguarding its customers' privacy. Our aim is to integrate privacy as a natural part of the design of our services, processes and infrastructure as well as in our daily work.

TeliaSonera strives to operate highly secure communication networks and takes action to prevent unauthorized access to our customers' personal data.

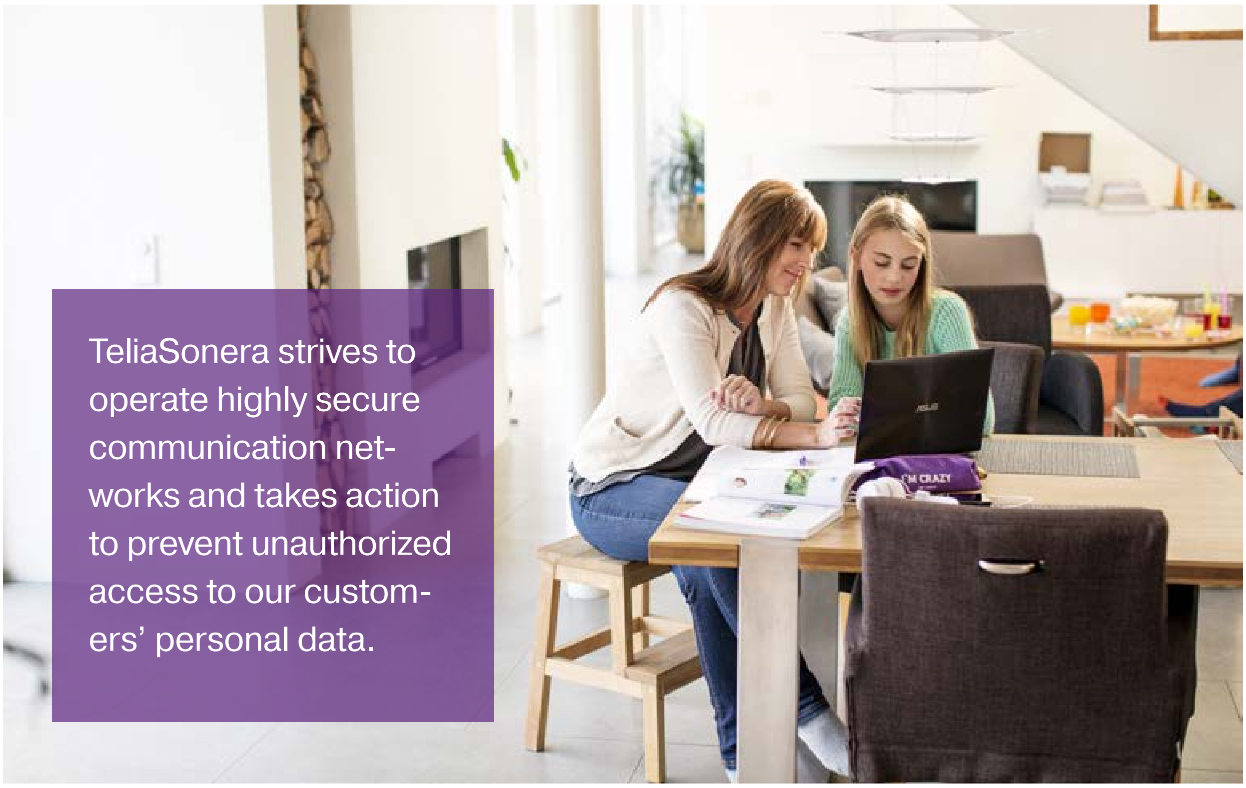
In light of events in recent years and a growing focus on privacy from the society, operator and individual perspective, privacy is not only a risk management and compliance issue but it is also becoming a competitive differentiator and business opportunity. We foresee that customer privacy will become an even more critical element to manage as legislation is strengthened in the EU and other markets.

We made progress in moving from words to action during 2014 and a solid foundation for our privacy work is now in place. However, we still need to increase awareness and ensure that the mind shift to building privacy by design really occurs in all of our operations.

Privacy governance

The customer privacy work is guided by the group privacy policy, which sets a consistent standard with regard to respecting customer privacy. The policy defines principles regarding e.g. collection, processing and retention of personal data, transparency, data accuracy, risk assessments, supplier requirements, and technical and organizational measures to protect integrity and confidentiality. Progress on the privacy work is monitored by GREC.

During 2014, a privacy governance organization with clear roles and responsibilities was appointed. The organization consists of the Group Privacy Owner, Group Privacy Officer and Privacy Officers appointed in local companies and group functions. This organization is responsible for



developing and implementing privacy governance as well as for supporting line organizations in the privacy policy and instruction implementation work. A privacy governance process emphasizing continuous improvement was defined. Work to improve the governance process and develop compliance monitoring will continue.

A new group privacy instruction regarding processing customer personal data was approved in June. The instruction provides more detailed requirements needed to steer, facilitate and follow up on current privacy implementation work. The roll-out of the instruction, including new gap and risk assessments, started in majority owned companies led by the Privacy Officers.

We are implementing the policy and instruction by establishing processes designed to ensure that the group complies with legislation and meets customers' expectations. It is challenging to establish and uphold "bullet-proof" privacy protection in an ever-changing technical and threat landscape. We need to ensure awareness among employees and suppliers, integrate privacy controls into relevant processes as well as build privacy safeguards into a complex IT infrastructure. For these reasons, we use a risk-based approach to minimize the number and extent of any privacy breaches that take place.

Priorities and local measures to address risks vary, reflecting stages of development in different markets. Implementation projects to execute local risk mitigation plans and close identified compliance gaps are ongoing in local companies and group functions.

Training and awareness raising

To ensure that all employees understand the importance of customer privacy, and their role in our privacy work, we need to increase privacy awareness. An introductory video on privacy and related intranet articles and local activities were introduced during the second and third quarters. Rollout of mandatory customer privacy e-learning for all employees started during the fourth quarter and will be completed in 2015.

Customer privacy related cases

During the year we acknowledged and managed a small number (less than 20 reported in total) of substantiated customer privacy complaints and identified leaks of customer data. There may be additional cases that have not been reported, and we are working on improving reporting practices. Most complaints came from regulatory bodies and related to unintentional disclosure of personal data caused by system failures or incorrect access rights. Cases include Telia in Sweden and Omnitel in Lithuania where certain customer data was available to access by other customers for a short time. In all cases we launched internal investigations to review our processes and systems, and fully cooperated with national data protection authorities in reporting and correcting the issues.

Occupational health and safety

We consider it our responsibility to ensure the health and safety of everyone who works for TeliaSonera.

Our common approach to occupational health and safety (OHS) consists of promoting good health, preventing risks and reacting to ill health rapidly in all operations. We believe that all accidents, incidents, injuries, work-related illnesses and unsafe actions and conditions are preventable. The aim is to create a health and safety culture that is part of our everyday working life, supporting the ambition of making TeliaSonera the place to work. OHS is a new focus area and we face big challenges in building competence, awareness and processes internally and externally.

Most of our employees work in a low-risk physical setting such as an office or a call center. In such spaces, issues such as psychosocial health and ergonomics need to be managed. Key drivers for psychosocial wellbeing are leadership, motivation and work-life balance. These areas are covered in management training and follow-up, and are tracked by the Employee Commitment Survey.

More serious physical OHS risks are found in activities related to constructing and maintaining networks. This work is mostly outsourced, which means that dialogue with, and auditing of, contractors is critical. By engaging with local contractors though training and capacity building, we can contribute to a better health and safety environment in the markets where we operate. This is especially relevant in countries where local knowledge, understanding and resources are often seriously lacking. In some countries we are engaged with suppliers who meet almost none of our OHS requirements. According to supplier audits, key elements of an OHS plan such as risk identification, safety equipment and training is missing.

We must also take into account differences in how OHS legislation is designed and implemented in all countries.

Focus and targets

In July, the Board approved TeliaSonera's OHS policy, which applies to all local companies as well as suppliers. We will work towards local OHSAS 18001 (OHS management system) certifications, and high-risk operations have been prioritized when targeting readiness for such certifications.

Moving forward, our OHS work will focus on:

- Correcting identified non-conformities in local companies vis-à-vis the requirements in OHSAS 18001, and preparing these companies for certification.
- Updating the supplier code of conduct and related procurement instructions to include the OHS requirements.
- Ensuring that contractors undertaking high-risk activities are OHSAS 18001 certified or that they implement an equivalent structured approach. These suppliers will also be required to report regularly to the local company on fatal accidents and lost-time injuries, the nature of such accidents and actions taken to prevent re-occurrence.

OHS initiatives are carried out locally and should be based on the OHS policy and instruction, as well as the legislation and conditions in each country regarding physical, psychological and social health in the workplace.

An OHS network was established during the year, led by the Group Head of OHS. These internal resources are trained internally and externally to ensure a similar level of expertise, and support and audit each other internally to improve the overall level of OHS work within TeliaSonera.

To drive and ensure continuous improvement, the following targets[1] have been approved by Group Executive Management:

- Lost-Time Injury Frequency (LTIF) maximum 0.52
- Sickness Absence Rate (SAR) maximum 1.9 percent
- Zero fatal accidents

Progress on the targets will be reported regularly to GREC, and local companies that do not meet targets are required to implement specific action plans.

In 2014, we made positive progress on SAR, which was reduced to 2.3 percent (2.4). We did not manage to reduce LTIF, which increased to 0.46 (0.37). As in previous years there were no fatal accidents among TeliaSonera employees and only a small number of lost-time injuries reported. For more information, see "G4-LA6."

As a result of the work and reporting culture, or lack of proper processes, in some countries reported data does not reflect actual performance. We are working on validating and improving data quality and reported figures.

OHS assessments and action plans

During the year, internal OHS assessments based on 25 indicators were carried out in 15 local companies. Each company received an evaluation report and suggestions for improvement in relation to compliance with OHSAS 18001. The assessments identified significant variations in management practices between companies that can be

[1] The targets are continuous, meaning on-going until revised

explained by the fact that some companies are at a starting point in their OHS work while others have had structured OHS work ongoing for several years.

Following the assessment, all companies began working on identified improvements and many of them were implemented during the year. The findings of the OHS assessments were presented to GREC and the Sustainability and Ethics Committee and were also used to define the new OHS policy and its implementation plan.

Action plans on how to implement OHSAS 18001 were finalized by the local companies. Based on the findings of the assessments, the companies identified a number of common actions to address:

- Improve expertise in identifying OHS risks in daily work through identifying, assessing and determining how to monitor them in a structured manner.
- Improve management awareness and clarify accountability regarding OHS topics. The owner of each OHS risk shall be determined in a clear way to ensure that there is a person with the mandate to mitigate and control the identified risk.
- Carry out further training on the OHS policy and instruction for management and key OHS stakeholders such as contractors, HR staff and employees.
- Improve the reliability of reported data regarding targets.

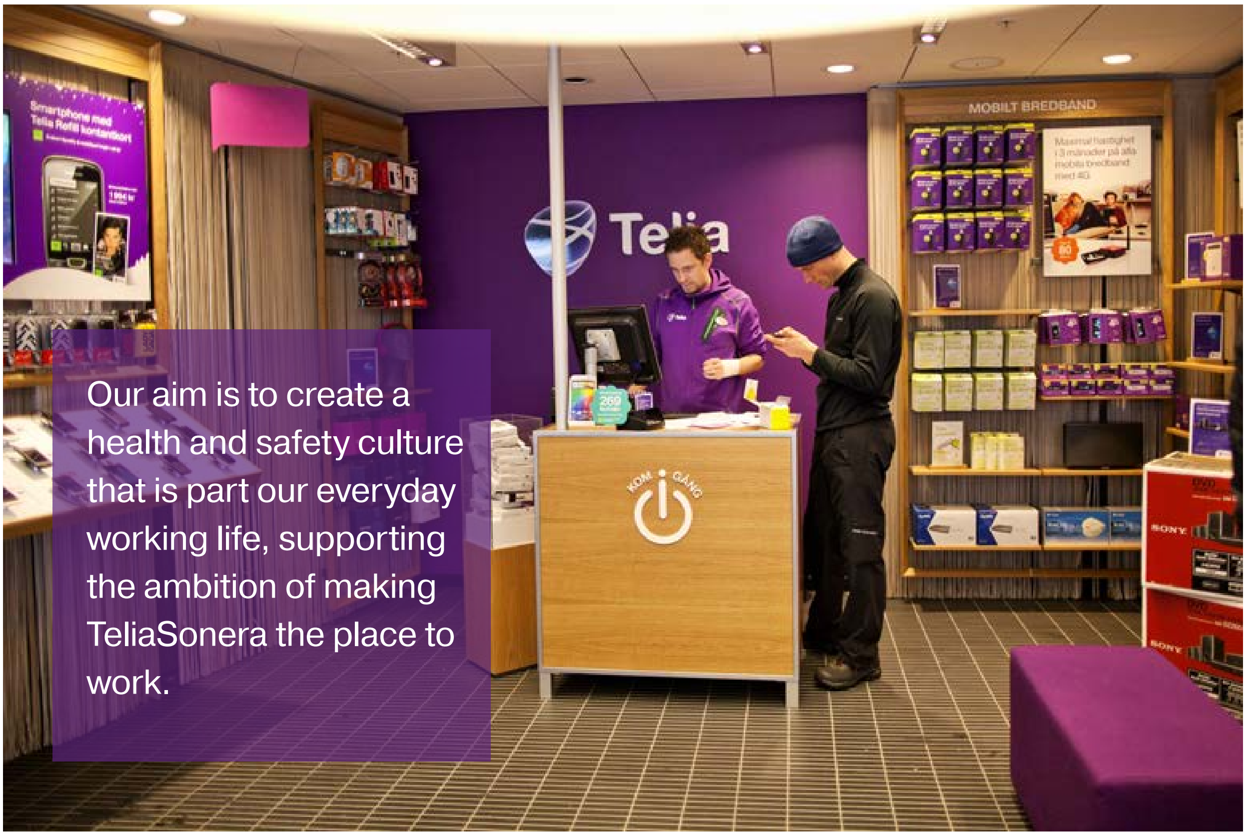
Progress on these actions will be constantly reviewed and further action will be taken based on the results.

Ongoing initiatives

In many local companies, various OHS initiatives have been ongoing for several years. Examples include the work carried out at NetCom in Norway to reduce sick leave. Thanks to a long-term commitment to manager-worker dialogue, NetCom succeeded in significantly reducing sick leave. At Telia in Sweden, a similar project that will draw on the experiences of NetCom has started. In Denmark, Telia conducted a work environment survey covering all employees. All managers will receive reports from their areas of responsibility as well as the local health and safety organization, and action plans for improvement will be developed together with employees.

In TeliaSonera's biggest markets where large networks require significant maintenance, we have long-running cooperation with contractors regarding OHS. Skanova in Sweden ensures that its main high-risk activity contractors are properly trained, thus fulfilling high local OHS standards. Sonera in Finland and other Finnish telecom operators have agreed on common expectations of contractors, which are amended to agreements.

To ensure safety in the event of a disaster, Ncell in Nepal implemented a model to prepare its employees for an earthquake.



Our aim is to create a health and safety culture that is part our everyday working life, supporting the ambition of making TeliaSonera the place to work.

Sustainability in the supply chain

TeliaSonera has a responsibility to ensure that we operate according to our ethical principles, and meet sustainability criteria, in all purchasing decisions.

Choosing suppliers with good sustainability practices is a way for us to have a positive influence on our entire value chain. In particular, purchasing locally can have a positive effect on the local economy and help build capacity and understanding of the value of good occupational health and safety or environmental practices, for example.

Challenges in procurement

TeliaSonera's annual purchasing volume is around SEK 60 billion. In terms of spending, the majority of these purchases involve equipment and services related to building and maintaining fixed and mobile networks. In addition, we also buy mobile handsets, other consumer electronic devices, electricity and much more needed to deliver services that meet customer needs.

As a company that makes purchases from over 30,000 suppliers and countless sub-suppliers, we face significant challenges in our procurement operations, such as:

- Difficulty identifying the highest risks due to the vast number of suppliers.
- Purchases that are made without following the procurement policy and instructions.
- Suppliers that do not comply with the supplier code of conduct and other requirements. In some markets the general level of compliance with the supplier code is much lower than what is required.

As we have started to understand our supply chain better during the year, we are realizing the amount and scope of challenges present in supplier management and the amount of work needed. It is clear that our work so far in terms in terms of processes or policies, trainings or audits has not been enough. Developing and ensuring solid supplier sustainability management and common ways of working in all parts of TeliaSonera will take several years.

To start addressing these challenges, a number of measures were taken during the year.

New organization

To manage and mitigate the most significant sustainability risks in the supply chain, local procurement teams were established in all local companies in region Europe and Eurasia. The local boards adopted the procurement policy and instruction. An extensive training program covering TeliaSonera's procurement procedures was completed by local procurement teams and others responsible for purchasing in these companies.

To support procurement teams in sustainability-related issues, a risk and compliance team was formed as part of the group procurement function, headed by a risk and compliance director. The director, who reports to the group Chief Procurement Officer (CPO), is responsible for identifying new risks and mitigating existing identified risks in procurement. Supporting capacity for screening and evaluating suppliers' sustainability performance as well as performing on-site visits and audits was also introduced.

Updated supplier code of conduct

The supplier code of conduct, which is aligned with the Code of Ethics and Conduct, is the guiding document that outlines sustainability requirements on suppliers.

Since legislation and other sustainability requirements and expectations constantly change, a complete review and update of the supplier code was carried out along with updated contractual agreements during the year. The new supplier code was approved in February 2015 and will be included in all new contracts. We expect it to be fully implemented in three years. The supplier code covers not only first tier suppliers but also all sub-suppliers, consultants and any others working for these suppliers.

The biggest changes to the supplier code are:

- Suppliers shall, as a minimum, pay a living wage to their employees.
- Suppliers that use tin, tantalum, tungsten or gold in their products shall be able to trace their source, and have a clear policy in place regarding elimination of conflict minerals in their products.
- Suppliers with high-risk operations, such as working at heights, shall implement an OHS management system such as OHSAS 18001 or equivalent.
- TeliaSonera has the right to perform on-site audits at suppliers' and sub-suppliers' premises.

Some suppliers request to be exempt from signing the supplier code. These suppliers will not be accepted unless they are granted such an exception from the CPO. The most common reason for granting an exception is in the case of a large company that prefers to use its own code of conduct. In such cases, the risk and compliance team will ensure that the supplier's code of conduct meets TeliaSonera's requirements.

New process for risk identification and supplier evaluation

During the year, we developed a new tool for identifying risk within all sustainability areas. The tool will be used at the start of each procurement process.

If there is an indication of high risk in any sustainability area, the supplier will be asked to complete a self-assessment questionnaire. This self-assessment is provided by an external party, EcoVadis, which scores the supplier's performance based on their answers and supporting documentation. Each supplier must achieve a certain score to continue in the procurement process.

In the case where no suppliers have achieved a sufficient rating, in order to continue the procurement process the selected supplier will need to be granted an exception from the CPO. An exception will be accompanied by a set of corrective actions that the supplier must complete.

If a high corruption risk is identified, the supplier will also undergo a specific anti-corruption due diligence process aimed at identifying politically exposed persons as well as blacklisted, criminal or fraudulent persons and companies.

During 2014, we carried out screening of existing suppliers using EcoVadis. We achieved the goal of screening, or initialized screening of, suppliers corresponding to 80 percent of yearly spend in the Nordic countries, and suppliers in Eurasia with yearly spend of over USD 100,000.

At the end of the year, approximately 1,600 supplier code compliance deviations had been identified among suppliers who were transparent in disclosing information, and willing to improve their work. A deviation is a gap identified vis-á-vis the supplier code and the supplier's performance. Deviations need to be corrected in order for TeliaSonera to continue doing business with the supplier.

A big problem remains with the suppliers, often in Eurasia, who do not want to be transparent. We have yet to decide how to handle these suppliers.

Sustainability training for procurement

During the year, all procurement departments received training in sustainability issues and the TeliaSonera supplier risk evaluation process and tools. In total, almost 300 employees in 12 countries participated. These training activities will continue as the supplier code is updated and other training needs are evaluated and identified.

On-site audits

When suppliers are identified as high risk in the supplier evaluation process, or if an indication of non-compliance with the supplier code is brought forward by internal or external stakeholders, the supplier will be audited. Such audits are complemented by random site visits as part of evaluating the accuracy of our risk identification process.

During the third quarter, the first sustainability auditor joined the risk and compliance team. Subsequently we carried out a total of 14 audits in Sweden, Norway, Nepal and Kazakhstan. During these site visits, we found numerous compliance deviations. These are being addressed through dialogue with the suppliers in question. The main area for improvement was occupational health and safety, where over a third of the deviations were identified. In total, over 150 deviations that need to be corrected by the suppliers were identified.

With more auditing resources available, the goal for 2015 is to significantly increase the number of audits.

If deviations are discovered during a site visit, the supplier is asked to provide a corrective action plan (CAP). The CAP shall include a description of how the supplier will correct the problem together with a schedule for making the correction. The CAP must then be approved by TeliaSonera. If the deviation is deemed to be major, TeliaSonera can choose to re-audit the supplier to ensure that corrective actions have been properly implemented.

TeliaSonera is also part of the Joint Audit Cooperation (JAC). Founded in 2010, JAC is an association of telecom

Supplier evaluation process

Supplier risk identification and analysis	Requirement	Performance Assessment	Site visits	Supplier development
Risk mapping for selection and prioritization of suppliers and assessments	Supplier Code of Conduct in procurement process	EcoVadis questionnaire and database screening	On-site audits Corrective Action Plans (CAP)	Supplier dialogue and training

operators that perform supplier audits and share the results, which saves auditing resources. By joining forces, it also provides access to certain large suppliers that would otherwise not respond to individual audit requests. In 2014, JAC conducted a total of 37 supplier audits of which 3 were conducted by TeliaSonera. Since its formation, JAC has carried out a total of 148 supplier audits.

Supplier development program

In many markets where TeliaSonera is present, and predominantly in Eurasia, knowledge and awareness of sustainability issues among local suppliers is poor in general.

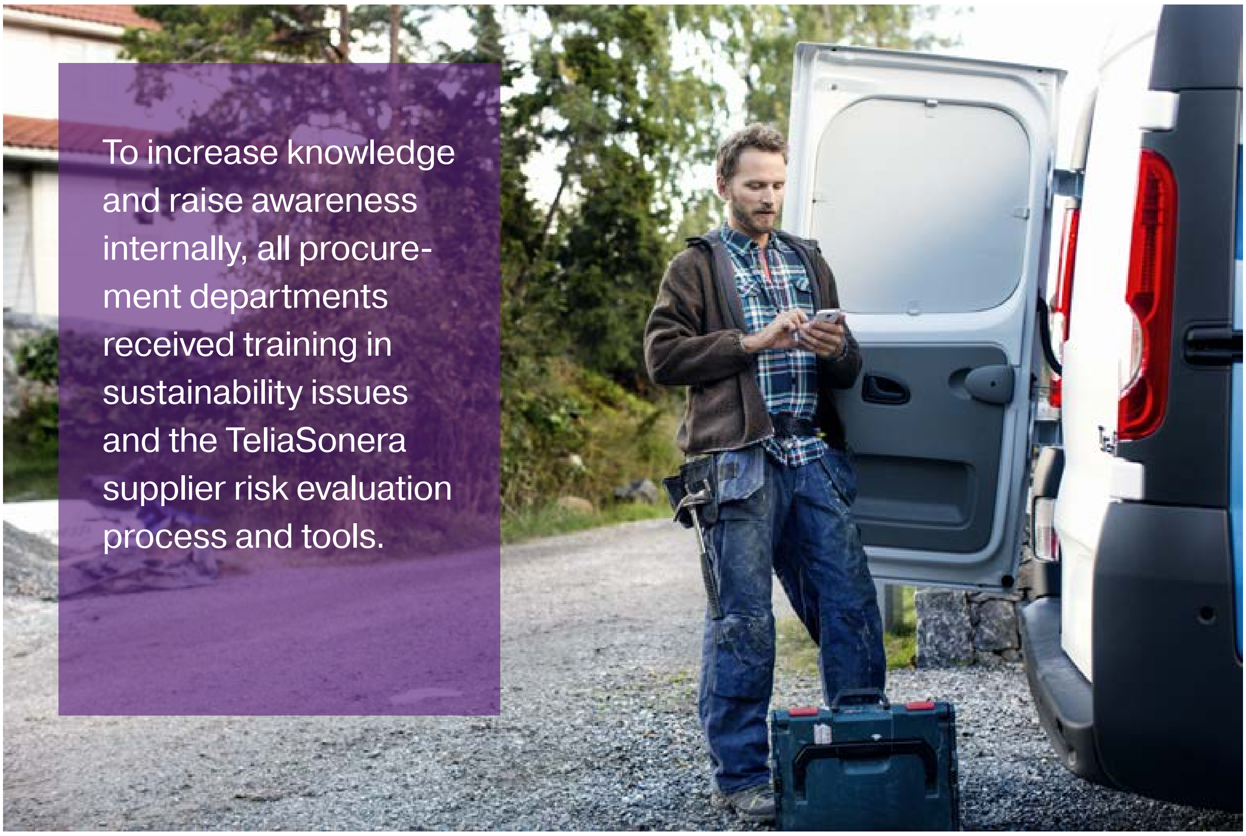
In most cases, these suppliers are not knowingly in violation of the supplier code, they are simply not aware of the implications of non-compliance or the way that they need to run their businesses to adhere to our requirements. This means that we need to have a supplier development program so that our suppliers can live up to our set standards. Such a program needs to include increased capacity building activities such as supplier dialogue and training. The next step is to develop and test such a program in one or a few markets.

KPIs to evaluate performance

To ensure that we use auditing and risk assessment resources efficiently and achieve our goals, we have developed a number of KPIs to evaluate supply chain sustainability performance. We will report on progress on these KPIs as we get the data, and in the future more KPIs will be added to provide a more complete picture.

Supplier sustainability performance KPIs

- Number of suppliers screened
- Number of site visits performed
- Number of CAPs requested following a site visit
- Number of contracts terminated due to sustainability issues



Environmental responsibility

We are committed to working in our entire value chain to increase positive impact on the environment and reduce negative impact.

Our positive impact

Our positive indirect environmental impact relates mainly to the services we provide that can reduce customers' energy consumption and greenhouse gas (GHG) emissions. Through delivering video- and teleconferencing services and Machine-to-Machine (M2M) services in a growing number of markets, customers can reduce their footprint thanks to a reduced need for transportation and travel, and better operational planning, for example.

Policy-makers, companies and individuals increasingly understand that ICT is a key enabler of a sustainable society. Many global trends related to climate change and the need to curb rising GHG emissions, resource and energy scarcity, "the sharing economy" and rapid urbanization rely on ICT to provide many of the tools needed to solve the equation. For example, the GeSI SMARTer2020 report highlights that while the ICT industry's share of global greenhouse gas emissions is small, the industry's potential to help other sectors reduce their emissions is up to seven times larger than its own emissions.

Managing the challenges

Energy, GHG emissions and waste, in particular electronic waste, will remain the main environmental challenges to manage. Through stricter supplier requirements, further actions related to increasing energy efficiency and lowering GHG emissions, as well as better management of waste, we strive towards reducing our negative footprint.

In our operations, there is an increasing need for energy mainly in the form of electricity and fuel for backup generators. Approximately 90–95 percent of the energy is used to run networks, so this is where we focus our efforts. This also makes financial sense, since energy is a significant share of operational expenses.

The main challenge is to decouple energy consumption from the exponential growth in data volumes transported in the networks related to the increasing network coverage and the continued roll-out of 3G and 4G in locations that have not had access to these high-speed technologies. Although new technology is more energy effiicient, data and network growth often cause an increase in the total energy consumption in the networks.

Waste management remains a challenge for us and the whole industry, especially in less developed markets that lack adequate waste management infrastructure. Our operations generate various kinds of waste, some of which is hazardous such as e-waste and dismantled telephone poles from fixed line operations in Sweden and Finland. We do not yet have the full picture of our waste footprint, but consider this a priority as there is significant potential in managing e-waste as a valuable resource.

Negative impacts in the value chain relate mainly to manufacturing network equipment, handsets and terminals that we use or sell to customers. Our supplier code requires suppliers to incorporate eco-design and other similar considerations in the production of their products. We support suppliers in becoming more eco-friendly, which will also increase their competitiveness.

Environmental management systems are valuable tools for ensuring that we manage the impact of our daily operations and work with continuous improvement. An ISO 9001 and 14001 certification covers parts of Telia in Sweden (13 percent of group headcount), with plans to certify the entire organization. In Finland, work has begun to obtain an ISO 14001 certification.

Environmental targets guide the work

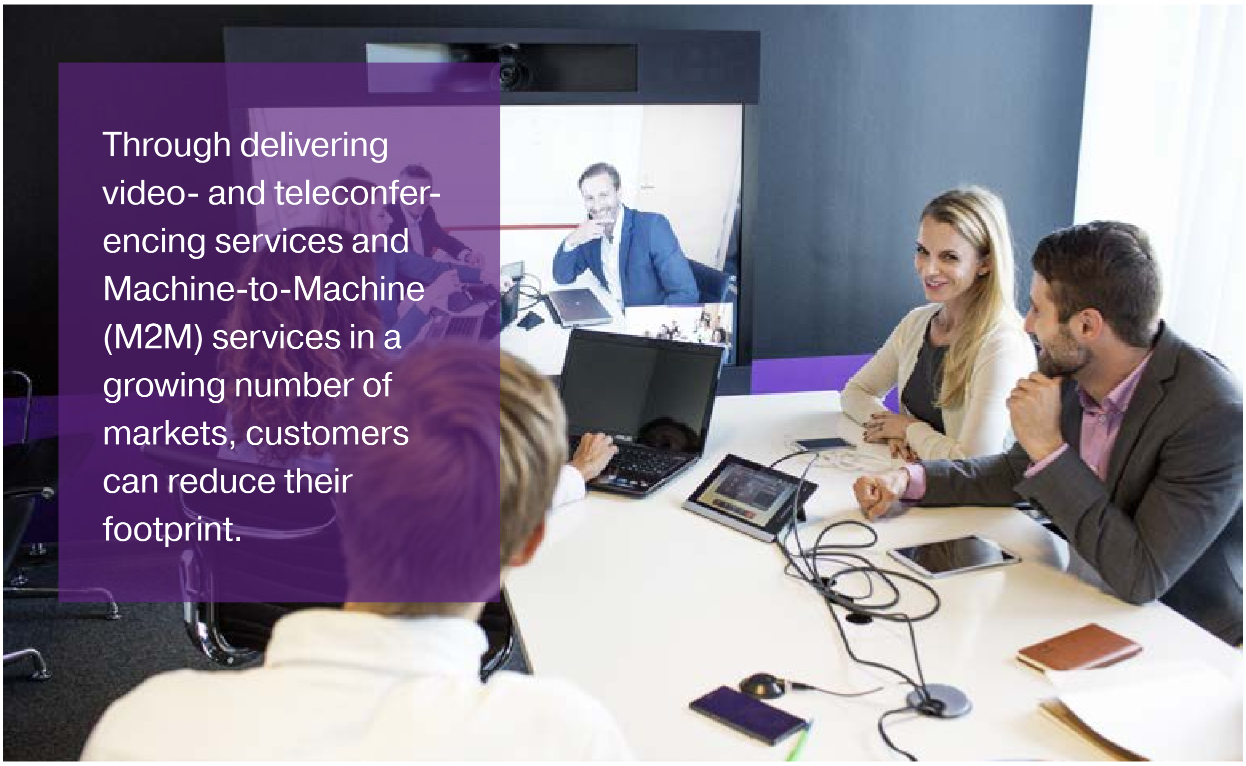
The group environmental targets are based on a model that engages both the network and commercial dimensions of our operations. Efforts are coordinated by a steering group consisting of group and region representatives.

Based on a 2013 baseline, the goals for 2020 are:

- Reduce CO_2 emissions by 20 percent per subscription equivalent[1].
- Increase energy efficiency by 20 percent per subscription equivalent[1].

During the year, we revised the baseline from 2012 to 2013 and the scope of the energy efficiency target from only electricity to total energy consumption, to ensure that we use figures that match and that are more accurate. The scope is now total energy consumption, including offices, company cars, etc. to make sure that all parts of the group share responsibility in meeting these targets.

[1] Subscription equivalent represents the different bandwidth and energy requirements for different subscriptions – from low consumption M2M subscriptions up to high consumption 4G mobile or IPTV subscriptions. Factors 0.5, 1 and 3 are used. These targets are based on total energy consumption, where energy fuels are converted to kWh using energy value conversion factors.



In 2014, we made positive progress on the targets; the outcome was 4.2 kg CO_2/subscription equivalent (4.7) and 17.9 kWh/subscription equivalent (18.9). For more information about energy consumption and greenhouse gas emissions, see "G4-EN3" and "G4-EN15-16."

Below are a number of new and ongoing initiatives that helped reduce emissions and increase energy efficiency.

- Scope 2 emissions were reduced by purchasing more Renewable Energy Certificates (REC) in the Nordic and Baltic operations. These RECs helped reduce 15 percent of total emissions.
- Rollout of solar powered base stations in Ncell in Nepal, Tcell in Tajikistan and Ucell in Uzbekistan continued. This is a zero-carbon and often cost-efficient alternative to installing diesel generators in locations where access to grid electricity is limited or non-existent. The Telia head office in Denmark was also fitted with a solar panel roof.
- The ongoing technology shift continued in Sweden and Finland where we are rapidly moving towards more energy efficient ways of delivering our services. There is great potential for further energy savings in this area through modernizing the network and reducing the number of technical sites, as well as increasing energy efficiency in supporting infrastructure such as cooling.
- Extremely energy-efficient free cooling is used for base stations mainly in the Nordic countries where the temperature is favorable. We are also expanding its use in other regions, since replacing active cooling with free cooling can lead to vast energy savings with a relatively small investment.

Other environmental initiatives

Many of our business units run various "green office" programs. The NetCom head office in Norway is certified according to the national environmental scheme, "Miljøfyrtårn." The Sonera head office in Finland has a "LEED Gold" and "WWF Green Office" certification. Other examples include initiatives at Kcell in Kazakhstan and in TEO in Lithuania.

A crucial component in TeliaSonera's leasing offering is ensuring that mobile phones, PCs and similar devices are handled in a sustainable and secure way once they are returned by customers. TeliaSonera Finance, the leasing operations of TeliaSonera, has implemented a lifecycle program as part of its business model. This includes refurbishing, wiping data and enabling a very high reuse ratio for returned equipment. During 2014, TeliaSonera Finance's leasing operations in the Nordics collected some 30,000 refurbished smartphones, tablets and PCs that will be sold on the second-hand market through our recycling partners.

In May 2014, a peer-reviewed research article published by the Swedish Royal Institute of Technology (KTH), which included TeliaSonera's own research and network data, laid out a total lifecycle assessment (LCA) of the environmental impact of the Swedish ICT network including end-user devices. The article shows that using an LCA approach, the network part of the total environmental impact from an energy perspective, including the production and transportation of network equipment and end-user devices, is very small.

Other issues

In addition to the focus areas, a number of other issues need to be managed. Here we describe our approach to electromagnetic fields, protection of children and the open character of the internet.

Electromagnetic fields

There is a public debate on whether electromagnetic fields (EMF) emitted by radio base stations and mobile devices are dangerous to humans. TeliaSonera acknowledges the worries that exist among parts of the public, and is committed to working proactively and transparently in relation to EMF. Our EMF policy and governance are being revised.

We require suppliers of radio base stations and mobile devices to fully comply with limits as defined by the relevant guidelines issued by the International Commission on Non-Ionizing Radiation Protection (ICNIRP) and national authorities. With regard to mobile devices, the ICNIRP guidelines are followed allowing a maximum Specific Absorption Rate (SAR) value of 2 Watts per kilogram. We share the EMF guidelines recommended by the United Nations World Health Organization, which are based on ICNIRP, to ensure human health and safety. TeliaSonera takes all questions regarding health and safety of radio base stations and mobile devices seriously, and we have set up a group level scientific advisory board to ensure that we are always updated on the latest issues and research.

TeliaSonera's mobile network services depend on a well planned network of radio base stations. Relevant stakeholders are consulted before the location of masts and towers are determined. Procedures for engaging with local communities in relation to decisions on the location of radio base stations vary by country, as differences in local planning legislation needs to be taken into account. TeliaSonera aims to fulfil permit conditions and other requirements set by local authorities in all countries.

Protection of children

Children and young people are active users of our services. Using the internet is facing children worldwide with opportunities, but also risks. Children and young people may be especially vulnerable if they do not have the capacity or the experience to protect themselves. Telecommunication services can also be used as a vehicle for the sexual abuse of children.

For TeliaSonera, protection of children has mainly focused on online safety. We have taken an ethical standpoint against child sexual abuse material and see it as our duty to protect children online in collaboration with the authorities and other stakeholders. This is the only area of content on the internet where we take an active stand to restriction of access. Most local companies have on a voluntary basis or because of national legislation done various initiatives to protect children online, such as implementing filtering software.

TeliaSonera is a member of the ICT Coalition for Children Online. The Coalition is made up of 22 companies from the ICT industry within the EU and aims to help younger internet users across Europe to make the most of the online world and deal with any potential challenges and risks. With the internet now one of the most important sources of information, education and entertainment for many people, it is vital that the industry, governments, schools and other relevant organizations work together to help children and young people use the internet in a safe and responsible way. The Coalition principles cover content, parental control, dealing with abuse/misuse, child abuse or illegal contact, privacy control and education and awareness. We are also a member of the GSMA "Mobile Alliance Against Child Sexual Abuse Content."

In addition, we work outside the scope of only protecting children online. GSMA marked the 25th anniversary of the United Nation's Convention on the Rights of the Child by announcing a partnership with Child Helpline International. The partnership aims at promoting child helplines across the globe, including measures to strengthen relationships between national mobile operators and their in-country helplines and foster collaboration on issues such as a safer internet for children. TeliaSonera supports this partnership and will work towards substantiating our commitment and implementation of the partnership intentions.

The open character of the internet

Issues related to net neutrality and the open character of the internet are increasingly debated internationally. This is a result of the rapid growth in the volume of traffic passing over the internet and the technological changes taking place. We are committed to maintaining an open internet and to treating providers of similar content and services in a non-discriminatory manner. We are also committed to providing a range of services at different levels of quality and price, in order for all sectors of industry and consumers to maximize the commercial and social opportunities from our services. TeliaSonera is constantly increasing efficiency and providing better services to customers based on the freedom and flexibility to effectively manage traffic.

Consolidated statements of comprehensive income

SEK in millions, except per share data	Note	Jan–Dec 2014	Jan–Dec 2013
Net sales	C1, C5, C6	101,060	101,870
Cost of sales	C7	-58,091	-57,883
Gross profit	C1	**42,969**	**43,987**
Selling and marketing expenses	C1, C7	-15,629	-16,105
Administrative expenses	C7	-7,130	-6,402
Research and development expenses	C7	-228	-294
Other operating income	C8	733	1,228
Other operating expenses	C8	-2,628	-3,973
Income from associated companies and joint ventures	C14	4,593	6,021
Operating income	C5	**22,679**	**24,462**
Finance costs	C9	-3,479	-3,905
Other financial items	C9	907	811
Income after financial items		**20,107**	**21,368**
Income taxes	C10	-4,508	-4,601
Net income		**15,599**	**16,767**
Items that may be reclassified to net income:			
Foreign currency translation differences	C11	3,065	-3,809
Income from associated companies	C11	9	-153
Cash flow hedges	C11	69	334
Available-for-sale financial instruments	C11	3	-2
Income taxes relating to items that will be reclassified	C10, C11	845	367
Items that will not be reclassified to net income:			
Remeasurements of defined benefit pension plans	C21	-3,953	4,402
Income tax relating to items that will not be reclassified	C10	870	-966
Associates' remeasurements of defined benefit pension plans		5	-9
Other comprehensive income		**911**	**164**
Total comprehensive income		**16,510**	**16,931**
Net income attributable to:			
Owners of the parent		14,502	14,970
Non-controlling interests	C19	1,097	1,797
Total comprehensive income attributable to:			
Owners of the parent		15,081	15,260
Non-controlling interests	C19	1,429	1,671
Earnings per share (SEK), basic and diluted	C19	3.35	3.46

Consolidated statements of financial position

SEK in millions	Note	Dec 31, 2014	Dec 31, 2013
Assets			
Goodwill	C12	70,895	67,313
Other intangible assets	C12	15,266	14,209
Property, plant and equipment	C13	69,669	64,792
Investments in associated companies and joint ventures	C14	32,793	29,350
Deferred tax assets	C10	5,955	5,493
Pension obligation assets	C21	289	1,551
Long-term interest bearing receivables	C15	14,336	9,479
Other non-current assets	C1, C15	1,219	808
Total non-current assets	C1	**210,422**	**192,955**
Inventories	C16	1,779	1,582
Trade and other receivables	C1, C17	19,087	20,093
Current tax receivables		1,051	124
Interest-bearing receivables	C1, C18	10,993	6,679
Cash and cash equivalents	C1, C18	28,735	31,355
Total current assets		**61,644**	**59,833**
Total assets		**272,066**	**252,828**
Equity and liabilities			
Equity attributable to owners of the parent		111,383	108,324
of which capital		*35,486*	*35,474*
of which reserves and retained earnings		*75,897*	*72,850*
Equity attributable to non-controlling interests	C19	4,981	4,610
Total equity		**116,364**	**112,934**
Long-term borrowings	C20	90,168	80,089
Deferred tax liabilities	C10	10,840	10,063
Provisions for pensions and employment contracts	C21	3,505	1,468
Other long-term provisions	C22	11,764	10,250
Other long-term liabilities	C23	1,887	1,356
Total non-current liabilities		**118,163**	**103,226**
Short-term borrowings	C20	11,321	10,634
Short-term provisions	C22	580	1,005
Current tax payables		571	355
Trade payables and other current liabilities	C24	25,067	24,674
Total current liabilities		**37,539**	**36,668**
Total equity and liabilities		**272,066**	**252,828**
Contingent assets	C29	–	–
Guarantees	C29	320	315
Collateral pledged	C29	426	210

Consolidated statements of cash flows

SEK in millions	Note	Jan–Dec 2014	Jan–Dec 2013
Net income		15,599	16,767
Adjustments for:			
Amortization, depreciation and impairment losses		15,589	15,230
Capital gains/losses on sales/disposals of non-current assets		442	466
Income from associated companies and joint ventures, net of dividends received	C14	-2,457	-3,851
Pensions and other provisions		-1,165	-447
Financial items		6	492
Income taxes		1,331	1,550
Miscellaneous non-cash items		21	99
Cash flow before change in working capital		**29,366**	**30,306**
Increase (-)/Decrease (+) in operating receivables		1,108	1,244
Increase (-)/Decrease (+) in inventories		-128	66
Increase (+)/Decrease (-) in operating liabilities		-1,094	-580
Change in working capital		**-114**	**730**
Cash flow from operating activities	C30	**29,252**	**31,036**
Intangible assets and property, plant and equipment acquired		-16,206	-14,726
Intangible assets and property, plant and equipment divested		91	269
Business combinations and other equity instruments acquired	C30, C33	-1,124	-1,363
Subsidiaries and other equity instruments divested	C30	2,094	1,629
Loans granted and other similar investments	C1	-5,529	-952
Repayment of loans granted and other similar investments		524	547
Compensation from pension fund		400	–
Net change in short-term investments		-2,230	-48
Cash flow from investing activities	C1	**-21,979**	**-14,644**
Cash flow before financing activities	C1	**7,272**	**16,392**
Repurchased treasury shares including transaction costs		-6	-4
Dividends paid to owners of the parent		-12,990	-12,340
Dividends paid to holders of non-controlling interests	C30	-1,143	-1,279
Proceeds from long-term borrowings		12,075	4,863
Repayment of long-term borrowings		-8,375	-5,904
Net change in short-term borrowings		-985	-1,634
Settlement of derivative contracts for economic hedges and CSA		1,153	1,285
Cash flow from financing activities		**-10,269**	**-15,013**
Net change in cash and cash equivalents		**-2,997**	**1,379**
Cash and cash equivalents, opening balance	C1	**31,355**	**29,690**
Net change in cash and cash equivalents for the year		-2,997	1,379
Exchange rate differences in cash and cash equivalents		377	286
Cash and cash equivalents, closing balance	C18	**28,735**	**31,355**
Dividends received	C30	2,136	2,170
Interest received	C30	596	606
Interest paid	C30	-3,203	-3,127
Income taxes paid	C30	-3,178	-3,051

Consolidated statements of changes in equity

SEK in millions	Note	Share capital	Other con-tributed capital	Hedging reserve	Fair value reserve	Foreign currency translation reserve	Revalu-ation reserve	Inflation reserve	Equity transac-tions in associ-ates	Retained earnings	Total owners of the parent	Non-con-trolling interests	Total equity
Closing balance, December 31, 2012		**13,856**	**21,604**	**-211**	**5**	**-15,580**	**302**	**4,909**	**-2,920**	**83,185**	**105,150**	**3,956**	**109,106**
Dividends	C19	–	–	–	–	–	–	–	–	-12,340	-12,340	-1,017	-13,357
Share-based payments	C31	–	18	–	–	–	–	–	–	–	18	–	18
Other transactions with owners	C19	–	-4	–	–	–	–	–	–	–	-4	–	-4
Total transactions with owners		–	*14*	–	–	–	–	–	–	*-12,340*	*-12,326*	*-1,017*	*-13,343*
Net income	C19	–	–	–	–	–	–	–	–	14,970	14,970	1,797	16,767
Other comprehensive income	C11, C19	–	–	267	-2	-3,402	–	–	–	3,427	290	-126	164
Total comprehensive income		–	–	*267*	*-2*	*-3,402*	–	–	–	*18,397*	*15,260*	*1,671*	*16,931*
Transfer of amortiza-tion and depreciation for the year		–	–	–	–	–	-36	–	–	36	–	–	–
Effect of transaction with treasury shares in MegaFon	C14	–	–	–	–	–	–	–	240	–	240	–	240
Closing balance, December 31, 2013		**13,856**	**21,618**	**56**	**3**	**-18,982**	**266**	**4,909**	**-2,680**	**89,278**	**108,324**	**4,610**	**112,934**
Dividends	C19	–	–	–	–	–	–	–	–	-12,990	-12,990	-1,058	-14,048
Share-based payments	C31	–	18	–	–	–	–	–	–	–	18	–	18
Other transactions with owners	C19	–	-6	–	–	–	–	–	–	–	-6	–	-6
Total transactions with owners		–	*12*	–	–	–	–	–	–	*-12,990*	*-12,978*	*-1,058*	*-14,036*
Net income	C19	–	–	–	–	–	–	–	–	14,502	14,502	1,097	15,599
Other comprehensive income	C11, C19	–	–	46	3	3,610	–	–	–	-3,079	580	332	911
Total comprehensive income		–	–	*46*	*3*	*3,610*	–	–	–	*11,423*	*15,081*	*1,429*	*16,510*
Effect of transaction with treasury shares in MegaFon	C14	–	–	–	–	–	–	–	955	–	955	–	955
Closing balance, December 31, 2014		**13,856**	**21,630**	**102**	**6**	**-15,372**	**266**	**4,909**	**-1,725**	**87,711**	**111,383**	**4,981**	**116,364**

Notes to consolidated financial statements

Contents

C1. Basis of preparation

General

The annual report and consolidated financial statements have been approved for issue by the Board of Directors on March 11, 2015. The income statement and the balance sheet of the parent company and the statement of comprehensive income and the statement of financial position of the group are subject to adoption by the Annual General Meeting on April 8, 2015.

TeliaSonera's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and, given the nature of TeliaSonera's transactions, in accordance with IFRSs as adopted by the European Union (EU). In addition, concerning purely Swedish circumstances, the Swedish Financial Reporting Board has issued standard RFR 1 "Supplementary Accounting Rules for Groups" and other statements. The standard is applicable to Swedish legal entities whose securities are listed on a Swedish stock exchange or authorized equity market place at the end of the reporting period and specifies supplementary rules and disclosures in addition to IFRS requirements, caused by provisions in the Swedish Annual Reports Act.

Measurement bases and accounting policies

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

Amounts and dates

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

Correction of prior period classification errors

Prior periods have been restated to reflect the discovery of certain classification errors, referring to certain mobile equipment sales and commission fees in region Europe (previously business area Mobility Services). The corrections were as follows:

Condensed consolidated statement of comprehensive income

	Jan-Dec 2013		
SEK in millions	Reported	Restated	Change
Net sales	101,700	101,870	170
Cost of sales	-57,883	-57,883	–
Gross profit	**43,817**	**43,987**	**170**
Selling, admin. and R&D expenses	-22,631	-22,801	-170
Other items, net	3,276	3,276	–
Operating income	**24,462**	**24,462**	**–**

For comparability, reclassifications of balances between cash and cash equivalents and short-term investments, and reclassification between short-term and long-term non-interest bearing receivables have been made for 2013. The reclassifications have not affected net debt or operating cash flow.

Segments

Comparative period figures have been restated to reflect the new organization effective April 1, 2014. The restatement is based on the assumption that the new organization would have been in place during all periods presented. See Note C5 "Segment information."

Recently issued accounting standards

New and amended standards and interpretations effective in 2014 or pre-adopted

As of January 1, 2014, the following new or amended standards became applicable:

IFRIC 21 "Levies" clarifies when to recognize a liability for levies (taxes imposed by government and government bodies whether national local or international other than income taxes, penalties and fines). A liability is recognized progressively if the obligating event occurs over a period of time. If an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

IAS 32 "Financial Instruments: Presentation – amendments on offsetting financial assets and financial liabilities," clarifies the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

IFRIC 21 and the amendments to IAS 32 have had only minor impact on TeliaSonera financial statements and no restatements have been made to previous years.

Minor amendment to IAS 39 "Financial instruments: Recognition and measurement: Novation of Derivatives and Continuation of Hedge Accounting." The amendment will allow hedge accounting to continue when novation of a hedging instrument to a central counter party meets specified criteria. The amendment is currently not applicable to TeliaSonera.

New or revised/amended standards and interpretations effective on or after January 1, 2015, are as follows:

IFRS 15 "Revenue from Contracts with Customers" is effective January 1, 2017, with earlier application permitted, and among others gives detailed guidance on the accounting for:

Bundled offerings: TeliaSonera's current accounting and recognition of revenue for bundled offerings and allocation of the consideration between equipment and service is in line with IFRS 15. However, possibly the model currently used must be refined.

Incremental costs for obtaining a contract: Sales commissions and equipment subsidies granted to dealers for obtaining a specific contract should be capitalized and deferred over the contract term if the contract is beyond one year. Deferral related to contracts with shorter terms is allowed but not mandatory. TeliaSonera currently does not capitalize such costs. The potential effects are dependent on e.g. the mix between short-term and long-term contracts, to what extent current commissions and subsidies are "incremental," etc. and will be analyzed further.

Financing: If the period between payment and transfer of goods and services is beyond one year, adjustments for the time value of money should be made at the prevailing interest rates in the relevant market. TeliaSonera currently apply discounting, using the group's average borrowing rate. This discount rate might have to be adjusted. The potential effects will be analyzed further.

Contract modifications: Guidance is included on when to account for modifications retrospectively or progressively. The effects, if any, will be analyzed further.

Disclosures: IFRS 15 adds a number of disclosure requirements in annual and interim reports, e.g. to disaggregate revenues into categories that depict how the nature, amount, timing and uncertainty of revenues and cash flows are affected by economic factors.

Transition methods: Either a full retrospective approach with adjustments to all periods presented or a modified approach with only the current period adjusted which however requires disclosures of all financial statement line items in the year of adoption as if prepared under current standards, i.e. effectively requiring two sets of accounting records during the year of adoption. TeliaSonera has yet to decide which method to apply.

TeliaSonera is assessing the total impact of IFRS 15 on the financial statements of the group and additional effects may be identified.

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" are applicable prospectively from January 1, 2016, with earlier application permitted. The amendment to IAS 16 explicitly prohibits using revenues as a basis to depreciate property, plant and equipment. The amendment to IAS 38 is very similar to that for IAS 16 but also clarifies that when choosing the amortization period for an intangible asset, the predominant limiting factor (such as contract term) sets out the end of the amortization period. The amendments/clarifications are expected to have no impact on TeliaSonera's financial statements.

The amendment to IFRS 11 "Joint Arrangements" clarifies that the principles and disclosure requirements in IFRS 3 "Business Combinations" are also applicable to an acquired share in a joint operation. TeliaSonera will have to apply the amendment to any acquisitions of shares in joint operations on or after January 1, 2016, at the latest.

IFRS 9 "Financial Instruments" is effective as of January 1, 2018, and replaces IAS 39 "Financial Instruments: Recognition and Measurement." The standard's three main projects have been classification and measurement, impairment and hedge accounting.

Classification and measurement: Depending on how certain specified conditions are met after assessing the asset's contractual cash flow characteristics and the business model for managing the asset, financial assets are classified and measured at any of the following three categories: Amortized Cost (AC); Fair Value through Other Comprehensive Income (FVOCI); or the residual category Fair Value through Profit or Loss (FVPL). The classification of financial liabilities is more or less unchanged from existing requirements. Tentatively, for financial assets, the change into three categories will in most cases have no major effect on the measurement of a specific financial asset since the measurement bases are already today amortized cost or fair value, and, for financial liabilities, the changes will not impact TeliaSonera.

Impairment: IFRS 9 introduces a general three-stage model for impairment (expected credit losses) based on changes in credit quality since initial recognition. Calculation of amortized cost/effective interest differs between the stages; it either includes or excludes the allowance. The impairment model however includes some simplifications for trade receivables that do not have a significant financing component and a policy choice for trade receivables which contain a significant financing component and lease receivables, to either apply the simplified approach, or to apply the general model. The model will probably in some cases result in earlier recognition of losses than currently. In addition, extensive disclosures are required to identify and explain amounts that arise from expected credit losses and the effect of decline and improvement in credit risk.

Hedge accounting: IFRS 9 applies to all hedge relationships, with the exception of "fair value macro hedges." The IASB is working on a project to address macro hedging, so in the meantime FRS 9 provides an accounting policy choice for hedge accounting: either to continue to apply the requirements of IAS 39 until the macro hedging project is finalized, or apply IFRS 9. There are no major changes to hedge accounting compared to IAS 39, however for cash flow hedges of a forecast transaction which results in the recognition of a non-financial item (such as a fixed asset or inventory) an entity had a policy choice. The remaining accounting policy is in line with TeliaSonera's current accounting. The new hedge accounting model enables a better reflection of risk management activities in the financial statements. The current 80-125 percent threshold effective-test is not carried over to IFRS 9. Instead, there should be an economic relationship between the hedged item and the hedging instrument, with no quantitative threshold. TeliaSonera expects no major effects based on current hedging activities. On the contrary, IFRS 9 is assumed to make it easier to achieve hedge accounting. However, the increased hedge accounting possibilities also require increased disclosures about the risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the financial statements. In addition, consequential amendments have been made to IFRS 7 "Financial Instruments: Disclosures" and IAS 39 "Financial Instruments: Recognition and Measurement."

Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions" applicable for annual periods beginning on or after July 1, 2014. The amendment requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments explain that the methods permitted for attributing contributions from employees or third parties will differ depending on if the contributions are dependent on the number of years of the employee's service or not. TeliaSonera is presently analyzing the effects of the amendments if any.

Amendments to IAS 1 "Presentation of Financial Statements: Disclosure Initiative" is part of a larger project to improve presentation and disclosures in financial reports and to encourage companies to apply judgment in determining what information to disclose and how to structure it in their financial statements. The amendments clarify, rather than significantly change, existing IAS 1 requirements. The amendment clarifies that disclosures specifically required by an IFRS need only be provided if material; the list of line items in the statements specified by IAS 1 can be disaggregated and aggregated as relevant in the financial statements. The amendments also make clear that there is flexibility in which order notes are presented and where accounting policies are presented. The structure of the annual report should be comparable and understandable between the years. The amendments are effective as of January 1, 2016. Earlier application is permitted.

Annual Improvements to IFRSs (2010–2012 and 2011-2013 effective January 1, 2015, and 2012-2014 effective January 1, 2016) introduce amendments to IFRSs that had not been included in any other projects. The amendments relevant to TeliaSonera are in certain cases in line with already applied interpretations and otherwise will have no or very limited impact on results or financial position.

EU endorsement status
As of the beginning of March 2015, all standards, amendments to standards and interpretations mentioned above had been adopted by the EU, except for IFRS 15, IFRS 9 and consequential amendments to IFRS 7 and IAS 39, amendments to IAS 1, IFRS 10, IFRS 11, IFRS 12, IAS 28, IAS 16 and IAS 38 along with Annual Improvements 2012-2014. The EU Commission has announced that, if an IFRS (or equivalent) is endorsed after the end of the reporting period but before the date the financial statements are issued, it can be treated as endorsed for the purposes of those financial statements if application prior to the date of endorsement is permitted by both the Regulation endorsing the document and the related IFRS.

C2. Key sources of estimation uncertainty

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

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

Revenue recognition

For a telecom operator if or when revenue should be recognized requires management judgment in a number of cases.

Principal or agent – gross versus net presentation
When the group acts as a principal, income and payments to suppliers are reported on a gross basis in revenue and operating costs. If the group sells goods or services as an agent (mainly content services) revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin/commission earned. Whether the group is considered to be principal or agent in a transaction depends on analysis by management of both the legal form and substance of the agreement between the group and its business partners; such judgments impact the amount of reported revenue and operating expenses but do not impact net income or cash flows. Features indicating that the group is acting as a principal include: responsibility for providing the goods or services and the group has latitude in establishing prices or provides additional goods and services. Features indicating that the group is acting as an agent include: the group does not have exposure to significant risks and rewards associated with the sale of goods or services or the amount the group earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer.

Bundling of products and services
Determine fair values and if or when revenue should be recognized requires management judgment in bundling of products and services. Revenue is allocated between the goods and services using relative fair value. The fair values determined for good or service may impact the timing of the recognition of revenue. Determining the fair value of each element can require complex estimates but is mainly based on expected cost plus a margin.

Income taxes

Significant management judgment is required in determining current tax liabilities and assets as well as provisions for deferred tax liabilities and assets, in particular as regards valuation of deferred tax assets. As part of this process, income taxes have to be estimated in each of the jurisdictions in which TeliaSonera operates. The process involves estimating the actual

Currently, the following amortization and depreciation rates are applied.

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

current tax exposure together with assessing temporary differences resulting from the different valuation of certain assets and liabilities in the financial statements and in the tax returns. Management must also assess the probability that the deferred tax assets will be recovered from future taxable income.

Actual results may differ from these estimates due to, among other factors, future changes in business environment, currently unknown changes in income tax legislation, or results from the final review of tax returns by tax authorities or by courts of law. For additional information on deferred tax assets and liabilities and their carrying values as of the end of the reporting period, see Note C10 "Income taxes."

Valuation of intangible and other non-current assets

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

Useful lives

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

In 2014 and 2013, amortization, depreciation and impairment losses totaled SEK 15,589 million and SEK 15,215 million, respectively. For additional information on intangible and tangible assets subject to amortization and depreciation and their carrying values as of the end of the reporting period see Note C12 "Goodwill and other intangible assets" and Note C13 "Property, plant and equipment."

Impairment testing

A number of significant assumptions and estimates are involved when measuring value in use and fair value less costs of disposal based on the expected future discounted cash flows attributable to an asset, for example with respect to factors such as market growth rates, revenue volumes, market prices for telecommunications services, costs to maintain and develop communications networks and working capital requirements. Forecasts of future cash flows are based on the best estimates of future revenues and operating expenses using historical trends, general market conditions, industry trends and forecasts and other available information. These assumptions are prepared by management and subject to review by the Audit Committee of the Board of Directors. The cash flow forecasts are discounted at the weighted average cost of capital for the relevant cash-generating unit. For additional information on goodwill and its carrying value as of the end of the reporting period, see Note C12 "Goodwill and other intangible assets."

Collectability of trade receivables

TeliaSonera's allowance for doubtful receivables reflects estimated losses that result from the inability of customers to make required payments. Management determines the size of the allowance based on the likelihood of recoverability of accounts receivable taking into account actual losses in prior years and current collection trends. Should economic or specific industry trends worsen compared to management estimates, the allowance may have to be increased, negatively impacting earnings. See section "Credit risk management" in Note C26 "Financial risk management" for a description of how risks related to trade receivables are mitigated. For additional information on the allowance for doubtful receivables and its carrying value as of the end of the reporting period, see Note C17 "Trade and other receivables."

Provisions for pensions and employment contracts

The most significant assumptions that management has to make in connection with the actuarial calculation of pension obligations and pension expenses affects the discount rate, the expected annual adjustments to pensions, and the longevity. The assumptions are prepared by management and subject to review by the Audit Committee of the Board of Directors. Changes in any of these key assumptions may have a significant impact on the projected benefit obligations, funding requirements and periodic pension cost.

For additional information on assumptions made, sensitivity analysis related to change in assumptions and pension obligations and their present values as of the end of the reporting period, see Note C21 "Provisions for pensions and employment contracts."

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

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

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

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

For additional information on put options related to non-controlling interests and restructuring provisions, including their carrying values as of the end of the reporting period, and on contingencies and litigation, see Notes C22 "Other provisions" and C29 "Contingencies, other contractual obligations and litigation," respectively.

C3. Significant accounting policies

Consolidated financial statements

General – Subsidiaries

The consolidated financial statements comprise the parent company TeliaSonera AB and all entities over which TeliaSonera has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled or not. TeliaSonera is assumed to have control if the group owns the majority of shares and the shares have equal voting rights attached, and a proportionate entitlement to a share of the returns of the entity and decisions about relevant activities are determined by majority votes. TeliaSonera is also assumed to have control if TeliaSonera selects the majority of the board contractually even if not holding the majority of the shares, see Notes C4 "Changes in group composition and events after the reporting period" and C19 "Equity and earnings per share."

Acquisitions are accounted for using the acquisition method which measures goodwill at the acquisition date as: the fair value of the consideration transferred; plus the amount of any non-controlling interest in the acquiree recognized in the transaction; plus if the business combination is achieved in stages, the fair value of the previously held equity interest in the acquiree; less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the difference is negative, a bargain purchase gain would be recognized in net income. Costs related to the acquisition are expensed as incurred.

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

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

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

Non-controlling interests

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

Commitments to purchase non-controlling interests (NCI) made prior to 2010 and put options granted to holders of non-controlling interests (taking into account any subsequent capital contributions from or dividends to such shareholders) prior to 2010 are recognized as contingent consideration (provisions). Where the amount of the liability exceeds the amount of the non-controlling interest, the difference is recorded as goodwill. Subsequent changes in the value of put option liabilities are recognized as an adjustment to goodwill. Commitments entered into on or after 2010 are considered financial liabilities with subsequent changes in the value recognized as other operating income/expense. For each business combination the group elects to measure any non-controlling interest in a subsidiary either at fair value (goodwill recognized on non-controlling interest) or only at the proportionate share of the identifiable net assets (goodwill recognized only on acquired interest). If TeliaSonera has a commitment of a NCI option linked to a receivable from the same counter party and the shares are held as collateral for the receivable, then the receivable and liability is recognized and offset in the statement of financial position. The change in fair value of the option is assumed to equal the return on the shares held as collateral, see Note C26 "Financial risk management."

Joint arrangements

Joint arrangements are entities over which the group has joint control by virtue of contractual arrangements. Joint arrangements are classified as either joint operations or joint ventures. Joint operations are arrangements whereby TeliaSonera has the right to the assets and obligation for the liabilities and accounts for its share of the assets, liabilities, revenue and expenses of the joint operation line by line in the consolidated financial statements. The joint operations are primarily designed for providing output to the shareholders.

Joint ventures on the other hand are arrangements where TeliaSonera has right to the net assets of the arrangement and the investment is accounted for under the equity method (similar to associated companies - see section below). Joint arrangements acquired or divested during the year are included in the consolidated financial statements from the date on which joint control is obtained and excluded from the date on which joint control is lost.

Associated companies

Associated companies are entities over which the group has significant influence but not control. If the group holds, directly or indirectly (eg through subsidiaries), 20 percent or more of the voting power of the investee, it is presumed that the group has significant influence, unless it can be clearly demonstrated that this is not the case. Holdings in associated companies are accounted for using the equity method and are initially recognized at cost, including any transaction costs. The group's share of net income in associated companies is included in operating income because the operations of these companies are related to telecommunications and it is the group's strategy to capitalize on industry know-how by means of investing in partly owned operations. The share of net income is based on the entity's most recent accounts, adjusted for any discrepancies in accounting policies, and with estimated adjustments for significant events and transactions up to TeliaSonera's close of books.

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

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

The group's share of associated entities equity transactions such as the acquisition or sale of treasury shares from third parties are recognized directly in equity.

Cash flow reporting

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

Cash flows from investing activities include payments to acquire or receipts from the sale of joint ventures, associates, subsidiaries (obtaining or losing control) net of cash and cash equivalents acquired or disposed of and other equity instruments. Further, cash flows from investing activities include compensation from or contributions to the Swedish pension fund, payments related to leasing receivables, as well as other investments with maturities over 3 months.

Cash flows from financing activities include dividends paid to owners of the parent and to holders of non-controlling interests, payments and receipts from changes in ownership of non-controlling interest and cash flows from settlement of foreign exchange derivative contracts used for economic hedges of cash-pool balances including any payments or receipts from CSA. Proceeds from and repayment of long-term borrowings include cash flows from derivatives hedging such borrowings.

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

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

Segment reporting

The group's businesses are managed on a geographical basis. Countries are grouped in three geographical regions: Sweden, Europe and Eurasia. Operating segments that are not individually reportable, the associates MegaFon and Turkcell, and certain group functions are combined into "Other operations." For additional information, see Note C5 "Segment information."

Segments are consolidated based on the same accounting principles as for the group as a whole, except for intersegment finance leases which are treated as operating leases. When significant operations are transferred between segments, comparative period figures are restated.

Foreign currency translation and inflation adjustments

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

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

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

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

When the functional currency for a foreign operation is the currency of a hyperinflationary economy, prior to translating the financial statements, the reported non-monetary assets and liabilities, and equity are restated in terms of the measuring unit current at the end of the reporting period.

Revenue recognition

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

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

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

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

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

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

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

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

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

Operating expenses

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

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

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

Other operating income and expenses

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

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

Finance costs and other financial items

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

Interest income and expenses also include changes in fair value of the interest component of cross currency interest rate swaps as well as changes in fair value of interest rate swaps. The initial difference between nominal value and net present value of borrowings with an interest rate different to market rate ("day 1 gain") is amortized until due date and recognized as Other interest income. The interest component of changes in the fair value of borrowings measured at fair value and of derivatives hedging loans and borrowings (see section "Derivatives and hedge accounting" below) are included in Other interest income (gains) or in Interest expenses (losses). Exchange rate differences on financial transactions also comprise changes in fair value of the currency component of cross currency interest rate swaps and of forward contracts hedging currency risks in external borrowings. Dividend income from equity investments is recognized when TeliaSonera's rights to receive payment have been established. Income and expenses relating to guarantee commissions are included in Other interest income and Interest expenses, respectively. Interest expenses include funding-related bank fees and fees to rating institutions and market makers. Further the net interest on the net defined benefit liability (asset) is recognized as part of finance costs.

Income taxes

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

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

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

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

Intangible assets, and property, plant and equipment

Measurement bases

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

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

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

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

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

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

Government grants received as compensation for the cost of an asset are initially measured at fair value, normally being the consideration received. A government grant reduces the carrying value of the related asset and the depreciation charge recognized over the asset's useful life.

Amortization and depreciation

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

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

Impairment testing

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

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

Financial instruments

Categories

Financial instruments are for measurement purposes grouped into categories. The categorization depends on the purpose and is determined at initial recognition. Category "Financial assets at fair value through profit and loss" comprises derivatives not designated as hedging instruments (held-for-trading) with a positive fair value and investments held-for-trading. Category "Held-to-maturity" comprises non-derivative financial assets with fixed or determinable payments and fixed maturity that TeliaSonera has the positive intention and ability to hold to maturity. This category includes commercial papers, certain government bonds and treasury bills. Category "Loans and receivables" comprises non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes trade receivables, accrued revenues for services and goods, loan receivables, bank deposits and cash at hand. Category "Available-for-sale financial assets" comprises non-derivative financial assets that are designated to this category or not to any of the other categories. This category currently includes equity instruments and convertible bonds. Assets included in the categories are reported under the statement of financial position items Other non-current assets (Note C15), Trade and other receivables (Note C17), Interest-bearing receivables, cash and cash equivalents (Note C18).

Category "Financial liabilities at fair value through profit and loss" comprises derivatives not designated as hedging instruments (held-for-trading) with a negative fair value. Category "Financial liabilities measured at amortized cost" comprises all other financial liabilities, such as borrowings, trade payables, accrued expenses for services and goods, and certain provisions settled in cash. Liabilities included in the categories are reported under the statement of financial position items Long-term and short-term borrowings (Note C20), Other provisions (Note C22), Other long-term liabilities (Note C23) and Trade payables and other current liabilities (Note C24).

Transaction costs, impairment and derecognition

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

Fair value hierarchy levels

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

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

Inputs for fair value measurements disclosed for assets and liabilities that are not carried at fair value are categorized to fair level hierarchy 2.

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

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

Fair value estimation

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

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

The carrying value less impairment provision of trade receivables and payables are assumed for disclosure purposes to approximate their fair values. The fair value of financial liabilities is for disclosure purposes estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments with adjustment for credit purposes based on known credit spreads from exchange traded TeliaSonera bonds. The fair value of loans and receivables is for disclosure purposes estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments with adjustment for credit purposes based on known credit spreads, where available and if not available, individual estimates.

Current/non-current distinction, offsetting

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

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

Financial assets – measurement

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

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

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

Financial liabilities – measurement

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

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

Trade receivables and trade payables – measurement

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

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

Derivatives and hedge accounting – measurement and classification

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

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

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

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

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

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in net income. Gains and losses deferred in the foreign currency translation reserve are recycled to net income on disposal of the foreign operation. Changes in the fair value of derivative instruments that do not meet the criteria for hedge accounting are recognized in net income.

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

Inventories

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

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

Assets held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. An asset-held-for-sale is measured at the lower of its previous carrying value and fair value less costs to sell. The determination if and when non currents assets and disposal groups should be classified a as held-for-sale requires management judgment and entities can come to different conclusions under IFRS. One of the conditions that must be satisfied for an asset to be classified as held-for-sale is that the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. One criteria for the sale to qualify as highly probable is that the appropriate level of management must be committed to a plan to sell the assets or disposal group in its present condition. In the telecom industry acquisitions often require regulatory approval and to get the approval entities often have to agree to a number of remedies. As long as the final remedies are not agreed upon and accepted by management the sale is not regarded as highly probable by TeliaSonera and consequently the assets are not classified as assets-held-for sale.

Equity attributable to owners of the parent

Equity attributable to owners of the parent is divided into share capital, other contributed capital, hedging reserve, fair value reserve, foreign currency translation reserve, revaluation reserve, inflation adjustment reserve, equity transaction in associates and retained earnings. Share capital is the legally issued share capital. Other contributed capital comprises contributions made by shareholders in the form of share premiums in connection with new share issues, specific share holder contributions, etc. This item is reduced by reimbursements to shareholders made in accordance with separately decided and communicated capital repayment programs (e.g. through purchasing own shares or extraordinary dividends). The hedging reserve as well as the fair value reserve and the foreign currency translation reserve are reclassified to net income. Cash flow hedges may also adjust the initial cost of a non-financial asset or liability. The revaluation reserve is used in connection with step acquisitions made before 2010 and the inflation adjustment reserve when accounting for operations in hyperinflationary economies. Equity transactions in associates are the effect on the Group from equity transactions such as buyback of shares from third parties by an associated entity. 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 2014 will be recorded as a liability immediately following the final decision by the shareholders.

Provisions for pensions and employment contracts

TeliaSonera provides defined contribution or defined benefit pension plans to its employees. Contributions to defined contribution plans are normally set at a certain percentage of the employee's salary and are expensed as incurred. TeliaSonera pays fixed contributions to separate legal entities and will have no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all employee benefits. Contributions to defined contribution plans are expensed when employees provide services entitling them to the contribution.

Defined benefit pension plans, provided to most of TeliaSonera employees in Sweden, Finland and Norway, means that the individual is guaranteed a pension equal to a certain percentage of his or her salary. The pension plans mainly include retirement pension, disability pension and family pension. The present value of pension obligations and pension costs are calculated annually, using the projected unit credit method, which distributes the cost over the employee´s service period. The pension cost is recognized in three components, service cost, net interest and remeasurements. Service cost is recognized in operating income and net interest, based on discount rate, on defined benefit obligation and plan assets is reported as interest income or interest expenses in financial items. Changes in actuarial assumptions and experience adjustments of obligations and changes in fair value of plan assets, deviations from discount rate, results in remeasurements and are recognized in Other Comprehensive Income at the end of the reporting period.

Actuarial assumptions are determined at the end of the reporting period. The assets of TeliaSonera's pension funds constitute pension plan assets and are valued at fair value at the end of the reporting period.

Net provisions or assets for post-employment benefits in the statement of financial position represent the present value of obligations at the end of the reporting period less the fair value of plan assets.

Other provisions and contingencies

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

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

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

Other provisions comprise contingent consideration resulting from business combinations or from put options granted to holders of non-controlling interests in existing subsidiaries (for additional information, see section "Consolidated financial statements – Non-controlling interests" above) as well as restructuring provisions which include termination benefits, onerous contracts and other expenses related to cost reduction programs, post-acquisition integration programs, closing-down of operations, etc. Restructuring provisions are mainly recognized as Other operating expenses, since they are not expenses for post-decision ordinary activities.

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

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

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

Leasing agreements

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

TeliaSonera as lessee

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

TeliaSonera as finance lessor

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

TeliaSonera as operating lessor

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

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

C4. Changes in group composition and events after the reporting period

Group composition

Subsidiaries

TeliaSonera's principal operating subsidiaries as of December 31, 2014, are disclosed in Markets and brands. Ownership in addition to shares held directly or indirectly by TeliaSonera takes into account shares held by associated companies. Consolidated share also includes commitments to acquire shares from holders of non-controlling interests. Subsidiaries with material non-controlling interests are disclosed in Note C19 "Equity and earnings per share."

Associated companies

Material associated companies are disclosed in Note C14 "Investments in associated companies and joint ventures."

Joint arrangements

TeliaSonera owns three joint arrangements that are classified as joint operations, Svenska UMTS-nät AB (SUNAB) in Sweden, TT-Netværket P/S (TT) in Denmark and Suomen Yhteisverkko Oy in Finland. The companies are network-sharing operations with Tele2 (SUNAB), Telenor (TT) and DNA (Suomen Yhteisverkko). TeliaSonera holds 50 percent of the shares in both SUNAB and TT. TeliaSonera owns 51 percent of the shares in Suomen Yhteisverkko, but based on the shareholders agreement the company is jointly controlled and equally governed by the consensus principle.

Business combinations

In April 2014, TeliaSonera acquired Finnish AinaCom's consumer operations and fixed networks.

In May 2014, TeliaSonera acquired a group of companies within open fiber networks. The acquisition comprised 100 percent of the shares in the communication operator Zitius Service Delivery AB, Quadracom Networks AB, Quadracom Services AB, QMarket AB and the service provider Rätt Internet Kapacitet i Sverige AB (Riksnet).

In October 2014, TeliaSonera acquired all shares in Ipeer AB, a leading corporate supplier of cloud and hosting services in Sweden.

See Note C33 "Business combinations" for further information about the above acquisitions and for information on other minor business combinations in 2014.

Other acquisitions

In August 2014, TeliaSonera's Finnish operator Sonera (TeliaSonera Finland Oyj) and the local Finnish operation DNA formed a joint operation, Suomen Yhteisverkko Oy, which will build and operate a common radio access network for the parties. See "Joint arrangements" above.

In June 2014, TeliaSonera invested SEK 4 million in the joint venture SmartCash AS (name later changed to Strex AS) in Norway. TeliaSonera, Telenor and Tele2 own 33.3 percent each in the joint venture.

Disposals

There have been no disposals during 2014.

Events after the reporting period

Acquisition of Tele2's Norwegian operations

After the Norwegian Competition Authority approval TeliaSonera acquired Tele2's Norwegian mobile operations on February 12, 2015. For more information on this business combination and on another minor business combination after the reporting date, see note C33 "Business combinations."

TeliaSonera and Telenor merger of Danish operations

On December 3, 2014, TeliaSonera announced that it had entered into an agreement with Telenor to merge the two companies' Danish operations into a new joint venture in which the parties will own 50 percent each. The transaction requires approval from the EU Commission. An EU decision is expected during 2015.

C5. Segment information

In 2014, TeliaSonera implemented a new operating model based on geographical areas. According to the new model the group's operations are managed and reported by the three operating segments; region Sweden, region Europe and region Eurasia. The regions are country-based organizations and the head of each region reports directly to the CEO. Other operations are collectively reported.

- Region Sweden comprises TeliaSonera's mobile, broadband and fixed-line operations in Sweden.
- Region Europe comprises TeliaSonera's mobile, broadband and fixed-line operations in Finland, Norway, Denmark, Lithuania, Latvia, Estonia and Spain.
- Region Eurasia comprises TeliaSonera's mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal.
- Other operations include the international carrier operations, customer financing and dunning operations, TeliaSonera Holding, TeliaSonera's shareholding in the associates Russian MegaFon and Turkish Turkcell as well as Group functions.

Previously, TeliaSonera presented segment information by the business areas Mobility Services, Broadband Services and Eurasia and the segment Other operations. Comparative period figures have been restated to reflect the new organization. The restatement is based on the assumption that the new organization would have been in place during all periods presented.

Segment information is based on the same accounting principles as for the group as a whole, except for inter-segment finance leases which are treated as operating leases. Inter-segment transactions are based on commercial terms. Besides Net sales and Operating income, principal segment control and reporting concepts are EBITDA excluding non-recurring items, Investments in associated companies and joint ventures, Other operating segment assets and Operating segment liabilities, respectively (see Definitions).

Operating segment assets comprise total assets less non-operating interest-bearing receivables, long term and short term investments, pension obligation assets, foreign currency derivatives, accrued interest, tax assets and cash and cash equivalents. Operating segment liabilities contain total liabilities less non-operating interest-bearing liabilities, provisions for pensions and employment contracts, foreign currency derivatives, accrued interest and tax liabilities.

	January–December 2014 or December 31, 2014					
SEK in millions	Sweden	Europe	Eurasia	Other	Eliminations	Group
Net sales	36,456	39,836	20,458	7,043	-2,734	101,060
External net sales	36,165	39,571	19,759	5,565	–	101,060
EBITDA excluding non-recurring items	14,311	9,772	10,859	282	–	35,223
Non-recurring items	-354	-206	-637	-351	–	-1,549
Amortization, depreciation and impairment losses	-4,205	-5,273	-5,313	-797	–	-15,589
of which impairment losses	*-36*	*-202*	*-2,166*	*-0*	–	*-2,404*
Income from associated companies and joint ventures	-5	108	26	4,463	–	4,593
Operating income	9,746	4,401	4,936	3,597	–	22,679
Financial items, net						-2,573
Income taxes						-4,508
Net income						15,599
Investments in associated companies and joint ventures	22	803	327	31,640	–	32,793
Other operating segment assets	39,291	96,049	37,408	15,444	-1,791	186,401
Current and deferred tax assets						7,006
Other unallocated assets						45,866
Total assets						272,066
Operating segment liabilities	10,195	11,679	13,354	5,250	-1,797	38,680
Current and deferred tax liabilities						11,411
Other unallocated liabilities						105,610
Total non-current and current liabilities						155,701
Investments	5,605	5,203	4,733	2,355	3	17,899
of which CAPEX	*4,936*	*4,699*	*4,724*	*2,317*	3	*16,679*
Number of employees	6,740	10,917	5,273	3,236	–	26,166

	January–December 2013 or December 31, 2013					
SEK in millions	Sweden	Europe	Eurasia	Other	Eliminations	Group
Net sales	36,199	41,360	20,414	6,668	-2,771	101,870
External net sales	35,958	40,829	19,797	5,287	–	101,870
EBITDA excluding non-recurring items	14,514	9,740	10,804	513	13	35,584
Non-recurring items	-472	-415	-709	-332	–	-1,928
Amortization, depreciation and impairment losses	-4,448	-5,937	-3,473	-1,356	–	-15,215
of which impairment losses	*-444*	*-1,250*	*-500*	*-273*	–	*-2,467*
Income from associated companies and joint ventures	-14	110	19	5,906	–	6,021
Operating income	9,580	3,498	6,640	4,731	13	24,462
Financial items, net						-3,094
Income taxes						-4,601
Net income						16,767
Investments in associated companies and joint ventures	18	743	315	28,273	–	29,350
Other operating segment assets	37,157	93,426	33,755	15,615	-2,027	177,926
Current and deferred tax assets						5,617
Other unallocated assets						39,935
Total assets						252,828
Operating segment liabilities	10,526	12,986	9,995	5,451	-2,016	36,942
Current and deferred tax assets						10,418
Other unallocated liabilities						92,534
Total non-current and current liabilities						139,894
Investments	4,535	5,448	5,861	1,949	–	17,793
of which CAPEX	*4,414*	*5,368*	*4,712*	*1,839*	–	*16,332*
Number of employees	6,756	11,120	4,904	3,233	–	26,013

C6. Net sales

External net sales were distributed by product area as follows.

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Mobile services	57,151	57,438
Fixed services	30,414	30,487
Other services	3,385	3,122
Equipment	10,109	10,824
Total	**101,060**	**101,870**

Fixed services mainly include telephony, broadband, data and TV services.

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

	Jan–Dec 2014		Jan–Dec 2013		Dec 31, 2014		Dec 31, 2013	
	Net sales				Non-current assets			
	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent
Sweden	36,125	35.7	35,585	34.9	31,968	20.5	28,423	19.4
Finland	12,648	12.5	12,328	12.1	41,997	27.0	37,537	25.6
Norway	6,975	6.9	7,217	7.1	20,521	13.2	20,343	13.9
All other countries	45,312	44.8	46,740	45.9	61,344	39.4	61,144	41.2
Total	**101,060**	**100.0**	**101,870**	**100.0**	**155,830**	**100.0**	**147,447**	**100.0**

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

	Jan–Dec 2014		Jan–Dec 2013	
	SEK in millions	Percent	SEK in millions	Percent
European Economic Area (EEA)	78,732	77.9	79,659	78.2
of which European Union (EU) member states	*71,744*	*71.0*	*72,426*	*71.1*
Rest of Europe	2,323	2.3	2,432	2.4
North-American Free Trade Agreement (NAFTA)	629	0.6	522	0.5
Rest of world	19,376	19.2	19,257	18.9
Total	**101,060**	**100.0**	**101,870**	**100.0**

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

C7. Expenses by nature

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

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Goods and sub-contracting services purchased	-17,922	-18,576
Interconnect and roaming expenses	-10,144	-10,694
Other network expenses	-6,258	-5,829
Change in inventories	-3,410	-2,941
Personnel expenses (see also Note C31)	-12,557	-12,226
Marketing expenses	-5,648	-6,304
Other expenses	-10,405	-10,069
Amortization, depreciation and impairment losses	-14,735	-14,045
Total	**-81,078**	**-80,684**

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

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

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Cost of sales	-13,096	-12,559
Selling and marketing expenses	-870	-1,015
Administrative expenses	-765	-466
Research and development expenses	-4	-5
Total	**-14,735**	**-14,045**

Total amortization, depreciation and impairment losses for 2014 amounted to SEK15,589 million, whereof SEK14,735 million was allocated to the functions above and SEK 854 million was included in other operating expenses. See Note C8 "Other operating income and expenses." For more information on amortization, depreciation and impairment losses see Notes C12 "Goodwill and other intangible assets" and C13 "Property, plant and equipment." Amortization, depreciation and impairment losses are broken down by reportable segment in Note C5 "Segment information."

C8. Other operating income and expenses

Other operating income and expenses were distributed as follows.

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Other operating income		
Capital gains	77	232
Exchange rate gains	362	376
Commissions, license and patent fees, etc.	111	222
Grants	32	21
Recovered accounts receivable	65	95
Court-settled fees with other operators	–	220
Damages received	87	62
Total other operating income	**733**	**1,228**
Other operating expenses		
Capital losses	-518	-695
Transaction costs in business combinations	-56	–
Provisions for onerous contracts	-1	-100
Exchange rate losses	-454	-447
Restructuring costs	-647	-1,234
Amortization, depreciation and impairment losses	-854	-1,170
Court-settled fees with other operators	–	-312
Damages paid	-99	-15
Total other operating expenses	**-2,628**	**-3,973**
Net effect on income	**-1,895**	**-2,745**
of which net exchange rate losses on derivative instruments held-for-trading	*9*	*-6*

In 2014 and 2013, the line item "Amortization, depreciation and impairment losses" mainly refers to goodwill impairment losses. For more information on amortization, depreciation and impairment losses, see Notes C12 "Goodwill and other intangible assets" and C13 "Property, plant and equipment." Restructuring costs mainly comprised staff redundancy costs.

C9. Finance costs and other financial items

Finance costs and other financial items were distributed as follows.

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Finance costs		
Interest expenses	-3,411	-3,597
Interest expenses on finance leases	-4	-3
Unwinding of provision discounts	-83	-71
Capitalized interest	75	60
Net exchange rate gains and losses	-88	-147
Net interest on the net defined benefit liability (asset)	30	-147
Total finance costs	**-3,479**	**-3,905**
Other financial items		
Interest income	680	686
Interest income on finance leases	99	100
Credit losses on finance leases	-1	-14
Capital gains on venture capital instruments	–	4
Changes in fair value of held-for-trading-investments	56	–
Unwinding of discounts, receivables	74	55
Financial losses on financial instruments	-1	-20
Total other financial items	**907**	**811**
Net effect on income	**-2,573**	**-3,094**

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

	Jan–Dec 2014	Jan–Dec 2013	Jan–Dec 2014	Jan–Dec 2013	Jan–Dec 2014	Jan–Dec 2013
SEK in millions	Interest expenses		Net exchange rate gains and losses		Interest income	
Fair value hedge derivatives	1,764	366	31	-176	–	–
Cash flow hedge derivatives	-36	-83	576	97	–	–
Derivatives held-for-trading	-188	-411	-267	2,322	–	–
Held-to-maturity investments	–	–	–	–	26	18
Loans and receivables	–	–	610	-3,314	658	652
Borrowings in fair value hedge relationships	-2,374	-1,606	-31	176	–	–
Borrowings and other financial liabilities at amortized cost	-2,571	-1,855	-1,006	748	–	–
Other	-7	-8	–	–	-2	16
Total	**-3,411**	**-3,597**	**-88**	**-147**	**680**	**686**

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

C10. Income taxes

Tax items recognized in comprehensive income and directly in equity

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

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Tax items recognized in net income		
Current tax expense relating to current year	-3,315	-3,614
Underprovided or overprovided current tax expense in prior years	-5	81
Deferred tax expense originated or reversed in current year	-1,115	-594
Recognition of previously unrecognized deferred taxes	18	217
Effect on deferred tax from changes in tax rates	-91	-691
Total tax expense recognized in net income	**-4,508**	**-4,601**
Tax items recognized in other comprehensive income		
Current tax relating to current year	870	367
Deferred tax originated or reversed in current year	845	-966
Total tax recognized in other comprehensive income	**1,715**	**-599**
Tax items recognized directly in equity		
Deferred tax related to treasury share repurchase made by associated company	10	6
Total tax recognized directly in equity	**10**	**6**

Pre-tax income was SEK 20,107 million in 2014 and SEK 21,368 million in 2013. The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	Jan–Dec 2014	Jan–Dec 2013
Swedish income tax rate	22.0	22.0
Effect of higher or lower tax rates in subsidiaries	-0.4	0.1
Withholding tax on earnings in subsidiaries and associated companies	2.8	2.0
Underprovided or overprovided current tax expense in prior years	0.0	-0.4
Recognition of previously unrecognized deferred taxes	-0.1	-1.0
Effect on deferred tax expense from changes in tax rates	0.5	3.2
Income from associated companies	-5.0	-6.2
Current year losses for which no deferred tax asset was recognized	0.9	0.5
Non-deductible expenses	2.5	2.0
Tax-exempt income	-0.8	-0.7
Effective tax rate in net income	**22.4**	**21.5**
Effective tax rate excluding effects from associated companies	*25.6*	*25.7*

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

Country	Enacted	Change in corporate income tax legislation	Effective
Sweden	November 2012	Tax rate cut from 26.3 percent to 22.0 percent	January 1, 2013
Denmark	June 2012/2013	To the extent taxable income exceeds DKK 7.5 million, a maximum of 60.0 percent of taxable income for tax assessment periods beginning on or after July 1, 2012, could be offset against accumulated tax losses in previous years. Tax rate has gradually decreased from 25.0 percent to 24.5 percent on January 1, 2014, 23.5 percent in 2015 and 22.0 percent from 2016	January 1, 2013/2014/ 2015/2016
Finland	December 2013	Tax rate cut from 24.5 percent to 20.0 percent	January 1, 2014
France	December 2012	To the extent taxable income exceeds EUR 1 million, a maximum of 50.0 percent of taxable income from year 2013 could be offset against accumulated tax losses in previous years	January 1, 2013
Norway	December 2013	Tax rate cut from 28.0 percent to 27.0 percent	January 1, 2014
Spain	July 2012/ October 2013/ November 2014	Tax rate cut from 30.0 percent to 28.0 percent in 2015 and 25.0 percent in 2016. If turnover exceeds EUR 60 million, a maximum of 25.0 percent of taxable income from year 2012 could be offset against accumulated tax losses in previous years. The temporary limitations were valid until 2013 and has been prolonged until 2015. The level of utilization increases to 60 percent in 2016 and to 70 percent in 2017 and beyond. The utilization period for tax losses are limited to 18 years but from 2015 the limitation of the tax loss utilization period cease to exist and the tax losses are not time restricted anymore.	January 1, 2012/2014/2015/ 2016/2017
United Kingdom	March/July 2012/ July 2013	Tax rate cut from 24.0 percent to 23.0 percent in 2013 with further reduction to 21.0 percent in 2014 and 20.0 percent in 2015	April 1, 2013/2014/2015
Uzbekistan	December 2013	Tax rate cut from 9.0 percent to 8.0 percent	January 1, 2014

The reduction of the Spanish and Finnish corporate income tax rate effective from January 1, 2015 and January 1, 2014 respectively, triggered a recalculation of existing deferred tax assets and liabilities in TeliaSonera's Spanish and Finnish operations, resulting in a net deferred tax expense of SEK 91 million in 2014 and SEK 675 million in 2013.

Deferred tax assets and liabilities

Deferred tax assets and liabilities changed as follows.

SEK in millions	Dec 31, 2014	Dec 31, 2013
Deferred tax assets		
Opening balance	5,493	7,410
Comprehensive income period change	-121	-1,907
Operations acquired	0	–
Operations divested	–	-2
Reversals of offset tax liabilities/assets, other reclassifications	263	-135
Exchange rate differences	320	127
Deferred tax assets, closing balance	**5,955**	**5,493**
Deferred tax liabilities		
Opening balance	10,063	10,287
Comprehensive income period change	222	127
Change of withholding taxes recognized directly in equity	-10	-6
Operations acquired	69	7
Operations divested	–	-48
Reversals of offset tax assets/liabilities, other reclassifications	332	-2
Exchange rate differences	164	-302
Deferred tax liabilities, closing balance	**10,840**	**10,063**

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Gross deferred tax assets		
Delayed depreciation, impairment losses and fair value adjustments, other non-current assets	3,837	3,932
Delayed expenses for provisions	1,505	980
Doubtful current receivables	213	93
Tax loss carry-forwards	4,433	4,736
Subtotal	**9,988**	**9,741**
Valuation allowances		
Delayed depreciation, other non-current assets	-5	-5
Doubtful current receivables	-17	-16
Tax loss carry-forwards	-3,519	-3,834
Subtotal	**-3,541**	**-3,855**
Offset deferred tax liabilities/assets	-492	-393
Total deferred tax assets	**5,955**	**5,493**
Deferred tax liabilities		
Withholding taxes subsidiaries and associated companies	2,469	1,960
Accelerated depreciation and fair value adjustments, other non-current assets	5,755	5,183
Fair value adjustments, provisions	534	796
Delayed revenue recognition, current receivables	32	22
Profit equalization reserves	2,542	2,495
Subtotal	**11,332**	**10,456**
Offset deferred tax assets/liabilities	-492	-393
Total deferred tax liabilities	**10,840**	**10,063**
Net deferred tax assets (+)/liabilities (-)	**-4,885**	**-4,570**
Net increase (+)/decrease (-) in valuation allowance	**-314**	**158**

Unrecognized deferred tax assets, as reflected by the valuation allowance at December 31, 2014, were expected to expire as follows.

Expected expiry, SEK in millions	2015	2016	2017	2018	2019	2020-2023	Unlimited	Total
Unrecognized deferred tax assets	2	1	2	3	3	304	3,204	**3,519**

As of December 31, 2014 and 2013, unrecognized deferred tax liabilities for undistributed earnings in subsidiaries, including estimated income tax that is levied on dividends paid, totaled SEK 974 million and SEK 839 million, respectively.

Tax loss carry-forwards

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

Tax losses in Spain refer to the Spanish 3G mobile network operator Xfera Móviles S.A. (Yoigo), acquired in 2006. Xfera has reported tax losses since its incorporation in 2000, due to annual spectrum fees paid to the Spanish government, depreciation and write-downs of earlier investments, other pre-operating costs and additional operating losses incurred thereafter. As of December 31, 2014, Xfera had tax losses and taxable temporary differences totaling SEK 12.3 billion.

Under current 3G market conditions and due to the decreases in equipment prices in the past few years, management is, however, confident that Xfera will be able to generate taxable profits, and has prepared a robust business plan based on a sound business model with detailed and benchmarked data, and has also convinced other parties to invest alongside TeliaSonera. As a result, management believes that the current non-time restricted tax losses will be utilized. 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 based its projections on the business development during the last years and a prudent plan for the future. As of December 31, 2014, based on these projections, management has recognized a deferred tax asset of SEK 491 million after valuation allowance.

Tax losses in the international carrier operations refer mainly to impairment losses on plant and machinery incurred in 2002. Most of these tax losses have no expiry dates.

TeliaSonera's accumulated tax loss carry-forwards were SEK 17,366 million in 2014 and SEK 16,912 million in 2013. Tax loss carry-forwards as of December 31, 2014, were expected to expire as follows.

Expected expiry, SEK in millions	2015	2016	2017	2018	2019	2020-2033	Unlimited	Total
Tax loss carry-forwards	92	101	115	10	13	1,532	15,503	**17,366**

C11. Other comprehensive income

Other comprehensive income that may be reclassified to net income was distributed as follows. See Note C21 for details of "Remeasurements of defined benefit pension plans."

SEK in millions	Equity component	Jan–Dec 2014	Jan–Dec 2013
Foreign currency translation differences			
Translation of foreign operations	Foreign currency translation reserve	6,689	-1,559
Translation of foreign non-controlling interests	Non-controlling interests	332	-126
Disposals transferred to net income	Foreign currency translation reserve	–	139
of which line items other operating income/expenses		*–*	*139*
Hedging of foreign operations	Foreign currency translation reserve	-3,956	-2,263
Income tax effect	Foreign currency translation reserve	870	434
Total foreign currency translation differences		**3,935**	**-3,375**
of which attributable to owners of the parent		*3,603*	*-3,249*
Income from associated companies			
Net changes in fair value of cash flow hedges	Hedging reserve	2	1
Translation of foreign operations	Foreign currency translation reserve	7	-154
Total income from associated companies		**9**	**-153**
Cash flow hedges			
Net changes in fair value	Hedging reserve	64	344
Transferred to finance costs in net income	Hedging reserve	5	-10
Income tax effect	Hedging reserve	-25	-67
Total cash flow hedges		**44**	**267**
Available-for-sale financial instruments			
Net changes in fair value	Fair value reserve	1	-2
Disposals transferred to other financial items in net income	Fair value reserve	2	–
Income tax effect		0	0
Total available-for-sale financial instruments		**3**	**-2**
Total other comprehensive income that may be reclassified to net income		**3,990**	**-3,263**
of which total income tax effects (see also Note C10)		*845*	*367*
of which attributable to non-controlling interests		*332*	*-126*

The hedging reserve comprises gains and losses on derivatives hedging interest rate and foreign currency exposure, with a positive net effect in equity of SEK 44 million as of December 31, 2014 and SEK 267 million as of December, 2013. Future gains or losses will affect net income in 2016, 2017, 2019 and later, when the hedged items mature. No hedging reserve transfer necessitated adjustment of the cost of acquisition. See also section "Financial instruments" in Note C3 "Significant accounting policies."

C12. Goodwill and other intangible assets

The total carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
	Goodwill		Other intangible assets	
Accumulated cost	78,707	74,261	45,034	39,473
Accumulated amortization	–	–	-27,742	-23,603
Accumulated impairment losses	-7,812	-6,948	-2,408	-2,005
Advances	–	–	382	344
Carrying value	**70,895**	**67,313**	**15,266**	**14,209**
of which work in progress	–	–	*266*	*761*
Carrying value, opening balance	67,313	69,162	14,209	14,116
Investments	458	268	3,265	3,682
of which capitalized interest	–	–	*12*	*15*
Sales and disposals	–	–	-14	-50
Operations acquired	–	–	20	–
Operations divested	–	-263	–	-198
Reclassifications	-72	-89	303	233
Adjustments related to put options and contingent consideration	-185	239	–	–
Amortization for the year	–	–	-2,856	-2,785
Impairment losses for the year	-753	-1,171	-362	-1,072
Advances	–	–	38	302
Exchange rate differences	4,134	-833	664	-19
Carrying value, closing balance	**70,895**	**67,313**	**15,266**	**14,209**

In 2014 and 2013, investments in telecom and frequency licenses amounted to SEK 1,354 million and SEK 1,797 million, respectively.

Reclassifications of other intangible assets in 2014 mainly related to rental rights in Denmark reclassified from goodwill and software development in Estonia reclassified from property, plant and equipment.

For comments on impairment losses for the year, see section "Impairment testing" below.

Apart from goodwill, there are currently no intangible assets with indefinite useful lives. No general changes of useful lives were made in 2014. For amortization rates applied, see section "Useful lives" in Note C2 "Key sources of estimation uncertainty." In the statement of comprehensive income, amortization and impairment losses are included in all expense line items by function as well as in line item Other operating expenses.

The total carrying value of goodwill was distributed by reportable segments and cash generating units with significant goodwill amounts as follows.

SEK in millions	Dec 31, 2014	Dec 31, 2013
Region Europe	57,445	55,040
of which Finland	*30,262*	*28,180*
of which Norway	*16,430*	*16,529*
of which Denmark	*4,033*	*3,797*
of which Lithuania	*2,691*	*2,530*
of which Estonia	*2,418*	*2,272*
of which other countries	*1,612*	*1,732*
Region Eurasia	12,389	11,585
of which Azerbaijan	*6,919*	*5,981*
of which Uzbekistan	*1,672*	*1,483*
of which Nepal	*3,400*	*2,945*
of which other countries	*398*	*1,176*
Region Sweden	905	626
Other operations	155	63
Total goodwill	**70,895**	**67,313**

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Trade names	204	98
Telecom and frequency licenses	8,648	8,117
Customer and vendor relationships, interconnect and roaming agreements	1,590	1,128
Capitalized development expenses	2,876	2,737
Patents, etc.	4	5
Leaseholds, etc.	1,302	1,023
Work in progress, advances	643	1,101
Total other intangible assets	**15,266**	**14,209**

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

Impairment testing

Goodwill is for impairment testing purposes allocated to cash generating units in accordance with TeliaSonera's business organization. In most cases, each country within the respective reportable segment constitutes a cash-generating unit (CGU). Carrying values (for impairment testing purposes defined as segment operating capital and allocated common assets from Group Technology less deferred tax on fair value adjustments and notionally adjusted for non-controlling interests in goodwill) of all cash-generating units are annually tested for impairment. The recoverable amounts (that is, the 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. For Denmark the recoverable amount is based on fair value less costs of disposal.

The fair value calculation for Denmark is made using discounted cash flow (DCF) calculations based on assumptions that market participants would consider and the fair value measurement is categorized in level 3 of the fair value hierarchy of IFRS 13. See Note C3 "Significant accounting policies," section "Fair value hierarchy levels." In the recoverable amount calculations, management used assumptions that it believes are reasonable based on the best information available. The key assumptions in both the fair value calculation and 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 fair value calculation for Denmark was based on projected cash flows, which management believes reflect past experience, forecasts in industry reports and other externally available information. The value in use calculations were based on forecasts approved by management, which management believes reflect past experience, forecasts in industry reports, and other externally available information. Management believes that value in use based on own business plan gives a better picture of the value for TeliaSonera and of the long-term valuation, compared to the current equity market values that in some cases can be below the recoverable amount derived from TeliaSonera's own long-term business plans.

The forecasted cash flows were discounted at the weighted average cost of capital (WACC) for the relevant cash-generating unit. The WACC is derived from the risk free interest rate in local currency, the country risk premium, the business risk represented by the estimated beta, the local equity market risk premium and an estimated reasonable cost of borrowing above the risk free rate. The pre-tax discount rate typically cannot be directly observed or measured. It is calculated by iteration – by first running DCF calculation using post-tax cash flows and a post-tax discount rate, and then determining what the pre-tax discount rate would need to be to cause value in use determined using pre-tax cash flows to equal the value in use determined by the post-tax DCF calculation.

The forecast periods, WACC rates and the terminal growth rates of free cash flow used to extrapolate cash flows beyond the forecast period varied by cash generating unit as presented below. In all cases management believes the terminal growth rates to not exceed the average growth rates for markets in which TeliaSonera operates.

Years/Percent	Sweden	Finland	Norway	Denmark	Omnitel	TEO	Latvia	Estonia	Spain
Forecast period (years)	5	5	5	5	5	5	5	5	5
Post-tax WACC rate (%)	4.8	4.5	5.6	4.3	5.5	5.5	5.7	5.1	5.3
Pre-tax WACC rate (%)	5.7	5.6	7.6	5.5	6.4	6.2	6.6	6.4	6.7
Terminal growth rate (%)	2.0	1.8	2.0	2.0	2.1	2.1	2.5	2.7	1.9

Years/Percent	Wholesale	Kazakhstan	Azerbaijan	Uzbekistan	Tajikistan	Georgia	Moldova	Nepal
Forecast period (years)	5	5	5	5	5	5	5	5
Post-tax WACC rate (%)	5.5	15.1	11.6	19.3	21.8	13.4	19.3	19.7
Pre-tax WACC rate (%)	6.8	19.0	14.6	20.9	30.1	15.5	20.9	26.4
Terminal growth rate (%)	2.0	4.8	4.3	5.7	4.4	5.4	3.0	6.2

In the last quarter of 2014, following the annual impairment tests, goodwill and other assets write-downs of SEK 689 million, SEK 432 million and SEK 344 million were recognized in cash-generating units Tajikistan, Georgia and Moldova, respectively, as presented below.

SEK in millions	Tajikistan	Georgia	Moldova	Total
Recoverable amount	733	1,102	618	2,453
Impairment loss	-689	-432	-344	-1,465
of which goodwill	-173	-306	-41	-520
of which other intangible assets	-80	-33	-110	-223
of which tangible assets	-436	-93	-192	-722

Compared to last year, lower estimated EBITDA margins combined with both higher capital need and a higher WACC are the key underlying reasons for impairment.

The economic uncertainty in these three countries has impacted management's long-term view on the value. Impairment of intangible assets in these CGUs mainly related to licenses and software. For information on impairment of tangible assets, see Note C13 "Property, plant and equipment."

A goodwill impairment loss of SEK 233 million and a write-down of tangible assets of SEK 148 million have also been recognized in 2014, relating to the WiMAX operation in Kazakhstan. TeliaSonera wrote down the value of frequencies related to this operation in 2013. At the end of 2014, goodwill and remaining fixed assets were written down due to continued lack of a 4G license and to reflect the operational performance in the WiMAX business. As of December 31, 2014, the total recoverable amount for Kazakhstan was SEK 21,829 million. For information on impairment of the tangible assets, see Note C13 "Property, plant and equipment."

Additional impairment losses in 2014 of SEK 139 million for other intangible assets mainly related to obsolete software and IT platforms.

Sensitivity analysis

The estimated recoverable amounts for Finland, Norway, Denmark, Omnitel, Latvia and Estonia were in proximity of the carrying values. The table below shows the carrying value for impairment testing purposes of which goodwill for the cash generating units.

SEK in millions	Finland	Norway	Denmark	Omnitel	Latvia	Estonia
Carrying value for impairment testing purposes	40,176	21,795	8,180	2,650	3,185	4,835
Of which goodwill	29,209	17,566	4,123	1,428	1,428	2,333

The impairment tests assumed, in addition to the post-tax WACC rates and the terminal growth rates stated above, the following sales growth and EBITDA margin ranges during the next 5 years for the CGUs that are sensitive to reasonable changes in assumptions.

5-year period/Percent	Finland	Norway	Denmark	Omnitel	Latvia	Estonia	Tajikistan	Georgia	Moldova
Sales growth, lowest in period (%)	-1.4	0.0	-6.0	0.4	-0.6	-0.4	4.0	4.3	2.4
Sales growth, highest in period (%)	0.2	6.0	0.6	2.2	0.6	0.7	5.0	8.7	8.0
EBITDA margin, lowest in period (%)	29.8	30.3	13.9	23.4	34.5	29.2	46.0	41.4	26.3
EBITDA margin, highest in period (%)	33.4	33.7	18.0	27.9	35.9	29.5	48.6	50.8	41.0

The upper part of the following table sets out how many percentage points each key assumption approximately must change each year, all else being equal, in order for the recoverable value to equal carrying value for the respective cash generating unit.

The lower part of the table first shows the SEK billion effect on the recoverable values of the cash generating units, should there be a one percentage-point upward shift in WACC. Finally, it sets out the absolute SEK billion change of the recoverable value that would equal carring value for the respective cash generating unit.

Tajikistan, Georgia and Moldova are not included in the table since recoverable value equals carrying value after the impairment charges recognized in these cash generating units.

Percentage points/SEK in billions	Finland	Norway	Denmark	Omnitel	Latvia	Estonia
Sales growth in the 5-year period (%)	-12.0	-1.0	-3.4	-1.7	-4.5	-1.8
EBITDA margin in the 5-year period and beyond (%)	-2.9	-0.3	-0.4	-0.3	-0.9	-0.3
Terminal sales growth rate (%)	-0.9	-0.1	-0.2	-0.2	-0.4	-0.2
Post-tax WACC rate (%)	0.8	0.1	0.1	0.1	0.4	0.1
Effect of a one percentage-point upward shift in WACC (SEK in billions)	-12.7	-4.3	-3.0	-0.5	-0.8	-1.3
Change in the recoverable value to equal the carrying value (SEK in billions)	-10.4	-0.4	-0.6	-0.1	-0.4	-0.3

C13. Property, plant and equipment

The carrying value was distributed and changed as follows.

	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
			Plant and machinery							
SEK in millions	Property		Mobile networks		Fixed networks		Equipment, tools and installations		Total	
Accumulated cost	9,318	8,661	83,285	78,402	129,431	125,154	9,941	9,310	**231,975**	221,527
Accumulated depreciation	-4,602	-4,325	-48,016	-47,754	-90,381	-87,685	-6,601	-6,246	**-149,600**	-146,010
Accumulated impairment losses	-507	-411	-2,374	-457	-9,812	-10,262	-350	-385	**-13,043**	-11,515
Advances	7	60	325	701	–	–	6	29	**338**	790
Carrying value	**4,216**	**3,985**	**33,220**	**30,892**	**29,238**	**27,207**	**2,996**	**2,708**	**69,669**	**64,792**
of which assets under construction	–	–	*5,292*	*4,495*	*3,078*	*1,889*	–	–	***8,371***	*6,384*
Carrying value, opening balance	3,985	4,117	30,892	29,032	27,207	26,847	2,708	2,662	**64,792**	62,657
Change of accounting principle	–	–	–	–	–	–	–	–	**–**	–
Investments	237	125	7,358	7,179	5,438	4,100	962	858	**13,994**	12,262
of which capitalized interest	–	–	*23*	*24*	*40*	*22*	–	–	***63***	*46*
Sales and disposals	-4	-5	-449	-199	-60	-51	-8	-38	**-521**	-293
Dismantling and restoration	–	–	111	92	58	62	–	–	**170**	154
Operations acquired	23	–	25	237	236	–	6	22	**290**	259
Operations divested	–	-91	-9	-13	–	–	0	-202	**-9**	-306
Grants received	-2	-1	-21	-16	-16	-25	–	–	**-38**	-42
Reclassifications	92	55	273	162	-251	-423	187	419	**300**	213
Depreciation for the year	-208	-247	-5,355	-5,241	-3,851	-3,548	-915	-927	**-10,329**	-9,963
Impairment losses for the year	-64	–	-1,157	-69	-41	-47	-27	-108	**-1,289**	-224
Advances	-53	20	-376	416	–	–	-22	23	**-451**	459
Exchange rate differences	211	12	1,928	-688	518	292	105	-1	**2,761**	-385
Carrying value, closing balance	**4,216**	**3,985**	**33,220**	**30,892**	**29,238**	**27,207**	**2,996**	**2,708**	**69,669**	**64,792**

Impairment losses recognized in Tajikistan, Georgia, Moldova and Kazakhstan in 2014 of SEK 869 million related mainly to mobile networks impairment. See Note C12 "Goodwill and other intangible assets" for more information on these impairment losses. Other impairment losses in 2014 of SEK 420 million mainly related to mobile networks under construction and was a result of an assessment of the value of assets under construction performed in all countries in Eurasia by an independent external advisor.

No general changes of useful lives were made in 2014. For depreciation rates applied, see section "Useful lives" in Note C2 "Key sources of estimation uncertainty." In the statement of comprehensive income, depreciation and impairment losses are included in all expense line items by function as well as in line item Other operating expenses, see Notes C7 "Expenses by nature" and C8 "Other operating income and expenses." For information on contractual obligations regarding future acquisitions of property, plant and equipment, see Note C29 "Contingencies, other contractual obligations and litigation."

Property

TeliaSonera's real estate holdings include some 3,900 properties, mainly in Sweden and Finland. The substantial majority is used solely for technical facilities, like network installations, computer installations, research centers and service outlets.

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Depreciable property (buildings, etc.)	3,706	3,551
Non-depreciable property (land)	510	434
Total property	**4,216**	**3,985**

C14. Investments in associated companies and joint ventures

The total carrying value was distributed as follows.

SEK in millions	Dec 31, 2014	Dec 31, 2013
Interests in associated companies	32,751	29,311
Interest in joint ventures	42	39
Total carrying value	**32,793**	**29,350**

Items recognized in net income and in total comprehensive income were as follows.

	January–December	
SEK in millions	2014	2013
Share of Income from associated companies	4,604	6,000
Gains/losses from disposals of shares in associates	–	35
Income from joint ventures	-11	-14
Recognized in net income	**4,593**	**6,021**
Other comprehensive income associated companies	14	-153
Recognized in total comprehensive income	**4,607**	**5,868**

Details of material associated companies

TeliaSonera has two material associated companies, OAO MegaFon and Turkcell Iletisim Hizmetleri A.S. OAO MegaFon has its operations in Russia. The ownership interest and voting power is 25 percent and the consolidated share is 26 percent (25 percent/27 percent). MegaFon's holding of treasury shares is included in TeliaSonera's consolidated share. Turkcell Iletisim Hizmetleri A.S, in which TeliaSonera's ownership and voting power as well as consolidated share is 38 percent (38 percent), operates in Turkey, Ukraine and Belarus. Both companies are mobile operators. MegaFon and Turkcell, reported in TeliaSonera's financial statements using the equity method, are publicly listed companies and therefore included with a one-quarter lag with adjustments made for the effects of significant transactions or events that occur between TeliaSonera's closing date and the date of the respective company's financial statements. For more information, see Risks and uncertainties, section "Associated companies and joint operations." Market values of TeliaSonera's holdings at year-end were:

SEK in millions	Dec 31,2014	Dec 31,2013
OAO MegaFon, Russia	19,033	35,374
Turkcell Iletisim Hizmetleri A.S., Turkey	44,160	28,980

The following table summarizes the financial information of MegaFon and Turkcell as included in the companies' own financial statements adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarized financial information to the carrying amount of the group's interests in the companies. Information on other, non-material, associated companies and joint ventures are not disclosed separately. TeliaSonera has three joint arrangements classified as joint operations. For additional information on those, see Note C4 "Changes in group composition and events after the reporting period."

Statements of financial position	December 31, 2014					
	MegaFon		Turkcell		Total	
SEK in millions	2014	2013	2014	2013	2014	2013
Non-current assets	47,595	55,132	47,191	30,527	94,785	85,659
Current assets	9,422	16,694	29,283	33,491	38,705	50,185
Non-current liabilities	22,551	31,476	3,710	4,386	26,261	35,862
Current liabilities	13,054	14,985	18,108	13,492	31,162	28,477
Net assets (100 percent)	21,412	25,365	54,655	46,140	76,067	71,505
Non-controlling interests	-49	-78	1,157	-551	1,108	-629
Net assets excluding non-controlling interests	21,363	25,287	55,813	45,589	77,175	70,876
Adjustment for differences in accounting principles	-269	-599	2,644	1,030	2,355	431
Net assets after adjustments	21,074	24,688	58,456	46,619	79,530	71,307
Group's share	5,521	6,725	22,237	17,734	27,758	24,459
Adjustment, Turkcell part of Fintur equity	–	–	-1,318	-1,128	-1,318	-1,128
Adjustment, fair values	476	660	4,470	4,035	4,947	4,695
Carrying value of interests in MegaFon and Turkcell	**5,998**	**7,385**	**25,389**	**20,641**	**31,387**	**28,026**
Carrying value of other associated companies not individually material (group's share)					1,364	1,285
Carrying value of joint ventures (group's share)					42	39
Total carrying value of interests in associated companies and joint ventures					**32,793**	**29,350**

	January–December					
	2014	2013	2014	2013	2014	2013
Statements of comprehensive income	MegaFon		Turkcell		Total	
Net sales	60,657	60,526	32,472	40,366	93,128	100,892
Net income	8,472	11,059	6,620	8,123	15,092	19,182
Other comprehensive income	-27	21	52	-420	25	-399
Total comprehensive income (100 percent)	8,445	11,080	6,672	7,703	15,118	18,783
Total comprehensive income (group's share)	2,248	3,028	2,538	2,930	4,786	5,958
Adjustment Turkcell part of Fintur total comprehensive income	–	–	-342	-370	-342	-370
Amortization of fair value adjustments	-8	70	31	61	23	131
Total comprehensive income after adjustments, group's share	2,240	3,098	2,228	2,621	4,468	5,719
Gains/losses from sale of shares in associates	–	35	–	–	–	35
Other associated companies not individually material						
Net sales (100 percent)					1,959	2,105
Net income (group's share)					171	128
Total comprehensive income from other associated companies					171	128
Joint ventures not individually material						
Net income (group's share)					-31	-14
Total comprehensive income joint ventures (group's share)					-31	-14
Group's share of total comprehensive income for associated companies and joint ventures					**4,607**	**5,868**
Dividends received from MegaFon and Turkcell	2,002	2,043	–	–	2,002	2,043
Dividends received from other associated companies					135	127
Total dividends received from associated companies and joint ventures					**2,136**	**2,170**

The carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2014	Dec 31, 2013
Goodwill and fair value adjustments	4,917	4,746
Share of equity	27,876	24,604
Carrying value	**32,793**	**29,350**
Carrying value, opening balance	29,350	29,341
Shareholder contributions	10	33
Share of net income for the year	4,609	5,929
Share of other comprehensive income for the year	14	-153
Amortization and write-downs of fair value adjustments	-16	57
Dividends received	-2,136	-2,170
Acquisitions and operations acquired	4	321
Transactions in equity	945	240
Reclassifications	144	146
Exchange rate differences	-130	-4,394
Carrying value, closing balance	**32,793**	**29,350**

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

Company, corp. reg. no., registered office	Participa-tion (%)	Number of shares	Equity participation in consolidated accounts 2014	Equity participation in consolidated accounts 2013	Carrying value in each parent company 2014	Carrying value in each parent company 2013
			SEK in millions			
Parent company holdings						
Swedish companies						
Overseas Telecom AB, 556528-9138, Stockholm	65	1,180,575	232	227	198	198
4T Sverige AB, 556857-8495, Stockholm	25	25,000	17	14	46	37
SNPAC Swedish Number Portability Administrative Centre AB, 556595-2925, Stockholm	20	400	5	4	1	1
Other operating, dormant and divested companies			0	0	0	0
Non-Swedish companies						
Strex AS, 985867569, Oslo	33	33,334	12	11	15	11
Yoga AS, 11486721, Tallinn	25	1,013,333	9	8	8	8
ZeroGroup Holding OÜ, 11536594, Tartu	25	1	12	12	12	12
Other operating, dormant and divested companies			0	0	0	0
Total parent company					**280**	**267**
Subsidiaries' holdings						
Swedish companies						
Other operating, dormant and divested companies			0	0	0	0
Non-Swedish companies						
AS Sertifitseerimiskeskus, 10747013, Tallinn	50	32	15	13	5	4
SIA Lattelecom, 00030527, Riga	49	71,581,000	755	694	1,083	979
Turkcell Holding A.S., 430991-378573, Istanbul	47	214,871,670	16,207	13,179	1,858	1,682
Turkcell Iletisim Hizmetleri A.S., 304844-252426, Istanbul	14	308,531,984	9,182	7,462	1,950	1,765
OCH A/S, 18936909, Copenhagen	33	1,333	4	8	5	4
Voicecom OÜ, 10348566, Tallinn	26	–	2	2	1	1
OAO MegaFon, 7812014560, Moscow	25	156,080,311	5,998	7,385	9,675	6,785
4T af 1. oktober 2012 ApS, 32348882, Copenhagen	25	–	13	14	15	14
TOO Rodnik Ink, 78071-1910-TOO, Almaty	25	–	327	315	179	167
Suomen Numerot NUMPAC Oy, 1829232-0, Helsinki	25	3,000	1	1	0	0
SCF Huolto Oy, 1892276-7, Loimaa	20	20	0	0	0	0
Other operating, dormant and divested companies			0	0	0	0
Total Group			**32,793**	**29,350**		

The share of voting power in Overseas Telecom AB is 42 percent. Turkcell Holding A.S. owns 51 percent of the shares in Turkcell Iletisim Hizmetleri A.S.

For additional information related to associated companies, see Note C28 "Related Party Transactions," and Note C29 "Contingencies, other contractual obligations and litigation."

C15. Other non-current assets

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

SEK in millions	Dec 31, 2014 Carrying value	Dec 31, 2014 Fair value	Dec 31, 2013 Carrying value	Dec 31, 2013 Fair value
Equity instruments available-for-sale	228	228	190	190
Equity instruments held-for-trading	108	108	70	70
Other derivatives held-for-trading	55	55	–	–
Bonds available-for-sale	4,671	4,671	2	2
Interest rate and cross currency interest rate swaps at fair value	4,797	4,797	2,102	2,102
of which designated as fair value hedges	*2,616*	*2,616*	*1,176*	*1,176*
of which held-for-trading	*1,201*	*1,201*	*690*	*690*
of which designated as cash flow hedges	*980*	*980*	236	236
Currency swaps and forward exchange contracts held-for-trading	–	–	0	0
***Subtotal** (see Fair value hierarchy levels – Note C25)*	***9,859***	***9,859***	***2,364***	***2,364***
Government bonds and treasury bills held-to-maturity	10	10	30	30
Loans and receivables at amortized cost	4,041	4,041	6,237	6,237
***Subtotal** (see Categories – Note C25)*	***13,910***	***13,910***	***8,631***	***8,631***
Finance lease receivables	712	712	670	670
***Subtotal** (see Credit risk – Note C26)/* **Total fair value**	***14,622***	**14,622**	***9,301***	**9,301**
Equity instruments at cost	47		45	
Deferred expenses	886		941	
Total other non-current assets	**15,555**		**10,287**	
of which interest-bearing	*14,336*		*9,479*	
of which non-interest-bearing	*1,219*		*808*	

For Loans and receivables, including claims on associated companies, fair value is estimated at the present value of future cash flows discounted by applying market interest rates as of the end of the reporting period (fair value hierarchy level 2). As of December 31, 2014, contractual cash flows for Government bonds and treasury bills and Loans and receivables represented the following expected maturities.

Expected maturity, SEK in millions	2016	2017	2018	2019	Later years	Total
Government bonds and treasury bills	0	10	0	0	0	**10**
Loans and receivables	3,624	267	38	34	77	**4,041**

For more information on financial instruments by category/fair value hierarchy level and exposed to credit risk, see Note C25 “Financial assets and liabilities by category and level” and section “Credit risk management” in Note C26 “Financial risk management,” respectively. For information on leases, see Note C27 “Leasing agreements.”

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

Company, corp. reg. no., registered office	Participa-tion (%)	Number of shares	Carrying/fair value in consolidated accounts 2014	Carrying/fair value in consolidated accounts 2013	Carrying value in each parent company 2014	Carrying value in each parent company 2013
			SEK in millions			
Parent company holdings						
Swedish companies						
Accumulate AB, 556583-7118, Stockholm	13	71,063	16	13	16	13
Zound Industries International AB, 556757-4610, Jönköping	7	476,190	30	–	30	–
Other operating, dormant and divested companies			0	0	0	0
Non-Swedish companies						
Introdex Oy, 2155137-0, Helsinki	13	18,387	0	0	0	0
ONSET VI, L.P., 4604207, Dover, DE	2	–	21	18	21	18
Vision Extension L.P., LP180, Saint Helier, Jersey	2	–	0	0	0	0
Other operating, dormant and divested companies			0	0	0	0
Total parent company					**67**	**31**
Subsidiaries' holdings						
Swedish companies						
Other operating, dormant and divested companies			0	0	0	0
Non-Swedish companies						
Eesti Lairiba Arenduse Sihtasutus, 90010094, Tallinn	25	–	1	1	1	1
Telecom Development Company Afghanistan B.V., 34183985, Amsterdam	12	1,225	227	189	227	189
Oy Merinova Ab, 0778620-2, Vaasa	6	800	1	1	1	1
Vierumäki Golf Village Oy, 1927979-3, Helsinki	5	0	13	13	13	13
Diamondhead Ventures, L.P., 3145188, Menlo Park, CA	4	–	2	3	2	3
Helsinki Halli Oy, 1016235-3, Helsinki	1	42	4	4	4	4
Intellect Capital Ventures, L.L.C., 3173982, Los Angeles, CA	0	–	38	36	38	36
Digital Media & Communications II L.P., 3037042, Boston, MA	0	–	0	0	0	0
Asunto Oy Helsingin Oskar, 0881553-8, Helsinki	0	280	1	1	1	1
Holdings in other real estate and housing companies, Finland	–	–	26	22	26	22
Holdings in local phone companies, etc., Finland	–	–	3	3	3	3
Other operating, dormant and divested companies			0	0	0	0
Total Group			**383**	**304**		

C16. Inventories

After deductions for obsolescence amounting to SEK 27 million in 2014 and SEK 35 million in 2013, the total carrying value was distributed as follows.

SEK in millions	Dec 31, 2014	Dec 31, 2013
Goods for resale	1,396	1,446
Other inventories and expense incurred on construction contracts	382	136
Total	**1,779**	**1,582**

Other inventories include purchased supplies that are mainly intended for use in constructing TeliaSonera's own installations and for repair and maintenance. Inventories carried at net realizable value totaled SEK 163 million in 2014 and SEK 194 million in 2013.

C17. Trade and other receivables

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Currency swaps, forward exchange contracts and currency options held-for-trading	152	524
Subtotal *(see Fair value hierarchy levels – Note C25)*	***152***	***524***
Accounts receivable at amortized cost	11,724	11,856
Loans and receivables at amortized cost	4,401	5,423
Subtotal *(see Categories – Note C25 and Credit risk – Note C26)*	***16,276***	***17,803***
Other current receivables	1,022	920
Deferred expenses	1,789	1,370
Total trade and other receivables	**19,087**	**20,093**

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

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Geographical area		
Nordic countries	11,223	12,613
Baltic countries	1,451	1,356
Eurasia	636	434
Other countries	2,815	2,876
Total carrying value	**16,125**	**17,279**
Customer segment		
Consumers	6,084	6,489
Business customers	6,714	7,149
Other operators	3,208	2,605
Distributors	119	1,036
Total carrying value	**16,125**	**17,279**

The geographic concentration to the Nordic operations reflects a relatively higher share of post-paid customer contracts. In most cases, customers are billed in local currency. Receivables from and payables to other operators for international fixed-line traffic and roaming are normally settled net through clearing-houses. Refer to Note C25 "Financial assets and liabilities by category and level" and section "Credit risk management" in Note C26 "Financial risk management" for more information on financial instruments classified by category/fair value hierarchy level and exposed to credit risk, respectively.

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Accounts receivable invoiced	13,203	13,405
Allowance for doubtful accounts receivable	-1,479	-1,549
Total accounts receivable	**11,724**	**11,856**
Accounts receivable not due	8,590	9,012
Accounts receivable past due but not impaired	3,134	2,844
of which less than 30 days	*1,896*	*1,749*
of which 30–180 days	*807*	*759*
of which more than 180 days	*431*	*336*
Total accounts receivable	**11,724**	**11,856**

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Loans and receivables not due	3,838	3,645
Loans and receivables past due but not impaired	563	1,778
of which less than 30 days	*521*	*1,740*
of which 30–180 days	*2*	*7*
of which more than 180 days	*40*	*31*
Total loans and receivables	**4,401**	**5,423**

Receivables past due as of the end of the reporting period were not provided for as there had been no significant change in credit quality and the amounts were still considered recoverable. Balances past due more than 180 days mainly referred to other operators. See also section "Credit risk management" in Note C26 "Financial risk management" for information on mitigation of risks related to accounts receivable.

Total bad debt expenses were SEK 730 million in 2014 and SEK 689 million in 2013. Recovered accounts receivable in these years were SEK 65 million and SEK 95 million, respectively.

The allowance for doubtful accounts receivable changed as follows.

SEK in millions	Dec 31, 2014	Dec 31, 2013
Opening balance	1,549	1,285
Net of charges for doubtful receivables in the period and receivables written off	-127	238
Operations acquired and divested	3	-8
Unused allowances reversed	-29	-2
Exchange rate differences	83	36
Closing balance	**1,479**	**1,549**

C18. Interest-bearing receivables, cash and cash equivalents

Interest-bearing receivables

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Interest rate swaps and cross currency interest rate swaps at fair value	821	281
of which designated as fair value hedges	*305*	*121*
of which held-for-trading	*516*	*160*
Subtotal *(see Fair value hierarchy levels – Note C25)*	***821***	***281***
Short-term investments with maturities over 3 months	3,144	717
of which bonds available for sale	*279*	–
of which bonds and commercial papers held-to-maturity	–	*337*
of which bank deposits at amortized cost	*2,866*	*380*
Loans and receivables at amortized cost	6,850	5,424
Subtotal *(see Categories – Note C25)*	***10,815***	***6,422***
Finance lease receivables	178	257
Total *(see Credit risk – Note C26)*	**10,993**	**6,679**

Carrying values for items measured at amortized cost and finance lease receivables are assumed to approximate fair values as the risk of changes in value is insignificant. Refer to Note C25 "Financial assets and liabilities by category and level" and section "Credit risk management" in Note C26 "Financial risk management" for more information on financial instruments classified by category/fair value hierarchy level and exposed to credit risk, respectively. For information on leases, see Note C27 "Leasing agreements."

Cash and cash equivalents

Cash and cash equivalents were distributed as follows.

SEK in millions	Dec 31, 2014	Dec 31, 2013
Short-term investments with maturities up to and including 3 months	16,103	22,268
of which bank deposits at amortized cost	*16,103*	*22,268*
Cash and bank	12,632	9,087
Total *(see Categories – Note C25 and Credit risk – Note C26)*	**28,735**	**31,355**

The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. Refer to Note C25 "Financial assets and liabilities by category and level" and section "Credit risk management" in Note C26 "Financial risk management" for more information on financial instruments classified by category and exposed to credit risk, respectively, and to Note C29 "Contingencies, other contractual obligations and litigation" for information on blocked funds in bank accounts.

C19. Equity and earnings per share

Share capital

According to the articles of association of TeliaSonera AB, the authorized share capital shall amount to no less than SEK 8 billion and no more than SEK 32 billion. All issued shares have been paid in full and carry equal rights to vote and participate in the assets of the company. Since December 31, 2005, the issued share capital changed as follows.

	Issued share capital (SEK)	Number of issued shares	Quotient value (SEK/share)
Issued share capital, December 31, 2005	14,960,742,621	4,675,232,069	3.20
Cancellation of shares repurchased in 2005, September 6, 2006	-591,279,539	-184,774,856	3.20
Issued share capital, December 31, 2006	14,369,463,082	4,490,457,213	3.20
Issued share capital, December 31, 2007, 2008 and 2009	14,369,463,082	4,490,457,213	3.20
Issued share capital, December 31, 2010	14,369,463,082	4,490,457,213	3.20
Cancellation of shares repurchased in 2011, July 19, 2011	-513,191,783	-160,372,432	3.20
Issued share capital, December 31, 2011, 2012 and 2013	13,856,271,299	4,330,084,781	3.20
Issued share capital, December 31, 2014	13,856,271,299	4,330,084,781	3.20

Treasury shares

In April 2014, TeliaSonera AB acquired 124,541 shares at an average price of SEK 46.0244. The shares were distributed to the participants in the "Long Term Incentive Program 2011/2014."

As of December 31, 2014, no TeliaSonera shares were held by the company itself or by its subsidiaries.

Subsidiaries with material non-controlling interests

Summarized financial information on subsidiaries with material non-controlling interests (NCI) is presented below. The amounts disclosed for each subsidiary are based on those included in the consolidated financial statements before inter-company eliminations and only the net asset in which the NCI has a share. Other comprehensive income (OCI) only comprise exchange rate differences arising on translation to SEK.

The NCI in TEO LT, AB is 11.8 percent.

The group holds 49 percent of the shares in Latvijas Mobilais Telefons SIA (LMT). However, according to shareholders' agreements TeliaSonera has the board majority in LMT and the company is therefore regarded as a subsidiary. In addition, LMT is held partly by the associated company Lattelecom SIA which decreases NCI to 39.7 percent.

AO Kcell and Azercell Telekom BM are held partly by intermediate holding companies and partly by the associated company Turkcell. The NCI in Kcell is 38.1 percent. Based on a put option granted, the NCI in Azercell is accounting-wise reduced to 30.5 percent.

Ncell Pvt. Ltd. is held by intermediate holding companies with an NCI of 39.6 percent, but based on a put option granted the NCI is reduced to 19.6 percent.

Similarly, based on put options granted on 6 percent of the share capital in OOO Coscom (Ucell) in Uzbekistan and on 23.4 percent of the share capital in Xfera Móviles S.A. (Yoigo) in Spain, the two entities are accounting-wise treated as wholly-owned subsidiaries of TeliaSonera, see section "Put options and contingent consideration" in Note C22 "Other provisions."

Dividends paid to NCIs are disclosed in Note C30 "Cash flow information." See also Risks and uncertainties, section "Shareholder matters in partly-owned subsidiaries."

Dec 31, 2014 SEK in millions, except percentages	TEO LT, AB, Lithuania	Latvijas Mobilais Telefons SIA, Latvia	AO Kcell, Kazakhstan	Azercell Telekom BM, Azerbaijan	Ncell Pvt Ltd, Nepal	Other subsidiaries	Total
Assets							
Non-current assets	2,239	1,665	5,177	4,832	4,928		
Current assets	445	470	1,566	2,239	2,370		
Liabilities							
Non-current liabilities	-85	-95	-249	-125	-1,227		
Current liabilities	-346	-834	-2,576	-589	-2,068		
Net assets	2,252	1,206	3,917	6,357	4,003		
NCI percentage	11.8	39.7	38.1	30.5	19.6		
Carrying amount of NCI	**267**	**479**	**1,493**	**1,940**	**786**	**17**	**4,981**
Net sales	1,841	1,206	7,220	3,740	3,593		
Net income	346	178	2,243	1,117	1,248		
Net income allocated to NCI[1]	**41**	**71**	**854**	**341**	**245**	**-455**	**1,097**
Cash flows from operating activities	318	497	3,216	1,811	1,837		
Free cash flow	35	202	2,449	1,339	1,141		

[1] Net income allocated to NCI relating to "Other subsidiaries" was negative for 2014 due to impairment losses on goodwill, intangible assets and property, plant and equipment in Tajikistan, Georgia and Moldova. See Note C12 "Goodwill and other intangible assets" and Note C13 "Property, plant and equipment."

Dec 31, 2013 SEK in millions, except percentages	TEO LT, AB, Lithuania	Latvijas Mobilais Telefons SIA, Latvia	AO Kcell, Kazakhstan	Azercell Telekom BM, Azerbaijan	Ncell Pvt Ltd, Nepal	Other subsidiaries	Total
Assets							
Non-current assets	2,140	1,541	5,455	4,199	3,177		
Current assets	837	457	1,272	616	999		
Liabilities							
Non-current liabilities	-75	-85	-282	-163	-235		
Current liabilities	-240	-752	-2,352	-376	-1,651		
Net assets	2,662	1,161	4,092	4,276	2,290		
NCI percentage	11.8	39.7	38.1	30.5	19.6		
Carrying amount of NCI	**315**	**461**	**1,559**	**1,305**	**450**	**520**	**4,610**
Net sales	1,805	1,333	8,041	3,772	3,018		
Net income	374	201	2,717	982	1,140		
Net income allocated to NCI	**44**	**80**	**1,035**	**300**	**224**	**114**	**1,797**
Cash flows from operating activities	391	316	4,200	1,511	1,954		
Free cash flow	20	114	3,454	927	937		

Earnings per share and dividends

	Jan–Dec 2014	Jan–Dec 2013
Net income attributable to owners of the parent (SEK million)	14,502	14,970
Average number of outstanding shares, basic and diluted (thousands)	4,330,085	4,330,085
Earnings per outstanding share, basic and diluted (SEK)	3.35	3.46
Ordinary cash dividend (for 2014 as proposed by the Board of Directors)		
– Per share (SEK)	3.00	3.00
– Total (SEK million)	12,990	12,990

C20. Long-term and short-term borrowings

Open-market financing programs

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

Program		Characteristics	Limit currency	Dec 31, 2014 Limit	Utilized	Interest rate type Floating	Fixed	Average maturity	Dec 31, 2013 Limit	Utilized
				(in millions)				(years)	(in millions)	
TeliaSonera AB	Euro Medium Term Note (EMTN)	Uncommitted, International, Long-term	EUR	12,000	9,298	1,037	8,262	8.0	11,000	9,145
TeliaSonera AB	Euro Commercial Paper (ECP)	Uncommitted, International, Short-term	EUR	1,000	–	–	–	–	1,000	–
TeliaSonera AB	Flexible Term Note (FTN)	Uncommitted, Swedish domestic, Short-term and long-term	SEK	12,000	–	–	–	–	12,000	–

Borrowings

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

SEK in millions	Dec 31, 2014 Carrying value	Dec 31, 2014 Fair value	Dec 31, 2013 Carrying value	Dec 31, 2013 Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	26,955	34,726	19,289	20,225
Interest rate swaps at fair value	283	283	254	254
of which designated as hedging instruments	*244*	*244*	*220*	*220*
of which held-for-trading	*39*	*39*	*34*	*34*
Cross currency interest rate swaps at fair value	1,577	1,577	1,630	1,630
of which hedging net investments	*1,263*	*1,263*	*594*	*594*
of which designated as hedging instruments	*220*	*220*	*245*	*245*
of which held-for-trading	*94*	*94*	*791*	*791*
***Subtotal** (see Fair value hierarchy levels – Note C25)*	***28,814***	***36,585***	***21,173***	***22,109***
Open-market financing program borrowings	57,861	63,534	57,026	60,698
of which hedging net investments	*40,989*	*45,249*	*40,967*	*44,432*
of which at amortized cost	*16,872*	*18,284*	*16,059*	*16,266*
Other borrowings at amortized cost	3,431	3,431	1,834	1,834
***Subtotal** (see Categories – Note C25)*	***90,106***	***103,549***	***80,033***	***84,641***
Finance lease agreements	62	62	56	56
Total long-term borrowings	**90,168**	**103,611**	**80,089**	**84,697**
Short-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	7,414	7,414	2,735	2,818
Interest rate swaps designated as hedging instruments	–	–	31	31
Interest rate swaps held for trading	–	–	–	–
Cross currency interest rate swaps held-for trading	329	329	17	17
***Subtotal** (see Fair value hierarchy levels – Note C25)*	***7,743***	***7,743***	***2,783***	***2,866***
Utilized bank overdraft and short-term credit facilities at amortized cost	1,057	1,058	811	811
Open-market financing program borrowings	725	726	5,954	5,995
of which hedging net investments	*–*	*–*	*2,308*	*2,329*
of which at amortized cost	*725*	*726*	*3,646*	*3,666*
Other borrowings at amortized cost	1,786	1,786	1,083	1,083
***Subtotal** (see Categories – Note C25)*	***11,311***	***11,313***	***10,631***	***10,755***
Finance lease agreements	10	10	3	3
Total short-term borrowings	**11,321**	**11,323**	**10,634**	**10,758**

The fair values of borrowings above relate to hierarchy level 2. For a description of valuation techniques, see Note C3 "Significant accounting principles," section "Fair value estimation."

Normally, borrowings by TeliaSonera AB denominated in foreign currencies are swapped into SEK. The exceptions typically include funds borrowed to finance the group's international operations or selective hedging of net investments abroad. As of December 31, 2014, long-term borrowings in fair value hedge relationships also included borrowings hedging net investments. These loans have final maturities in 2019 (SEK 4,790 million), 2020 (SEK 7,272 million), 2021 (SEK 5,649 million) and later years (SEK 22,012 million).

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Nominal portfolio value	77,439	72,100
of which intended for overall management of the funding portfolio structure and hence not included in hedge relationships	*300*	*300*

Refer to Note C25 "Financial assets and liabilities by category and level" for more information on financial instruments classified by category/fair value hierarchy level and to Note C26 "Financial risk management" for information on maturities and management of liquidity risk, currency risk, interest rate risk and financing risk, respectively.

C21. Provisions for pensions and employment contracts

Post-employment benefits

TeliaSonera provides defined benefit pension plans to most of its employees in Sweden, Finland and Norway. The pension plans mainly include retirement pension, disability pension and family pension.

Employees in TeliaSonera AB and most of its Swedish subsidiaries are eligible for retirement benefits under the ITP-Tele (ITP 2 plan) defined benefit plan. However, all employees born in 1979 and later are covered by a defined contribution pension plan (the ITP 1 plan). The part of the ITP 2 multi-employer pension plan that is secured by paying pension premiums to Alecta is accounted for as a defined contribution plan as the plan administrator does not provide sufficient information necessary to account for the plan as a defined benefit plan. TeliaSonera's portion of total premiums in the Alecta ITP 2 plan is 0.2 percent and the share of total number of active insured in ITP 2 is 1.0 percent. Expected contributions to the ITP 2 plan for 2015 are SEK 31 million.

TeliaSonera's employees in Finland are entitled to statutory pension benefits pursuant to the Finnish Employees Pensions Act, a defined benefit pension arrangement with retirement, disability, unemployment and death benefits (TyEL pension). In addition, certain employees have additional pension coverage through a supplemental pension plan. In Finland, a part of the pension is funded in advance and the remaining part financed as a pay-as-you-go pension (i.e. contributions are set at a level that is expected to be sufficient to pay the required benefits falling due in the same period).

TeliaSonera Norway operates a defined benefit pension, which was closed for new entrants in 2011.

The pension obligations are secured mostly by pension funds, but also by provisions in the statements of financial position combined with pension credit insurance.

TeliaSonera's defined benefit plan members are approximately divided between the following groups; 21 percent active members, 39 percent vested deferreds and 40 percent retirees.

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

Pension obligations and pension expenses

Total amounts recognized in the statements of financial position for pension obligations were as follows.

SEK in millions	Dec 31, 2014	Dec 31, 2013
Present value of funded pension obligations	26,331	21,121
Fair value of plan assets	-24,519	-22,269
Surplus/Deficit of funded plans	**1,812**	**-1,148**
Present value of unfunded pension obligations	1,403	1,065
Net assets (-)/provisions (+) for pension obligations	**3,216**	**-83**
of which recognized as provisions	*3,505*	*1,468*
of which recognized as assets	*-289*	*-1,551*

Total pension expenses were distributed as follows.

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Current service cost	298	553
Curtailment of pension obligations	-34	-104
Termination benefits	16	128
Pension premiums, defined benefit/defined contribution pension plans and pay-as-you-go systems	636	623
Pension-related social charges and taxes, other pension expenses	145	109
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring charges	-21	-181
Total pension expenses in operating income	**1,040**	**1,128**
of which defined benefit pension plans	*264*	*449*
of which pension premiums paid to the ITP pension plan	*34*	*36*
Net interest on the net defined benefit liability (asset)	-30	147
Total pension expenses in financial items	**-30**	**147**
Remeasurement gains (-)/losses (+)		
Gain/loss from change in financial assumptions	5,698	-3,002
Experience gains/losses	-271	-996
Gain/loss from change in demographic assumptions	17	*31*
Return on plan assets (excluding interest income)	-1,490	-435
Total pension expenses recorded in OCI, defined benefit pension plans	**3,953**	**-4,402**

The pension expense for 2014 and 2013 was reduced due to curtailment effects, for more information see Note C22 "Other provisions."

Specifications to defined benefit obligations and fair value of plan assets

Movements in the present value of defined benefit obligations were as follows.

SEK in millions	2014	2013
Opening balance, present value of pension obligations	22,186	25,705
Current service cost	298	553
Interest expenses	904	876
Benefits paid	-1,169	-1,159
Benefits paid, early retirement	-14	-13
Termination benefits	16	128
Curtailment of pension obligations	-34	-104
Reclassification	–	59
Remeasurement gains (-)/losses (+)		
Gain/loss from change in financial assumptions	5,698	-3,002
Experience gains/losses	-271	-996
Gain/loss from change in demographic assumptions	17	31
Exchange rate differences	103	108
Closing balance, present value of pension obligations	**27,734**	**22,186**

Movements in the fair value of plan assets were as follows.

SEK in millions	2014	2013
Opening balance, fair value of plan assets	22,269	21,002
Interest income	934	729
Contribution to pension funds	77	64
Payment from pension funds	-473	-69
Remeasurement gains (-)/losses (+)		
Return on plan assets (excluding interest income)	1,490	435
Exchange rate differences	222	108
Closing balance, fair value of plan assets	**24,519**	**22,269**

Principal actuarial assumptions

The actuarial calculation of pension obligations and pension expenses is based on the following principal assumptions, each presented as a weighted average for the different pension plans. These assumptions are the significant assumptions based on the risk for changes in pension obligation for TeliaSonera. The discount rate reflects the rates at which the pension obligation could be effectively settled and affects the value of the defined benefit obligation.

As in previous years the discount rate for Sweden is determined by the covered bond market. Management adjusts the reference rate derived from the covered bond market yields to reflect any differences between the inflation rate used to estimate expected annual adjustments to pensions and the implied inflation rate indicated by the financial markets at the end of the reporting period. The discount rate for Finland is based on high-quality corporate bonds with long duration. Norway set the discount rate after the same basis as Sweden.

The expected annual adjustments and increased longevity have an impact on future pension payments and therefore the pension obligation. Management has chosen to use the annual inflation target rates set by the national and European central banks. See below for a sensitivity analysis related to a change in the significant assumptions used in calculating the pension provision.

Percentages, except longevity	Dec 31, 2014	Dec 31, 2013
Discount rate	2.91	4.18
Annual adjustments to pensions	2.00	2.00
Longevity		
life expectancy 65 year old male (year)	*20*	*20*
life expectancy 65 year old female (year)	*23*	*23*

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions was as follows.

	Change in assumption (p.p.)	Impact on defined benefit obligation (SEK in millions)
Discount rate	+0.50	-2,513
Discount rate	-0.50	2,866
Annual adjustments to pensions	+0.50	2,762
Annual adjustments to pensions	-0.50	-2,441
Longevity	+1 year	856

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may by correlated.

Investment strategy

The assets of TeliaSonera´s pension funds constitute pension plan assets and are valued at fair value. These assets are used as prime funding source for the pension obligations, and exist primarily in Sweden and Finland. The pension funds invest the assets in such a manner that the liquidity of the pension funds is ensured. The investment horizons are long-term, and aimed to cover the growth of pension liability. The weighted average duration for the pension obligation plans is approximately 19 years. Investment plans are approved by the boards of the pension funds. The investment activities comply with the rules and regulations issued by the authorities governing pension foundations. The portion of the pension obligations not covered by plan assets is recognized in the statements of financial position.

For the Swedish pension fund (Swedish Fund) which represents approximately 85 percent of the total group plan assets, there is a minimum funding requirement that TeliaSonera apply. As of December 31, 2014, the strategic asset allocation decided by the Board of the Swedish Fund, was 60 percent fixed income, 32 percent equities and 8 percent alternative investments. Alternative investments include hedge funds and private equity. The actual allocation may fluctuate from the strategic allocation in a range of +15/-15 percentage points for fixed income and in a range of +10/-10 percentage points for equities. The allocation was successful and the portfolio's performance was strong throughout the year.

It should be noted that plan-asset allocation in the table below illustrating capital weighting, will not always describe the characteristics of a portfolio accurately from a risk perspective. Approximately one third of the capital is invested in equity and most of the risk, measured in terms of volatility, came from this asset class. Only a very small part of the total risk originates from the other assets.

Plan-asset allocation

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

SEK in millions	Dec 31, 2014				Dec 31, 2013			
Asset category	Quoted	Unquoted	Total	Percent	Quoted	Unquoted	Total	Percent
Equity instruments	9,001	156	9,157	37	7,181	109	7,290	33
Debt instruments	11,313	348	11,661	48	11,058	345	11,403	51
Real estate	–	321	321	1	–	282	282	1
Cash & cash equivalents	209	69	278	1	266	16	282	1
Alternative investments	112	2,860	2,972	12	81	2,795	2,876	13
Other	–	130	130	1	–	136	136	1
Total	**20,635**	**3,884**	**24,519**		**18,586**	**3,683**	**22,269**	**100**
of which shares in TeliaSonera AB	*19*		*19*	*0.1*	*19*		*19*	*0.1*

Future contributions

For companies in Sweden, pension liabilities are secured also by pension credit insurance. This means that, should the net provision for pension obligation increase, each company can choose if and when to contribute to the pension fund or otherwise to recognize a provision. To pension funds outside Sweden, TeliaSonera expects to contribute SEK 76 million in 2015.

C22. Other provisions

Changes in other provisions were as follows.

	December 31, 2014					
SEK in millions	Put options and contingent consideration	Restructuring provisions	Asset retirement obligations	Warranty provisions	Other provisions	Total
Opening balance	7,284	738	2,703	48	482	**11,255**
of which financial liabilities at amortized cost	–	–	–	–	*25*	***25***
Provisions for the period	2	648	170	–	209	**1,029**
Operations acquired	–	–	10	–	–	**10**
Utilized provisions	–	-892	-118	–	-21	**-1,031**
Reversals of provisions	–	-2	-9	-29	-76	**-116**
Adjustments related to goodwill	-185	–	–	–	–	**-185**
Reclassifications	-5	-20	–	–	5	**-20**
Timing and interest-rate effects	32	–	34	–	1	**67**
Exchange rate differences	1,264	7	49	3	13	**1,336**
Closing balance	**8,392**	**479**	**2,839**	**21**	**613**	**12,344**
of which non-current portion	8,392	185	2,833	21	233	**11,764**
of which current portion	–	294	6	–	280	**580**
of which financial liabilities at amortized cost (see Categories – Note C26)	–	–	–	–	*179*	***179***

For financial liabilities, the carrying value equals fair value as provisions are discounted to present value. Refer to Note C25 “Financial assets and liabilities by category and level” for more information on financial instruments classified by category. As of December 31, 2014, contractual undiscounted cash flows for the financial liabilities represented the following expected maturities. Expected maturity refers to the earliest point in time, based on the agreement terms, at which the counterpart might call for settlement.

Expected maturity SEK in millions	Jan–Mar 2015	Apr–Jun 2015	Jul–Sep 2015	Oct–Dec 2015	2016	2017	2018	2019	Later years	Total	Carrying value
Financial liabilities	–	–	–	–	179	–	–	–	–	179	179

Put options and contingent consideration

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

For Xfera, which was acquired in 2006, the closing balance comprises in total SEK 992 million (SEK 903 million) referring to contingent additional consideration to the selling shareholders based on an up to 20 year earn-out model and to a put option giving existing holders of non-controlling interests the right to sell their shares to TeliaSonera after 5 years, of which at least 2 consecutive years of net profit. The provisions represent the present value of management’s best estimate of the amounts required to settle the liabilities. The amounts and timing may vary as a result of changes in Xfera’s operations and profitability compared to the business plan. The estimate for the put option liability has been made based on assumptions about the timing of the option exercise and about the fair value of Xfera at that date and the provision may vary as a result of changes in Xfera’s estimated fair value and the timing of the option exercise.

For Azertel, the parent company of the mobile operator Azercell Telekom B.M. (Azercell) in Azerbaijan, the closing balance comprises SEK 6,814 million (SEK 5,891 million) for a put option granted in 2008 in conjunction with the privatization of Azercell, now wholly-owned by Azertel. Should a deadlock regarding material decisions at the general assembly arise, the resolution supported by Fintur Holdings B.V will apply. In such circumstances, the put option gives the largest holder of non-controlling interests the right to sell its 42 percent holding in Azertel to Fintur Holdings B.V.. TeliaSonera consolidates 74.3 percent of Fintur. The exercise price is equal to the fair value at the time of exercise and is to be determined by independent appraisal. The provision represents the present value of management's best estimate of the amount required to settle the liability. The estimate of Azertel's fair value has been made based on the Azercell 5-year business plan with a post-tax discount rate (WACC) of 11.6 percent and a terminal growth rate of free cash flow of 4.3 percent. The provision may vary as a result of changes in Azertel's estimated fair value and the timing of the option exercise.

For Uzbek Holding, the parent company of the mobile operator OOO Coscom in Uzbekistan, the closing balance comprises SEK 586 million (SEK 487 million) for a put option originally granted in 2007 in conjunction with the acquisition of a 3G license, frequencies and number blocks in Uzbekistan in exchange for cash and a 26 percent interest in Uzbek Holding. The put option gave the existing holder of the non-controlling interest the right to sell its 26 percent interest in Uzbek Holding to TeliaSonera. In 2010, TeliaSonera acquired 20 percent of the shares in Uzbek Holding resulting in a total holding of 94 percent. Following this transaction, the terms of the put option were amended. The put option refers to 6 percent of the shares and is exercisable after February 15, 2013. The exercise price is equal to the higher of either a fixed amount of USD 75 million or the fair value at the time of exercise as determined by independent appraisal. The provision represents the present value of management's best estimate of the amount required to settle the liability.

Put options and financial receivables are offset when there is an enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to settle the put option and financial receivable simultaneously (Ncell and Rodnik). See Note C26, section "Master netting arrangements and similar agreements."

Restructuring provisions

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

Asset retirement obligations, warranty provisions, other provisions

Asset retirement obligations mainly refer to handling hazardous waste such as worn-out telephone poles impregnated with creosote or arsenic and to dismantling and restoration of mobile and fixed network sites. Remaining provisions as of December 31, 2014, are expected to be fully utilized in the period 2015–2065, depending on factors such as any contractual renewal options for site leases and dismantling plans decided by management.

Warranty provisions mainly comprise estimated future expenses for warranties related to products and services sold. Full utilization of these provisions is expected in the period 2015-2016.

Other provisions include provisions for damages and court cases, for payroll taxes on future pension payments and for onerous and other loss-making contracts, and insurance provisions as well as estimated expenses related to fulfilling representations made and warranties given and to potential litigation, etc. in connection with disposals and winding-up of group entities, associated companies and other equity holdings. Full utilization of these provisions is expected in the period 2015–2028.

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

C23. Other long-term liabilities

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Danish license fee liabilities at amortized cost	119	145
Finnish license fee liability at amortized cost	109	162
Nepalese license fee liability at amortized cost	941	–
Other liabilities at amortized cost	14	12
***Liabilities at amortized cost** (see Categories – Note C25)*	***1,183***	***319***
Prepaid operating lease agreements	447	372
Other liabilities	256	665
Total other long-term liabilities	**1,887**	**1,356**

For liabilities at amortized cost, the carrying value approximates fair value as the impact of discounting using market interest rates at the end of the reporting period was insignificant. Refer to Note C25 "Financial assets and liabilities by category and level" for more information on financial instruments classified by category and to Note C26 "Financial risk management" on management of liquidity risk.

As of December 31, 2014, contractual undiscounted cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	2016	2017	2018	2019	Later years	Total	Carrying value
Liabilities at amortized cost	351	327	243	167	159	1,248	**1,183**

For information on leases, see Note C27 "Leasing agreements." Other liabilities mainly comprise customer advances for broadband build-out. Further included was deferred "day 1 gains" which changed as follows.

SEK in millions	Dec 31, 2014	Dec 31, 2013
Opening balance	90	104
Recognized in net income	-19	-18
Exchange rate differences	2	4
Closing balance	**73**	**90**
of which current portion	*19*	*18*

C24. Trade payables and other current liabilities

Trade payables and other current liabilities were distributed as follows.

SEK in millions	Dec 31, 2014	Dec 31, 2013
Currency swaps, forward exchange contracts and currency options held-for-trading	416	171
***Subtotal** (see Fair value hierarchy levels – Note C25)*	***416***	***171***
Accounts payable at amortized cost	10,644	11,691
Current liabilities at amortized cost	2,694	2,496
***Subtotal** (see Categories – Note C25)*	***13,754***	***14,358***
Other current liabilities	6,949	6,459
Deferred income	4,365	3,857
Total trade payables and other current liabilities	**25,067**	**24,674**

For accounts payable and current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. Refer to Note C25 "Financial assets and liabilities by category and level" for more information on financial instruments classified by category/fair value hierarchy level and to Note C26 "Financial risk management" on management of liquidity risk. As of December 31, 2014, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2015	Apr–Jun 2015	Jul–Sep 2015	Oct–Dec 2015	Total
Liabilities at amortized cost	12,119	861	122	236	**13,338**

Corresponding information for currency derivatives held-for-trading are presented in section "Liquidity risk management" to Note C26 "Financial risk management."

The main components of current liabilities are accrued payables to suppliers and accrued interconnect and roaming charges, while other current liabilities mainly entail value-added tax, advances from customers and accruals of payroll expenses and social security contributions. Deferred income chiefly relate to subscription and other telecom charges. Included is also the current portion of deferred "day 1 gains," refer to Note C23 "Other long-term liabilities."

C25. Financial assets and liabilities by category and level

Categories

Carrying values of classes of financial assets and liabilities were distributed by category as follows. Excluded are financial instruments which are discussed in Note C14 "Investments in associated companies and joint ventures," Note C21 "Provisions for pensions and employment contracts" and Note C27 "Leasing agreements," respectively.

SEK in millions	Note	Dec 31, 2014	Dec 31, 2013
Financial assets			
Derivatives designated as hedging instruments	C15, C18	3,901	1,533
Financial assets at fair value through profit and loss		2,032	1,444
of which derivatives not designated as hedging instruments	*C15, C17, C18*	*1,923*	*1,374*
of which held-for-trading investments	*C15*	*108*	*70*
Held-to-maturity investments	C15, C18	10	367
Loans and receivables	C15, C17, C18	58,617	60,675
Available-for-sale financial assets	C15	5,178	192
Total financial assets by category		**69,738**	**64,211**
Financial liabilities			
Derivatives designated as hedging instruments	C20, C24	1,727	1,090
Derivatives not designated as hedging instruments	C20, C24	878	1,013
Borrowings in fair value hedge relationships	C20	34,369	22,025
Borrowings hedging net investments	C20	40,989	40,967
Financial liabilities measured at amortized cost	C20, C22, C23, C24	37,209	37,939
Financial guarantees	C22	179	25
Total financial liabilities by category		**115,351**	**103,059**

Fair value hierarchy levels

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

		December 31, 2014				December 31, 2013			
			of which				of which		
SEK in millions	Note	Carrying value	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3
Financial assets at fair value									
Equity instruments available-for-sale	C15	228	–	–	228	**190**	–	–	190
Equity instruments held-for-trading	C15	108	–	–	108	**70**	–	–	70
Long- and short-term bonds available-for-sale	C15, C18	4,950	4,950	–	–	**162**	160	–	2
Derivatives designated as hedging instruments	C15, C18	3,901	–	3,901	–	**1,533**	–	1,533	–
Derivatives held-for-trading	C15, C17, C18	1,923	–	1,868	55	**1,374**	–	1,374	–
Total financial assets at fair value by level		**11,110**	**4,950**	**5,770**	**391**	**3,329**	**160**	**2,907**	**262**
Financial liabilities at fair value									
Borrowings in fair value hedge relationships	C20	34,369	–	34,369	–	**22,025**	–	22,025	–
Derivatives designated as hedging instruments	C20	1,727	–	1,727	–	**1,090**	–	1,090	–
Derivatives held-for-trading	C20, C24	882	–	882	–	**1,013**	–	1,013	–
Total financial liabilities at fair value by level		**36,978**	–	**36,978**	–	**24,128**	–	**24,128**	–

There were no transfers between Level 1 and 2 in 2014 and 2013. Level 3 financial assets changed as follows.

	December 31, 2014					December 31, 2013				
SEK in millions	Equity instruments available-for-sale	Equity instruments held-for-trading	Long- and short-term bonds available for sale	Derivatives held-for-trading	Total	Equity instruments available-for-sale	Equity instruments held-for-trading	Long- and short-term bonds available for sale	Derivatives held-for-trading	Total
Level 3, opening balance	190	70	2	–	**262**	189	69	4	–	**262**
Changes in fair value	–	–	-2	55	**53**	–	-1	-2	–	**-3**
of which recognized in net income	–	–	*-2*	*55*	***53***	–	*-1*	*-2*	–	***-3***
Purchases/capital contributions	–	37	–	–	**37**	2	–	–	–	**2**
Exchange rate differences	38	2	–	–	**40**	-1	2	–	–	**1**
Level 3, closing balance	**228**	**108**	–	**55**	**391**	**190**	**70**	**2**	–	**262**

Changes in fair value recognized in net income are included in line item Other financial items, see specification in Note C9 "Finance costs and other financial items."

C26. Financial risk management

Principles of financing and financial risk management

TeliaSonera's financing and financial risks are managed under the control and supervision of the Board of Directors of TeliaSonera AB. Financial management is centralized within the Group Treasury unit of TeliaSonera AB, which operates as TeliaSonera's internal bank and is responsible for the management of financing, management of capital requirements and cash. Group Treasury is also responsible for TeliaSonera's financial risk management, related to implementation of group policies and instructions, identification and monitoring of financial risks as well as implementation of hedging strategies thereof. The most noticeable risks under Group Treasury's responsibility are credit risk, liquidity risk, currency risk, interest rate risk, and (re-)financing risk.

Group Treasury also seeks to optimize the cost of financial risk management, which in certain cases may mean that an inter-company transaction is not replicated with an identical transaction outside the group or that derivative transactions are initiated in order to adjust the overall interest rate duration of the debt portfolio if deemed appropriate. This means that situations may arise in which the shift in market values of certain derivative transactions will affect the financial net.

TeliaSonera AB enjoys a strong credit rating with the rating agencies Moody's and Standard & Poor's. In October 2014, Moody's Investors Service changed the stable outlook to negative for its assigned credit rating on TeliaSonera AB of A3 for long-term borrowings and Prime-2 for short-term borrowings. In January 2015, Standard & Poor's Ratings Services confirmed its assigned credit rating on TeliaSonera AB at A- for long-term borrowings and A-2 for short-term borrowings, with a stable outlook. These ratings represent a solid investment grade level and are thus expected to allow TeliaSonera continued good access to the financial markets.

TeliaSonera finances its operations mainly by borrowing under its uncommitted open-market financing programs directly in Swedish and international money markets and capital markets. The communicated funding strategy themes have been to increase duration and diversify funding sources. This increases flexibility and ensures access to markets to enable attractive pricing. The open-market financing programs typically provide a cost-effective and flexible alternative to bank financing.

Capital management

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

TeliaSonera shall target to distribute an annual dividend of at least SEK 3 per share for the fiscal year 2015.

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

Credit risk management

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

SEK in millions	Note	Dec 31, 2014	Dec 31, 2013
Other non-current assets	C15	14,567	9,301
Trade and other receivables	C17	16,276	17,803
Interest-bearing receivables	C18	10,993	6,679
Cash and cash equivalents	C18	28,735	31,355
Total		**70,571**	**65,138**

When entering into financial transactions such as interest rate swaps, cross currency swaps and other transactions in derivatives, TeliaSonera AB accepts only creditworthy counterparties with a solid investment grade rating. TeliaSonera AB requires each counterparty to have an approved rating and an International Swaps and Derivatives Association, Inc. (ISDA) agreement. The permitted exposure to each counterparty when entering into a financial transaction depends on the rating of that counterparty. As of the end of the reporting period, the aggregate exposure to counterparties in derivatives was distributed by counterparty long-term rating with Moody's in the table below. In line with recommendations issued by the Basel Committee on Banking Supervision, exposures are calculated as the net claim on each counterparty with an add-on amount intended to give a margin for a potential future exposure.

SEK in millions	Dec 31, 2014	Dec 31, 2013
Counterparty rating Aa3	676	472
Counterparty rating A1	980	510
Counterparty rating A2	1,256	1,479
Counterparty rating A3	644	512
Counterparty rating Baa1	344	361
Total exposure to counterparties in derivatives	**3,900**	**3,334**

The credit risk with respect to TeliaSonera's trade receivables is diversified geographically and among a large number of customers, private individuals as well as companies in various industries. Solvency information is required for credit sales to minimize the risk of bad debt losses and is based on group-internal information on payment behavior, if necessary supplemented by credit and business information from external sources. Bad debt expense in relation to consolidated net sales was approximately 0.7 percent in 2014 and 0.7 percent in 2013.

Surplus cash in TeliaSonera AB can be invested in bank deposits and securities issued by banks and corporates with at least a rating of A- (Standard & Poor's) or A3 (Moody's). In addition, cash can be invested in government bonds and treasury bills issued by Swedish, Finnish, Norwegian or Danish governments and municipals, investment funds and securitized assets with AAA/Aaa rating.

Liquidity risk management

Liquidity risk is the risk that TeliaSonera will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. TeliaSonera has internal control processes and contingency plans for managing liquidity risk. A centralized daily cash pooling process enables TeliaSonera (Nordic countries) to manage liquidity surpluses and deficits according to the actual needs on group and subsidiary level. The short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from operations.

TeliaSonera's policy is to have a strong liquidity position in terms of available cash and/or unutilized committed credit facilities.

SEK in millions	Dec 31, 2014	Dec 31, 2013
Surplus liquidity		
Short-term investments (see also Note C18)	19,247	22,985
Cash and bank (see also Note C18)	12,632	9,087
Total surplus liquidity	**31,879**	**32,072**
Committed credit facilities		
Revolving credit facilities (limit amount)	19,031	8,943
Bank overdraft and short-term credit facilities (limit amount)	1,924	1,929
Utilized credit facilities	-648	-617
Total unutilized committed credit facilities	**20,307**	**10,255**
Liquidity position	**52,186**	**42,327**

TeliaSonera's surplus liquidity is typically deposited in banks or invested in exchange traded interest-bearing instruments with good credit ratings, such as covered, government, municipal and corporate bonds. Of these, as of December 31, 2014, TeliaSonera had investments in securities with maturities exceeding 12 months of SEK 4,671 million, see also Note C15 "Other non-current assets." These assets are classified as available-for-sale. The average yield on bank deposits and short-term investments at the end of the reporting period was 0.23 percent in 2014 and 1.02 percent in 2013.

TeliaSonera's committed bank credit facilities and overdraft facilities, intended for short-term financing and back-up purposes, were as follows.

In millions of the respective currency					Dec 31, 2014	Dec 31, 2013
Group entity	Type	Characteristics	Final maturity	Currency	Limit	Limit
TeliaSonera AB	Revolving credit facility	Committed, syndicated	December 2017	EUR	1,000	1,000
TeliaSonera AB	Revolving credit facility	Committed	June 2017	EUR	1,000	–
TeliaSonera AB and subsidiaries	Bank overdraft facility	Committed, bilateral	–	(various)	1,924	1,929

As of December 31, 2014, contractual undiscounted cash flows for the group's interest-bearing borrowings and non-interest-bearing currency derivatives represented the following expected maturities, including installments and estimated interest payments. Amounts in foreign currency have been converted into SEK using the exchange rate prevailing as of the end of the reporting period. Future interest payments, related to instruments with floating interest rates, have been estimated using forward rates. Where gross settlements are performed (cross currency interest rate swaps, currency swaps and forward exchange contracts), all amounts are reported on a gross basis. The balances due within 12 months equal their carrying values as the impact of discounting is insignificant.

Expected maturity SEK in millions	Jan–Mar 2015	Apr–Jun 2015	Jul–Sep 2015	Oct–Dec 2015	2016	2017	2018	2019	Later years	Total
Utilized bank overdraft and short-term credit facilities	269	1,116	269	270	–	–	–	–	–	**1,924**
Open-market financing program borrowings	1,631	7,311	317	1,400	7,226	11,071	4,005	11,142	70,176	**114,279**
Other borrowings	732	10	1,093	648	384	523	566	523	1,204	**5,683**
Finance lease agreements	2	2	2	2	16	14	15	5	22	**80**
Cross currency interest rate swaps and interest rate swaps										
Payables	1,386	9,714	442	2,043	5,397	8,529	1,842	532	18,718	**48,603**
Receivables	-1,842	-9,966	-397	-2,148	-6,278	-9,661	-1,952	-811	-20,221	**-53,276**
Currency swaps and forward exchange contracts										
Payables	26,534	–	0	5,266	27	–	–	–	–	**31,827**
Receivables	-26,307	–	0	-5,197	-25	–	–	–	–	**-31,529**
Total, net	**2,405**	**8,187**	**1,726**	**2,284**	**6,747**	**10,470**	**4,470**	**11,391**	**69,899**	**117,579**

Expected maturities for and additional information on non-interest-bearing provisions and liabilities, guarantees and other contractual obligations are presented in Notes C22 "Other provisions," C23 "Other long-term liabilities," C24 "Trade payables and other current liabilities" and C29 "Contingencies, other contractual obligations and litigation," respectively.

Currency risk management

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

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

Regarding foreign currency transaction exposure, CFO has a clearly defined deviation mandate which is capped at the equivalent of a nominal SEK +/-500 million, expressed as the long/short SEK counter-value amount that may be exposed to currency fluctuations. SEK is the functional currency of TeliaSonera AB. Its borrowings are therefore normally denominated in, or swapped into, SEK unless linked to international operations or allocated as hedging of net investments abroad.

As of December 31, 2014, TeliaSonera's portfolio of cross currency interest rate swap contracts represented the following currencies and expected maturities. Amounts below represent carrying values.

Expected maturity SEK in millions	Jan–Mar 2015	Apr–Jun 2015	Jul–Sep 2015	Oct– Dec 2015	2016	2017	2018	2019	Later years	Total
Buy EUR	–	9,602	–	–	2,582	8,628	493	–	–	**21,305**
Buy GBP	–	–	–	–	–	–	–	–	7,354	**7,354**
Buy JPY	–	–	–	–	–	310	691	–	–	**1,001**
Buy NOK	–	–	–	–	–	–	–	–	475	**475**
Buy foreign currencies total	***–***	***9,602***	***–***	***–***	***2,582***	***8,938***	***1,184***	***–***	***7,829***	***30,135***
Buy SEK	1,163	–	–	–	2,655	–	–	–	6,374	**10,192**
Buy total	**1,163**	**9,602**	**–**	**–**	**5,237**	**8,938**	**1,184**	**–**	**14,203**	**40,327**
Sell NOK	-1,075	-2,147	–	–	-4,477	-906	–	–	–	**-8,605**
Sell EUR	–	–	–	–	–	–	–	–	-7,637	**-7,637**
Sell USD	–	–	–	–	-259	–	–	–	–	**-259**
Sell foreign currencies total	***-1,075***	***-2,147***	***–***	***–***	***-4,736***	***-906***	***–***	***–***	***-7,637***	***-16,501***
Sell SEK	–	-7,371	–	–	–	-7,469	-1,361	–	-6,831	**-23,032**
Sell total	**-1,075**	**-9,518**	**–**	**–**	**-4,736**	**-8,375**	**-1,361**	**–**	**-14,468**	**-39,533**
Net position, cross currency interest rate swaps	**88**	**84**	**–**	**–**	**501**	**563**	**-177**	**–**	**-265**	**794**

As of December 31, 2014, TeliaSonera's portfolio of currency swap contracts and forward exchange contracts hedging loans, investments, and operational transaction exposures represented the following currencies and expected maturities. Amounts indicated represent settlement values.

Expected maturity SEK in millions	Jan–Mar 2015	Apr–Jun 2015	Jul–Sep 2015	Oct– Dec 2015	2016	2017	2018	2019	Later years	Total
Buy EUR	7,248	–	–	4,929	25	–	–	–	–	**12,202**
Buy DKK	251	–	–	–	–	–	–	–	–	**251**
Buy NOK	895	–	–	–	–	–	–	–	–	**895**
Buy USD	310	–	–	–	–	–	–	–	–	**310**
Buy GBP	60	–	–	–	–	–	–	–	–	**60**
Buy foreign currencies total	***8,764***	–	–	***4,929***	***25***	–	–	–	–	***13,718***
Buy SEK	18,072	–	0	268	–	–	–	–	–	**18,340**
Buy total	**26,836**	–	**0**	**5,197**	**25**	–	–	–	–	**32,058**
Sell USD	-5,030	–	–	-5,266	-27	–	–	–	–	**-10,323**
Sell DKK	-6,280	–	–	–	–	–	–	–	–	**-6,280**
Sell NOK	-5,515	–	0	–	–	–	–	–	–	**-5,515**
Sell EUR	-1,517	–	–	–	–	–	–	–	–	**-1,517**
Sell HKD	-52	–	–	–	–	–	–	–	–	**-52**
Sell CZK	-86	–	–	–	–	–	–	–	–	**-86**
Sell other currencies	-56	–	–	–	–	–	–	–	–	**-56**
Sell foreign currencies total	***-18,536***	–	***0***	***-5,266***	***-27***	–	–	–	–	***-23,829***
Sell SEK	-8,550	–	–	–	–	–	–	–	–	**-8,550**
Sell total	**-27,086**	–	**0**	**-5,266**	**-27**	–	–	–	–	**-32,379**
Net position, currency swaps and forward exchange contracts	**-250**	–	**0**	**-69**	**-2**	–	–	–	–	**-321**

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

	Dec 31, 2014		Dec 31, 2013	
Currency	Amount in SEK million	Percent	Amount in SEK million	Percent
EUR	71,741	51.6	96,482	62.1
of which hedged through borrowings	*43,552*	*31.3*	*40,939*	*26.4*
of which hedged through derivatives	*7,696*	*5.5*	*7,233*	*4.7*
RUB	5,812	4.2	6,963	4.5
TRY	23,991	17.3	19,755	12.7
DKK	2,463	1.8	2,303	1.5
NOK	8,567	6.2	5,117	3.3
of which hedged through borrowings	*410*	*0.3*	*413*	*0.3*
LTL	5,202	3.7	5,345	3.4
UZS	642	0.5	575	0.4
NPR	6,705	4.8	4,862	3.1
USD	3,559	2.6	1,590	1.0
AZN	5,060	3.6	3,511	2.3
KZT	2,927	2.1	3,584	2.3
LVL	–	–	2,140	1.4
GEL	1,146	0.8	1,206	0.8
TJS	449	0.3	879	0.6
MDL	165	0.1	512	0.3
GBP	251	0.2	234	0.2
Other currencies	288	0.1	269	0.1
Total	**138,968**	**100.0**	**155,326**	**100.0**

Operational transaction exposure sensitivity

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

The negative impact on net income would be approximately SEK 540 million on a full-year basis, should the Swedish krona weaken by 10 percentage points against all other transaction currencies, assuming an operational transaction exposure equivalent to that in 2014, and provided that no hedging measures were taken. A negative impact of SEK 30 million would occur if the Norwegian krone would weaken by 10 percent. A positive impact on net income would be approximately SEK 380 million on a full-year basis, should the Euro weaken by 10 percentage point and SEK 70 million if the Danish krone would weaken by the same amount against all other transaction currencies.

Conversion exposure sensitivity

The positive impact on group equity would be approximately SEK 8.7 billion if the Swedish krona weakened by 10 percentage points against all conversion exposure currencies, based on the exposure as of December 31, 2014, and including hedges but excluding any potential equity impact due to TeliaSonera's operational need to net purchase foreign currency or to currency translation of other net income related items. TeliaSonera's conversion exposure is expected to grow due to ongoing expansion of the international business operations.

Interest rate risk management

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

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

Percent	Dec 31, 2014	Dec 31, 2013
Long-term borrowings	3.06	3.46
Short-term borrowings	0.58	4.45

As of December 31, 2014, approximately 58 percent of total borrowings, including relevant hedges, was subject to interest rate adjustment within one year.

TeliaSonera's financial policy provides the framework for interest rates and the average maturity of borrowings and investments. 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 the debt portfolio should be between 3 to 7 years.

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

As of December 31, 2014, the TeliaSonera's portfolio of interest rate swap contracts and cross currency interest rate swap contracts represented the following interest types and expected maturities. Amounts indicated represent carrying values.

Expected maturity SEK in millions	Jan–Mar 2015	Apr–Jun 2015	Jul–Sep 2015	Oct–Dec 2015	2016	2017	2018	2019	Later years	Total
Interest received										
Fixed interest rate	1,163	2,772	–	–	5,237	2,066	691	377	17,305	**29,611**
Floating interest rate	–	7,157	–	1,523	23	7,900	497	29	–	**17,129**
Total received	**1,163**	**9,929**	–	**1,523**	**5,260**	**9,966**	**1,188**	**406**	**17,305**	**46,740**
Interest paid										
Fixed interest rate	-1,075	-2,147	–	–	-4,585	-987	-42	-118	-14,011	**-22,965**
Floating interest rate	–	-7,400	–	-1,501	-259	-7,895	-1,361	-186	-1,743	**-20,345**
Total paid	**-1,075**	**-9,547**	–	**-1,501**	**-4,844**	**-8,882**	**-1,403**	**-304**	**-15,754**	**-43,310**
Net position	**88**	**382**	–	**22**	**416**	**1,084**	**-215**	**102**	**1,551**	**3,430**

TeliaSonera has designated certain interest rate swaps as cash flow hedges to hedge against changes in the amount of future cash flows related to interest payments on existing liabilities, also including certain long-term borrowings hedging net investments, see Note C20 "Long-term and short-term borrowings." Hedge ineffectiveness related to outstanding cash flow hedges was immaterial and recognized in net income. Net changes in fair value recognized in other comprehensive income are offset in a hedging reserve as a component of equity, see Note C11 "Other comprehensive income." In 2014, no cash flow hedges were discontinued due to the original forecasted transactions not having occurred in the originally specified time period.

Interest rate risk sensitivity

As of December 31, 2014, TeliaSonera had interest-bearing debt of SEK 95.9 billion with duration of interest of approximately 5.6 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 55.5 billion, assuming that existing loans maturing during the year are refinanced and after accounting for derivatives. The exact effect of a change in interest rates on the financial net stemming from this debt portfolio depends on the timing of maturity of the debt as well as reset dates for floating rate debt, and that the volume of loans may vary over time, thereby affecting the estimate. However, assuming that those loans were reset by January 1, 2015, at a one percentage point higher interest rate than the prevailing rate as per December 31, 2014, and remained at that new level during 12 months, the post-tax interest expense would increase by some SEK 433 million. Fair value of the loan portfolio would change by approximately SEK 5,898 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 2014.

Financing risk management

TeliaSonera's aggregate borrowings usually have a longer maturity than duration of interest (principal is fixed longer than interest rates). This allows the group to obtain the desired interest rate risk without having to assume a high refinancing risk. The group's policy is that the average maturity of borrowings should normally exceed 4 years. In order to reduce refinancing risk, the group aims to spread loan maturity dates over a longer period. As of December 31, 2014, TeliaSonera AB borrowings had an average time to maturity of approximately 8.4 years.

Pension obligation risk and sensitivity

See Note C21 "Provisions for pensions and employment contracts" for details on the pension obligation risks and a sensitivity analysis.

Management of insurable risks

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

Master netting arrangements and similar agreements

For derivatives in the financial operations, CSAs (credit support annex) may be entered into as an annex to the respective master agreement, and are recognized as other current receivables/liabilities. Under the CSA, the parties agree to provide each other with eligible support, which is calculated based on a weekly exposure under the specific agreement. Funds transferred and interest accrued under a CSA agreement is not considered collateral.

TeliaSonera has executed ISDA Master Agreements for its OTC derivative business, i.e. interest rate and currency derivatives, with all of its core banks. These ISDA Master Agreements allow the parties to do close-out nettings. If TeliaSonera has a commitment of a NCI option (put option over non-controlling interests) linked to a receivable from the same counter party and the shares are held as collateral for the receivable, then the receivable and liability is recognized and offset in the statement of financial position.

		December 31, 2014					
SEK in millions	Note	Gross amounts, financial assets	Gross amounts, financial liabilites	Net amounts of financial assets in the statement of financial position	Related financial liabilities that are not set off	CSA	Net amount
Interest and cross currency interest rate swaps	C15, C18	5,618	–	5,618	-1,716	-1,043	2,859
Currency swaps and forward exchange contracts	C15, C17	152	–	152	-78	–	74
Receivables set off by NCI options	C22	2,257	-2,257	0	–	–	0
Other receivables		33	-14	19	–	–	19
Total		**7,402**	**-1,613**	**5,789**	**-1,794**	-1,043	**2,952**

		December 31, 2014					
SEK in millions	Note	Gross amounts, financial liabilities	Gross amounts, financial assets	Net amounts of financial liabilities in the statement of financial position	Related financial assets that are not set off	CSA	Net amount
Interest and cross currency interest rate swaps	C20	2,191	–	2,191	-1,716	–	475
Currency swaps and forward exchange contracts	C23, C24	417	–	417	-78	–	339
Other liabilites		177	-13	164	–	–	164
Total		**2,875**	**-13**	**2,772**	**-1,794**	–	**978**

		December 31, 2013					
SEK in millions	Note	Gross amounts, financial assets	Gross amounts, financial liabilites	Net amounts of financial assets in the statement of financial position	Related financial liabilities that are not set off	CSA	Net amount
Interest and cross currency interest rate swaps	C15, C18	2,383	–	2,383	-597	–	1,786
Currency swaps and forward exchange contracts	C15, C17	524	–	524	-164	–	360
Receivables set off by NCI options	C22	1,475	-1,475	0	0	–	0
Other receivables		22	-9	13	–	–	13
Total		**4,404**	**-1,484**	**2,920**	**-761**	–	**2,159**

		December 31, 2013					
SEK in millions	Note	Gross amounts, financial liabilities	Gross amounts, financial assets	Net amounts of financial liabilities in the statement of financial position	Related financial assets that are not set off	CSA	Net amount
Interest and cross currency interest rate swaps	C20	1,931	–	1,931	-597	-494	840
Currency swaps and forward exchange contracts	C24	171	–	171	-164	–	7
Other liabilites		25	-8	17	–	–	17
Total		**2,127**	**-8**	**2,119**	**-761**	**-494**	**864**

C27. Leasing agreements

TeliaSonera as lessee

Finance leases

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

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Cost	96	167
Less accumulated depreciation and impairment losses	-77	-117
Net carrying value of finance lease agreements	**19**	**50**

In 2014 and 2013, depreciation and impairment losses totaled SEK 4 million and SEK 43 million, respectively. Leasing fees paid in these years totaled SEK 9 million and SEK 10 million, respectively.

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Total future minimum leasing fees	93	74
Less interest charges	-25	-15
Present value of future minimum leasing fees	**68**	**59**

As of December 31, 2014, future minimum leasing fees and their present values as per finance lease agreements that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2015	Apr–Jun 2015	Jul–Sep 2015	Oct–Dec 2015	2016	2017	2018	2019	Later years	Total
Future minimum leasing fees	3	3	3	3	17	15	16	7	26	**93**
Present value of future minimum lease payments	2	2	2	2	16	14	15	5	22	**80**

Operating leases

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

Future minimum leasing fees under operating lease agreements in effect as of December 31, 2014, that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2015	Apr–Jun 2015	Jul–Sep 2015	Oct–Dec 2015	2016	2017	2018	2019	Later years	Total
Future minimum leasing fees	552	520	521	520	1,772	1,388	1,120	983	4,388	**11,764**
Minimum sublease payments	4	4	4	4	13	3	–	–	–	**32**

In 2014 and 2013, total rent and leasing fees paid were SEK 1,252 million and SEK 1,271 million, respectively. In these years, revenue for subleased items totaled SEK 15 million and SEK 13 million, respectively.

Apart from certain short-term leases, leasing terms range between 3 months and 50 years with an average term of approximately 8 years. All leases have been entered into on conventional commercial terms. Certain contracts include renewal options for various periods of time.

TeliaSonera as lessor

Finance leases

The leasing portfolio of TeliaSonera's customer financing operations in Sweden, Finland, Denmark and Norway, comprises financing related to TeliaSonera's product offerings. The term of the contract stock is approximately 13 quarters. The term of new contracts signed in 2014 was 12 quarters. Of all contracts, 64 percent carry a fixed interest rate and 36 percent a floating interest rate. Most contracts include renewal options. In Finland, TeliaSonera also under a finance lease agreement provides electricity meters with SIM cards for automated reading to a power company as part of TeliaSonera's service package. The term of the agreement is 15 years and it carries a fixed interest rate.

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Minimum lease payments receivable	1,007	1,064
Unguaranteed residual values accruing to the benefit of the lessor	–	8
Gross investment in finance lease contracts	**1,007**	**1,072**
Unearned finance income	-120	-151
Present value of future minimum lease payments receivable (net investment in finance lease contracts)	**887**	**921**

As of December 31, 2014, the gross investment and present value of receivables relating to future minimum lease payments under non-cancelable finance lease agreements were distributed as follows.

Expected maturity SEK in millions	Jan–Mar 2015	Apr–Jun 2015	Jul–Sep 2015	Oct–Dec 2015	2016	2017	2018	2019	Later years	Total
Gross investment	91	93	92	92	227	151	85	62	114	**1,007**
Present value of future minimum lease payments receivable	79	81	80	80	202	136	74	55	100	**887**

As of December 31, 2014 and 2013, the accumulated allowance for uncollectible minimum lease payments receivable totaled SEK 6 million and SEK 8 million, respectively. Credit losses on leasing receivables are reduced by gains from the sale of equipment returned.

Operating leases

The leasing portfolio refers mainly to the international carrier business and includes 23 agreements with other international operators and 83 other contracts. Contract periods range between 10 and 25 years, with an average term of 20 years. In addition, 363 operating lease agreements are related to TeliaSonera's product offerings to end-customers in Sweden and Finland. Contract periods range between 3 and 5 years, with an average term of approximately 3 years.

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Cost	3,100	3,323
Less accumulated depreciation and impairment losses	-1,820	-2,044
Gross carrying value	**1,280**	**1,279**
Less prepaid lease payments	-495	-404
Net value of operating lease agreements	**785**	**875**

Depreciation and impairment losses totaled SEK 621 million in 2014 and SEK 607 million in 2013.

Future minimum lease payment receivables under operating lease agreements in effect as of December 31, 2014, that could not be canceled in advance and were in excess of one year were as follows:

Expected maturity SEK in millions	Jan–Mar 2015	Apr–Jun 2015	Jul–Sep 2015	Oct–Dec 2015	2016	2017	2018	2019	Later years	Total
Future minimum lease payment receivables	109	109	109	109	257	138	38	7	1	**877**

C28. Related party transactions

The Swedish State and the Finnish State

At year end, the Swedish State held 37.3 percent and the Finnish State held 7.8 percent of the outstanding shares in TeliaSonera AB. The remaining 54.9 percent of the outstanding shares are widely held. As of the date of this Report, the Finnish State's ownership had been reduced to 3.2 percent.

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

The Swedish telecommunications market is governed mainly by the Electronic Communications Act and ordinances, regulations and decisions in accordance with the Act. Notified operators are required to pay a fee to finance measures to prevent serious threats and disruptions to electronic communications during peacetime. The required fee from TeliaSonera was SEK 43 million in 2014 and SEK 44 million in 2013. 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 49 million in 2014 and SEK 51 million in 2013.

The Finnish telecommunications market is governed mainly by the Information Society Code as well as by regulations, decisions and technical directions in accordance with this act. In 2014 and 2013, TeliaSonera paid EUR 2.0 million and EUR 2.0 million, respectively, for the use of radio frequencies and EUR 0.8 million and EUR 0.8 million, respectively, for the use of numbers. In 2014 and 2013, TeliaSonera paid EUR 0.15 million and EUR 0.2 million, respectively, for data privacy and e-identification supervision, and EUR 1.0 million and EUR 1.2 million, respectively, as communications market fee, i.e. a general fee paid for the regulatory activities of the Finnish Communications Regulatory Authority (FICORA).

Associated companies and joint ventures

TeliaSonera sells and buys services and products to and from associated companies. These transactions are based on commercial terms.

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

SEK in millions	January–December or December 31, 2014	2013
Sales of goods and services		
OAO MegaFon	172	197
TOO Rodnik Ink	108	11
Other	80	18
Total sales of goods and services	**360**	**226**
Total purchases of goods and services	**260**	**137**
Total trade and other receivables	**69**	**38**
Total trade and other payables	**33**	**19**

Pension and personnel funds

As of December 31, 2014, TeliaSonera's Finnish pension fund held 366,802 shares and its Finnish personnel fund 78,500 shares in TeliaSonera AB, respectively, in total representing 0.01 percent of the outstanding shares. For information on transactions and balances, see Note C21 "Provisions for pensions and employment contracts."

Commitments

TeliaSonera has made certain commitments on behalf of group companies and associated companies. See Note C29 "Contingencies, other contractual obligations and litigation" for further details.

Key management

See section "Remuneration to corporate officers" in Note C31 "Human resources" for further details.

C29. Contingencies, other contractual obligations and litigation

Contingent assets and financial guarantees

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Credit and performance guarantees, etc.	33	31
Subtotal *(see Liquidity risk – Note C26)*	***33***	***31***
Guarantees for pension obligations	287	284
Total financial guarantees	**320**	**315**

As of December 31, 2014, credit and performance guarantees represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2015	Apr–Jun 2015	Jul–Sep 2015	Oct–Dec 2015	2016	2017	2018	2019	Later years	Total
Credit and performance guarantees	–	–	–	–	16	–	–	–	17	**33**

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

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

Collateral held

In 2012, TeliaSonera sold all its shares in OAO Telecominvest (TCI) to AF Telecom Holding (AFT). The purchase price, denominated in USD, has not been fully paid and in order to secure the value of TeliaSonera's receivable, currently SEK 4,925 million (of which SEK 2,462 million short-term), OAO MegaFon shares held by TCI, representing 3.27 percent of MegaFon's shares, are currently pledged to TeliaSonera. Two tranches are remaining out of a total of five. The proper payment of the receivable is guaranteed by certain companies within the AFT Group and the bank accounts where TCI will collect dividends on the pledged shares have also been pledged to TeliaSonera.

Collateral pledged

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
For long-term borrowings: Real estate mortgages and chattel mortgages	255	–
For pension obligations: Real estate mortgages	3	2
For other provisions: Bonds and short-term investments	65	94
For operating leases: Blocked funds in bank accounts	46	41
For deposits from customers: Blocked funds in bank accounts	–	24
For commitments under a shareholders' agreement: Shares in Strex AS	11	12
For commitments under a shareholders' agreement: Shares in 4T Sverige AB	46	37
Total collateral pledged	**426**	**210**

Under an agreement, all shareholders of 4T Sverige AB have mutually pledged their shares in the company in favor of the company's other shareholders.

Other unrecognized contractual obligations

As of December 31, 2014, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected investment period SEK in millions	Jan–Mar 2015	Apr–Jun 2015	Jul–Sep 2015	Oct–Dec 2015	2016	2017	2018	2019	Later years	Total
Intangible assets	150	35	3	17	–	–	–	–	–	**206**
Property, plant and equipment	737	328	353	405	69	–	8	–	–	**1,901**
Other holdings	1	1	1	1	4	2	–	–	–	**10**
Total *(see Liquidity risk – Note C26)*	**888**	**364**	**358**	**424**	**73**	**2**	**8**	–	–	**2,117**

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

TeliaSonera's Spanish subsidiary Xfera Móviles S.A. (Yoigo) also pays an annual spectrum fee during the term of its 3G license expiring in 2020. The fee is determined on an annual basis by the Spanish government authorities and for 2014 is set to SEK 439 million (EUR 46 million).

Legal and administrative proceedings

In its normal course of business, TeliaSonera is involved in a number of legal proceedings. These proceedings primarily involve claims arising out of commercial law issues and matters relating to telecommunications regulations and competition law. Further, TeliaSonera is involved in numerous proceedings related to interconnect fees, which affects future revenues.

In addition, there are ongoing investigations in Sweden, the Netherlands and the USA regarding TeliaSonera's operations in Uzbekistan and suspected irregularities related to those and to the market entry into Uzbekistan. For more information, see Board of Directors' Report, section "Group development in 2014" and Risks and uncertainties, section "Review of Eurasian transactions."

Except for the proceedings described below, TeliaSonera or its subsidiaries are not involved in any legal, arbitration or regulatory proceedings which management believes could have a material adverse effect on TeliaSonera's business, financial condition or results of operations.

During the second half of 2001, a number of operators filed complaints against TeliaSonera with the Swedish Competition Authority and the Authority initiated an investigation regarding TeliaSonera's pricing of ADSL services. The complaints suggest that the difference between TeliaSonera's wholesale prices and retail prices is too low to effectively enable competition in the retail market. In December 2004, the Competition Authority sued TeliaSonera at the Stockholm District Court claiming that TeliaSonera had abused its dominant position. The Authority demands a fine of SEK 144 million. In December 2011, the Stockholm District Court decided in accordance with the Competition Authority's demands. After TeliaSonera's appeal, the Market court decided in April 2013, to change the district court's ruling and ordered TeliaSonera to pay a fine of SEK 35 million. Following the Competition Authority's lawsuit, Tele2 has in April 2005, and Spray Network in June 2006, respectively, claimed substantial damages from TeliaSonera due to the alleged abuse of dominant market position. TeliaSonera has vigorously contested Tele2's and Spray Network's claims. The actions for damages are on-going.

TeliaSonera is currently involved in court cases with Primav Construcoes e Comercio, former shareholder of the Brazilian mobile operator Tess, relating to such shareholder's disposal of its investment in Tess as well as certain call options and subscription rights in Tess. Whilst TeliaSonera has sold its holding in Tess, it has entered into certain guarantees to compensate the buyer for certain losses in connection with the above-mentioned court cases. TeliaSonera has vigorously contested all claims in connection with the disputes. On September 13, 2013, the court of first instance in Sao Paolo-SP, decided to dismiss all the pleadings made in the law suit and related proceedings, terminating the case. On October 4, 2013, Primav filed an appeal to the State Appellate Court against this decision.

C30. Cash flow information

Cash flow from operating activities under the direct method presentation

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Cash receipts from customers	103,308	102,990
Cash paid to employees and suppliers	-70,407	-68,552
Cash flow generated from operations	**32,901**	**34,438**
Dividends received	2,136	2,170
Interest received	596	606
Interest paid	-3,203	-3,127
Income taxes paid	-3,178	-3,051
Cash flow from operating activities	**29,252**	**31,036**

Non-cash transactions

Asset retirement obligations (AROs)

In 2014 and 2013, obligations regarding future dismantling and restoration of technical sites entailed non-cash investments of SEK 171 million and SEK 220 million, respectively.

Building-infrastructure exchange transactions

TeliaSonera provides and installs infrastructure in buildings and as compensation is granted an exclusive right to deliver services for 5–10 years through this infrastructure. These activities entailed non-cash exchanges of SEK 88 million in 2014 and SEK 189 million in 2013.

Dividends to holders of non-controlling interests

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Subsidiaries		
AO Kcell	-590	-347
Fintur Holdings B.V.	-310	-284
Latvijas Mobilais Telefons SIA	-106	-168
TEO LT AB	-46	-46
Azertel Telekomünikasyon Yatirim ve Dis Ticaret A.S.	–	-398
Other subsidiaries	-90	-36
Total dividends to holders of non-controlling interests	**-1,143**	**-1,279**

Business combinations, other acquisitions and disposals

The TeliaSonera group is continually restructured by acquiring and divesting equity instruments or operations.

For information on net cash outflow from business combinations in 2014, see Note C33 "Business combinations."

In 2013, net cash outflow from business combinations included SEK 674 million related to the acquisition of TOO KazNet Media, repayment of certain borrowings in KazNet Media of SEK 414 million and SEK 77 million related to other minor business combinations.

In 2014, no operations were divested. Cash inflow for 2014 of SEK 2,094 million from "Subsidiaries and other equity instruments divested" comprises the third tranche received relating to the sale of shares in Telecominvest (TCI) in 2012. Two tranches are remaining out of a total of five. See Note C29 "Contingencies, other contractual obligations and litigation," section "Collateral held."

Cash inflow for 2013 of SEK 1,629 million from "Subsidiaries and other equity instruments divested" mainly relates to the second tranche received relating to the sale of shares in Telecominvest in 2012.

C31. Human resources

Employees, salaries, and social security expenses

During 2014, the number of employees increased by 153 to 26,166 at year-end from 26,013 at year-end 2013. Increases in some of the Eurasian operations due to ongoing customer intake were offset by efficiency measures executed in some Nordic and Baltic countries. The net contribution from business combinations in 2014 was 203 employees.

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

Country	Jan–Dec 2014 Total (number)	Jan–Dec 2014 of whom men (%)	Jan–Dec 2013 Total (number)	Jan–Dec 2013 of whom men (%)
Sweden	7,997	59.2	8,122	56.9
Finland	3,577	63.1	3,745	62.2
Norway	841	67.4	766	64.2
Denmark	1,051	69.9	1,044	68.4
Lithuania	3,110	51.1	3,336	49.7
Latvia	917	48.4	905	46.1
Estonia	1,981	52.4	2,023	56.1
Spain	106	66.0	110	67.3
Kazakhstan	1,635	40.8	1,584	42.4
Azerbaijan	822	53.2	832	57.2
Uzbekistan	890	62.5	835	61.3
Tajikistan	460	67.0	450	66.9
Georgia	328	46.3	322	43.5
Moldova	353	47.0	359	51.5
Nepal	505	74.1	491	74.3
Russian Federation	28	42.9	39	53.8
United Kingdom	41	75.6	45	75.6
Other countries	309	70.2	313	66.5
Total	**24,951**	**56.6**	**25,321**	**56.7**

In total, operations were conducted in 28 countries in 2014 and 29 countries in 2013.

The share of female and male Senior executives was as follows. Boards of directors refer to board members in all consolidated group companies. Other Senior executives include presidents and other members of executive management teams at the group level, region level and company level.

Percent	Dec 31, 2014 Boards of directors	Dec 31, 2014 Other senior executives	Dec 31, 2013 Boards of directors	Dec 31, 2013 Other senior executives
Women	25.8	30.4	26.5	32.0
Men	74.2	69.6	73.5	68.0
Total	**100.0**	**100.0**	**100.0**	**100.0**

Total salaries and other remuneration, along with social security expenses and other personnel expenses, were as follows.

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Salaries and other remuneration	**9 ,746**	**9,400**
Social security expenses		
Employer's social security contributions	1,893	1,900
Pension expenses	1,040	1,128
Total social security expenses	**2,933**	**3,028**
Capitalized work by employees	-597	-657
Other personnel expenses	476	454
Total personnel expenses recognized by nature	**12,557**	**12,226**

Salaries and other remuneration were divided between Senior executives and other employees as follows. Variable pay was expensed in the respective year, but disbursed in the following year.

SEK in millions	Jan–Dec 2014 Senior executives (of which variable pay)	Jan–Dec 2014 Other employees	Jan–Dec 2013 Senior executives (of which variable pay)	Jan–Dec 2013 Other employees
Salaries and other remuneration	184 (11)	9,562	195 (11)	9,205

Pension expenses for all Senior executives totaled SEK 28 million in 2014 and SEK 33 million in 2013.

In 2014 and 2013, employee profit-sharing costs in TeliaSonera's Finnish subsidiaries amounted to SEK 73 million and SEK 44 million, respectively, and in its Nepalese subsidiary to SEK 168 million and SEK 133 million, respectively. In addition to these employee profit-sharing systems, all TeliaSonera regions apply performance-based variable compensation for different groups of employees.

Performance share programs

The 2010 to 2014 Annual General Meetings of shareholders in TeliaSonera AB resolved to implement performance share programs (PSP), which shall comprise certain senior executives and key positions within the group (however, the members of Group Executive Management are excluded). Provided that certain performance conditions, consisting of financial targets linked to earnings per share (EPS) and total shareholder return (TSR), are met during a defined performance period, participants in the programs shall be given the opportunity to receive final allotments of TeliaSonera shares without consideration (performance shares). The financial targets include a minimum level which must be achieved in order for any allotments to occur at all, as well as a maximum level in excess of which no additional allotments will occur. Each program shall in total comprise no more than 1,560,000 (PSP 2011), 1,400,000 (PSP 2012), 1,360,000 (PSP 2013) and 2,090,000 (PSP 2014) TeliaSonera shares, corresponding to approximately 0.03 percent of the total number of outstanding shares for PSP 2011, 2012 and 2013 and 0.05 percent of the total number of outstanding shares for PSP 2014.The final allotments of performance shares will be based 50 percent on EPS development for each of the three years of the performance period in relation to EPS for the preceding year, and 50 percent on TSR during the full performance period in relation to TSR in a group of comparable telecom companies defined by the Board of Directors. Participation in the program requires that the participant has invested in or allocated already held TeliaSonera shares to the program corresponding to a value of 2 percent of the participant's annual base salary. The maximum financial outcome for a participant, and the maximum number of performance shares that may finally be allotted in a program, shall be capped at such number of performance shares which aggregated market value corresponds to 37.5 percent of each participant's base salary. Recalculation of final allotments of performance shares shall take place in the event of an intervening bonus issue, a split, a rights issue and/or other similar events. PSP 2011 vested during the spring 2014 and shares were distributed to the participants in the program. TeliaSonera AB acquired 124,541 own shares in April 2014, to an average price of SEK 46.02 to cover the commitments under the PSP 2011 program which corresponds to a cost of SEK 5,731,925.

The summarized performance share program activity in 2014 was as follows.

Performance share program	2014/2017	2013/2016	2012/2015	2011/2014
Participants				
Number of participants, December 31, 2013	–	98	81	80
New participants in 2014	148	–	–	–
Terminated employments or vested in 2014	-4	-14	-8	-80
Number of participants, December 31, 2014	**144**	**84**	**73**	–
Allotted shares				
Preliminary allotments, December 31, 2013	–	–	–	143,542
Preliminary allotments in 2014	112,220	146,766	295,778	–
Cancelled shares	–	–	–	-19,001
Final allotments	–	–	–	-124,541
Number of allotted shares, December 31, 2014	**112,220**	**146,766**	**295,778**	–

The estimated fair values at the date of allotment and the assumptions used when estimating the achievements of the performance conditions were as follows.

Performance share program	2014/2017	2013/2016	2012/2015	2011/2014
Fair value at the date of allotment (SEK in millions)	19	15	16	18
Assumptions used (percentages)				
Achievement of EPS-based performance condition	50	50	50	50
Achievement of TSR-based performance condition was based on				
Estimated volatility, TeliaSonera	21	21	24	29
Estimated volatility, peer group companies	21-35	20-27	20-31	24-41
Average reciprocal correlation between TeliaSonera and the peer group companies	37	41	44	45
Risk-free interest rate	0.9	1.0	2.1	2.7

The achievement of the TSR-based performance condition was estimated using a Monte Carlo simulation model.
The estimated fair value of each performance share program and related social security expenses are amortized to expense over the performance period. Total personnel expenses were as follows.

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Salaries and other remuneration	18	18
Social security expenses	5	5
Total personnel expenses, performance share programs	**23**	**23**

Remuneration to corporate officers

Board of Directors

As resolved by the 2014 Annual General Meeting of shareholders (AGM) in TeliaSonera AB, annual remuneration is paid to the members of the Board of Directors in the amount of SEK 1,240,000 to the Chair, SEK 750,000 to the Vice-Chair and SEK 470,000 to each of the other directors, elected by the AGM. In addition, annual remuneration is paid to the members of the Board's Audit Committee in the amount of SEK 150,000 to the Chair and SEK 100,000 to each of the other members. Additional annual remuneration is also paid to the members of the Board's Remuneration Committee in the amount of SEK 65,000 to the Chair and SEK 45,000 to each of the other members. Remuneration to the Chair of the Sustainability and Ethics Committee is SEK 150,000 and SEK 100,000 is paid to each of the other members.

Remuneration to Board members

SEK	Board[1]	Audit Committee	Remuneration Committee	Sustainability and Ethics Committee	Total remuneration
Board of Directors, AGM 2014					
Marie Ehrling, Chair	1,229,784	74,441	65,000	100,000	**1,469,225**
Olli-Pekka Kallasvuo, Vice-Chair	750,000	–	45,000	–	**795,000**
Mats Jansson	464,892	–	45,000	–	**509,892**
Mikko Kosonen	464,892	–	–	150,000	**614,892**
Nina Linander	464,892	150,000	–	–	**614,892**
Martin Lorentzon	464,892	100,000	–	100,000	**664,892**
Per-Arne Sandström	464,892	100,000	–	–	**564,892**
Kersti Strandqvist	464,892	–	–	100,000	**564,892**
Total	**4,769,136**	**424,441**	**155,000**	**450,000**	**5,798,577**

Comments on the table:

1 Board remuneration, remuneration for Audit Committee, remuneration for Remuneration Committee and remuneration for Sustainability and Ethics Committee is presented in separate columns above. The remuneration is paid monthly. All Board members, including Chair and Vice-Chair, were re-elected at the 2014 AGM.

Group Executive Management

The Chief Executive Officer (CEO) and the "Other members of the Group Executive Management" referring to the three EVPs and the eight SVPs directly reporting to the CEO, constituted the TeliaSonera Group Executive Management.

The 2014 Annual General Meeting decided to approve the following guidelines for remuneration to the Group Executive Management.

TeliaSonera's objective is to offer remuneration levels and other employment conditions required to attract, retain and motivate high calibre executives needed to maintain the success of the business. Remuneration should be built upon a total reward approach allowing for a market relevant – but not market leading – and cost effective executive remuneration based on the following compensation components: (1) base salary; (2) pension; and (3) other benefits. The base salary should reflect the competence required in the position and the responsibility, complexity and the business contribution of the executive. The base salary should also reflect the performance of the executive and consequently be individual and differentiated. Pension and other retirement benefits should be based on the defined contribution method.

The termination period may be up to six (6) months (twelve (12) for the CEO) when given by the employee and up to twelve (12) months when given by the Company. In case the termination is given by the Company, the individual may be entitled to a severance payment up to twelve (12) months.

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

Acting Group Executive Management members keep their previous terms regarding Short term and Long term variable pay, pensions and benefits remain during the acting period. They also keep their existing notice periods.

The executive may be entitled to a company car benefit, health care provisions, travel insurance etc. in accordance with local labor market practice. The Board of Directors is allowed to make minor deviations on an individual basis from the principles stated above.

Remuneration to the CEO and other permanent members of Group Executive Management consists of base salary, certain taxable benefits and pension benefits. As per December 31, 2014, TeliaSonera does not operate any share related incentive program in relation to the CEO, and other permanent members of Group Executive Management.

Applying the remuneration policy adopted at the AGM, the CEO's total remuneration package is decided by the Board of Directors based on the recommendation of its Remuneration Committee.

Total remuneration packages to other members of Group Executive Management (EVPs and SVPs) are approved by the Remuneration Committee, based on the CEO's recommendation.

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

SEK	Base salary	Other remuneration[1]	Other benefits[2]	Pension expense[3]	Total remuneration	Capital value of pension commitment[5]
Group Executive Management						
Johan Dennelind, CEO	14,000,000	206,213	92,979	5,491,179	**19,790,371**	–
Other members of Group Executive Management (including 3 EVPs and 8 SVPs)	47,031,353	3,068,310	1,306,202	15,433,352	**66,839,217**	11,430,349
Total	**61,031,353**	**3,274,523**	**1,399,181**	**20,924,531**	**86,629,588**	**11,430,349**
Other former members of Group Executive Management						
Other former members of Group Executive Management (4 individuals)[4]	2,046,988	454,680	61,838	785,308	**3,348,813**	–
Other former CEOs and EVPs (8 individuals)	–	–	–	–	–	190,293,748
Total	**2,046,988**	**454,680**	**61,838**	**785,308**	**3,348,813**	**190,293,748**
Grand total	**63,078,341**	**3,729,203**	**1,461,019**	**21,709,839**	**89,978,401**	**201,724,097**

Comments on the table:

1 One member of Group Executive Management and one former member of Group Executive Management with employment agreements prior to April 2013 have a remuneration component of 30 percent fixed salary addition which is included in Other remuneration. One Group Executive Management member has outcome from long term incentive programs related to positions held before the Group Executive Management membership. The amounts are included in Other remuneration. Other remuneration for the CEO is holiday allowance.

2 Other benefits refer to company cars and a number of other taxable benefits. Other benefits for the CEO refer to car allowance (SEK 60,000), health insurance (SEK 30,700) and minor taxable expenses (SEK 2,279).

3 See further disclosures concerning the terms and conditions of pension benefits below.

4 Other former members of Group Executive Management includes one individual who has left TeliaSonera and three individuals who have been temporary members of the Group Executive Management.

5 Capital value of pension commitment includes defined benefit plans for eight former CEOs and EVPs (left TeliaSonera before 2014).

Pension benefits

TeliaSonera offers permanent members of the Group Executive Management defined contribution pension schemes. A defined contribution scheme provides premium contributions to the pension scheme as a percentage of the pensionable salary. The level of pension benefits at retirement will be determined by the contributions paid and the return on investments and the costs associated to the plan. The main reason behind the increase in the capital value of pension commitment is due to changes in discount rates.

CEO

The CEO is eligible to a defined contribution pension scheme with contributions corresponding to 4.5 percent of base salary up to 7.5 income base amounts and to 30 percent for such salary above 7.5 income base amounts. In addition, contributions of 10 percent of base salary are paid into the scheme. These contributions add up to a total pension contribution per annum of SEK 5,491,179 (compared to base salary for 2014 SEK 14,000,000 representing 39.2 percent). The contributions into the scheme are vested immediately. The income base amount is determined annually by the Swedish Government and was SEK 56,900 for 2014. The retirement age is variable. Contributions to the pension scheme will cease at retirement or earlier if leaving the company for any other reason.

Other members of Group Executive Management

All three EVPs and the SVPs are eligible to defined contribution pension schemes similar to the ITP plan section 1 providing contributions corresponding to 4.5 percent of their base salary up to 7.5 income base amounts and 30 percent of such salary above 7.5 income base amounts. One of the EVPs has an additional contribution of 20 percent of the base salary. Another EVP was during the first three months of 2014 eligible for the statutory Finnish TyEL pension plan and extra contributions in fixed amounts equal to SEK 41,600 per month. Four other members of Group Executive Management have additional contributions in the range of 10 to 20 percent of their base salary. The contributions to the pension schemes are vested immediately. The retirement age for the EVPs and other members of Group Executive Management is 65 or variable.

Other former members of Group Executive Management

During the year there has been four members with temporary acting positions within Group Executive Management. They kept their existing ITP-pension plans during their acting periods. One permanent Group Executive Management member left the position before the end of the year.

Defined pension benefits earned by former CEOs and EVPs until the year 2008 are pledged and calculated as capital values (debt) until all their lifelong pensions are fully paid out by TeliaSonera. Their pensions are paid out from the age of 60. Within the total capital value for this category (SEK 190,293,748) the capital value of Marie Ehrling (SEK 9,296,036) is included relating to her period as president of TeliaSonera Sweden during 2002–2006. Since 2008 TeliaSonera does not offer any defined benefit pension schemes to CEOs and EVPs.

C32. Remuneration to audit firms

The following remuneration was billed by audit firms for audits and other reviews based on applicable legislation and for advice and other assistance resulting from observations in the reviews. Remuneration was also billed for independent advice, using group auditors or other audit firms, in the fields of Tax/Law and Corporate Finance as well as other consulting services. Audit fees to other audit firms refer to subsidiaries not audited by the group auditors. Auditors are elected by the Annual General Meeting.

Deloitte AB was elected at the Annual General Meeting on April 2, 2014 as TeliaSonera AB's independent auditor (group auditor) for a 1-year term. The audit of the consolidated financial statements has been carried out throughout the year since the election. No separate fee has been billed for the review of interim financial statements.

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Remuneration expensed		
Deloitte		
Audits	38	–
Audit-related services	5	–
Tax services	1	1
All other services	1	4
Total Deloitte	**45**	**5**
EY		
Tax services	1	2
All other services	4	1
Total EY	**5**	**3**
KPMG		
Tax services	4	6
All other services	15	5
Total KPMG	**19**	**11**
PwC		
Audits	2	38
Audit-related services	2	2
Tax services	0	2
All other services	4	1
Total PwC	**8**	**43**
Other audit firms		
Audits, audit-related services	1	1
Tax services and all other services	–	3
Total other audit firms	**1**	**4**
Total remuneration expensed	**78**	**66**
Total remuneration	**78**	**66**

Within the provisions of Swedish legislation, the Audit Committee of the Board of Directors of TeliaSonera AB is responsible, among other matters, for the oversight of TeliaSonera's independent auditors. The Board of Directors has adopted a policy regarding pre-approval of audit-related services and permissible non-audit services provided by audit firms.

C33. Business combinations

Business combinations during the period

AinaCom's consumer operations

In April 2014, TeliaSonera acquired AinaCom's consumer operations and fixed network with related assets to strengthen Sonera's position on the Finnish market.

The results of the acquired operations were included in the consolidated financial statements as of April 1, 2014. Goodwill consists of the knowledge of transferred personnel and expected synergies from the assets merged to the network and operations of TeliaSonera Finland.

Zitius

In May 2014, TeliaSonera acquired 100 percent of the shares in the Swedish operator Zitius Service Delivery AB. The acquisition also comprised 100 percent of the shares in Quadracom Networks AB and 100 percent of the shares in the service provider Riksnet (Rätt Internet Kapacitet i Sverige AB).

Goodwill is explained by a strengthened position in the market for open fiber networks and economies of scale as well as other synergies in the end-user business. The results of the acquired subsidiaries are included in the consolidated financial statements as of May 20, 2014.

Ipeer

On October 1, 2014, TeliaSonera acquired all shares in Ipeer AB, a leading corporate supplier of cloud and hosting services in Sweden. As a result of the transaction, TeliaSonera supplements its product portfolio of network and access services and are able to offer its business customers in Sweden completely new total solutions.

The results of the acquired operations were included in the consolidated financial statements as of October 1, 2014. Goodwill is explained by the company's ability to generate new customers.

Cost of combination, goodwill and cash-flow effects

Details of the cost of combination, fair values of assets acquired and liabilities assumed, and goodwill were as follows.

SEK in millions	AinaCom	Zitius	Ipeer
Cost of combination			
Cash consideration	347	446	143
Contingent consideration	–	–	–
Total cost of the combination	**347**	**446**	**143**
Fair values of net assets acquired			
Intagible assets (mainly customer contracts)	121	283	59
Property, plant and equipment	111	114	30
Inventories, receivables and other assets	27	53	12
Cash and cash equivalents	–	46	3
Total assets acquired	***259***	***496***	***105***
Deferred income tax liabilities	-23	-61	-13
Other liabilities	-27	-177	-40
Total liabilities assumed	***-50***	***-238***	***-53***
Total fair value of net assets acquired	**209**	**258**	**51**
Goodwill	**138**	**187**	**92**

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

The cash-flow effects were as follows.

SEK in millions	AinaCom	Zitius	Ipeer
Total cost of the combination paid in cash	347	446	143
Less acquired cash and cash equivalents	–	-46	-3
Repayment of certain borrowings	–	73	–
Net cash outflow from the combination	**347**	**473**	**140**

There were no contingent liabilities assumed or collateral pledged arising from the acquisition.

Other minor business combinations during the period

For minor business combinations in 2014, the cost of combination totaled SEK 47 million and the net cash outflow SEK 44 million. Goodwill was SEK 41 million, allocated to Denmark by SEK 38 million and Finland by SEK 3 million. Goodwill is explained by strengthened market positions.

Business combinations after the reporting period

Tele2's Norwegian operations

After the Norwegian Competition Authority approval, TeliaSonera acquired Tele2's Norwegian mobile operations on February 12, 2015. The acquisition included 100 percent of all outstanding shares in Tele2 Norge AS and Network Norway AS and their subsidiaries and joint ventures. As part of the remedies provided in order to get the approval, TeliaSonera signed an agreement with the mobile operator ICE Communication Norge AS (ICE) partly on national roaming, partly on the sale of the customer base and the marketing and sales organization of Network Norway, which provides voice communication solutions to companies. In addition, TeliaSonera sold infrastructure to ICE.

The transaction is a strategic fit for the group and in line with the ambition to strengthen TeliaSonera's position in the core markets. The greater scale will improve TeliaSonera's competitiveness and ability to offer mobile internet to enterprise customers and consumers in Norway, including the rural areas where large investments are needed.

The preliminary cost of combination, preliminary fair values of assets acquired including goodwill and liabilities assumed are presented in the table below. The table includes the effects of all the related transactions, including remedies provided.

SEK in millions	Tele2 Norway
Cost of combination	
Cash consideration	5,138
Contingent consideration	–
Total cost of the combination	**5,138**
Fair value of net assets acquired	
Property, plant and equipment and intangible assets (including goodwill)	4,719
Other non-current assets	1,125
Current assets	745
Total assets acquired including goodwill	***6,589***
Non-current liabilities	-939
Current liabilities	-512
Total liabilities assumed	***-1,451***
Total fair value of net assets acquired, including goodwill	**5,138**

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

Other minor business combinations after the reporting period

On January 2, 2015, TeliaSonera acquired all shares in the Swedish open fiber operator Transit Bredband AB. The cost of the combination was SEK 22 million. The cost of the combination and fair values have been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment.

Parent company income statements

SEK in millions	Note	Jan–Dec 2014	Jan–Dec 2013
Net sales	P2	4	7
Costs of sales	P3	–	-1
Gross income		**4**	**6**
Selling and marketing expenses	P3	-67	-63
Administrative expenses	P3	-871	-1,004
Other operating income	P4	34	183
Other operating expenses	P4	-16	-145
Operating loss/income		**-916**	**-1,023**
Financial income and expenses	P5	3,409	8,824
Income after financial items		**2,493**	**7,801**
Appropriations	P6	-230	1,484
Appropriations, group contribution	P6	7,980	8,578
Income before taxes		**10,243**	**17,862**
Income taxes	P6	-231	-1,002
Net income		**10,012**	**16,860**

Parent company statements of comprehensive income

SEK in millions	Note	Jan–Dec 2014	Jan–Dec 2013
Net income		**10,012**	**16,860**
Cash flow hedges		71	335
Available-for-sale financial instruments		3	-2
Income tax effect adjustments previous year		-9	–
Income taxes relating to other comprehensive income		-16	-65
Total other comprehensive income	P7	**49**	**268**
Total comprehensive income		**10,061**	**17,128**

Parent company balance sheets

SEK in millions	Note	Dec 31, 2014	Dec 31, 2013
Assets			
Other intangible assets	P8	10	13
Property, plant and equipment	P9	5	6
Deferred tax assets	P6	125	171
Other financial assets	P10	155,355	179,188
Total non-current assets		**155,495**	**179,378**
Trade and other receivables	P11	42,146	37,155
Current tax receivables		897	263
Short-term investments	P12	17,508	21,858
Cash and bank	P12	5,254	5,026
Total current assets		**65,805**	**64,302**
Total assets		**221,300**	**243,680**
Shareholders' equity and liabilities			
Restricted equity			
Share capital		13,856	13,856
Statutory reserve		1,855	1,855
Non-restricted equity			
Other reserves		104	55
Retained earnings		57,905	54,035
Net income		10,012	16,860
Total shareholders' equity		**83,732**	**86,661**
Untaxed reserves	P6	**11,476**	**11,246**
Provisions for pensions and employment contracts	P14	427	488
Other provisions	P15	51	83
Total provisions		**478**	**571**
Interest-bearing liabilities			
Long-term borrowings	P16	87,165	78,597
Short-term borrowings	P16	36,287	64,743
Non-interest-bearing liabilities			
Long-term liabilities	P17	7	4
Short-term provisions, trade payables and other current liabilities	P15, P18	2,155	1,858
Total liabilities		**125,614**	**145,202**
Total shareholders' equity and liabilities		**221,300**	**243,680**
Contingent assets	P23	–	–
Guarantees	P23	3,196	4,846
Collateral pledged	P23	58	48

Parent company cash flow statements

SEK in millions	Note	Jan–Dec 2014	Jan–Dec 2013
Net income		10,012	16,860
Adjustments for:			
Amortization, depreciation and impairment losses		10,153	8,708
Capital gains/losses on sales/discards of non-current assets		-1,822	-900
Pensions and other provisions		-173	101
Financial items		3,639	2,560
Group contributions and appropriations		-7,750	-10,062
Income taxes		-668	58
Cash flow before change in working capital		**13,391**	**17,325**
Increase (-)/Decrease (+) in operating receivables		-623	-115
Increase (+)/Decrease (-) in operating liabilities		425	239
Change in working capital		**-198**	**124**
Cash flow from operating activities		**13,193**	**17,449**
Intangible and tangible non-current assets acquired		-1	-2
Equity instruments acquired		14,208	-1,015
Equity instruments and operations divested		3,949	12,570
Loans granted and other similar investments		-34,253	-23,305
Net change in interest-bearing current receivables		-2,106	-104
Cash flow from investing activities		**-18,203**	**-11,856**
Cash flow before financing activities		**-5,010**	**5,593**
Repurchased treasury shares including transaction costs		-6	-4
Dividend to shareholders		-12,990	-12,340
Group contributions net		8,678	7,005
Proceeds from long-term borrowings		11,050	4,863
Repayment of long-term borrowings		-8,366	-5,894
Change in short-term borrowings		-1,013	-650
Settlement of derivative contracts for economic hedges and CSA		1,155	1,285
Cash flow from financing activities		**-1,492**	**-5,735**
Change in cash and cash equivalents		**-6,502**	**-142**
Cash and cash equivalents, opening balance		**26,781**	**26,802**
Change in cash and cash equivalents		-6,502	-142
Exchange rate differences in cash and cash equivalents		100	122
Cash and cash equivalents, closing balance	P12	**20,379**	**26,782**
Dividends received		17,711	21,298
Interest received		1,810	2,334
Interest paid		-4,137	-4,431
Income taxes paid		-898	-941

Parent company statements of changes in shareholders' equity

SEK in millions	Note	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Total shareholders' equity
Closing balance, December 31, 2012		**13,856**	**1,855**	**-213**	**66,373**	**81,871**
Dividend	P13	–	–	–	-12,340	-12,340
Total comprehensive income		–	–	268	16,860	17,128
Treasury shares		–	–	–	-4	-4
Share-based payments	P25	–	–	–	6	6
Closing balance, December 31, 2013		**13,856**	**1,855**	**55**	**70,895**	**86,661**
Dividend	P13	–	–	–	-12,990	-12,990
Total comprehensive income		–	–	49	10,012	10,061
Treasury shares		–	–	–	-6	-6
Share-based payments	P25	–	–	–	5	5
Closing balance, December 31, 2014		**13,856**	**1,855**	**104**	**67,917**	**83,732**

Notes to parent company financial statements

Contents

P1. Basis of preparation

General

The parent company TeliaSonera AB's financial statements have been prepared in accordance with the Swedish Annual Reports Act, other Swedish legislation, and standard RFR 2 "Accounting for Legal Entities" and other statements issued by the Swedish Financial Reporting Board. The standard is applicable to Swedish legal entities whose equities at the end of the reporting period are listed on a Swedish stock exchange or authorized equity market place. In their consolidated financial statements such companies have to comply with the EU regulation on international accounting standards, while they still have to comply with the Annual Reports Act in their separate financial statements. RFR 2 states that as a main rule listed parent companies should apply IFRSs and specifies exceptions and additions, caused by legal provisions or by the connection between accounting and taxation in Sweden.

Measurement bases and significant accounting principles

With the few exceptions below, TeliaSonera AB applies the same measurement bases and accounting principles as described in Notes to consolidated financial statements (Note C3).

Item	Note	Accounting treatment
Group contributions	P6	Under certain conditions, it is possible to transfer profits through group contributions between Swedish companies in a group. A group contribution is normally a deductible expense for the contributor and a taxable income for the recipient. Group contributions are recognized as appropriations in the income statement.
Borrowing costs	P5, P8, P9	Borrowing costs directly attributable to the acquisition, construction or production of an asset are not capitalized as part of the cost of that asset.
Investments in subsidiaries and associated companies	P5, P10	Shares in subsidiaries and associated companies are recognized at cost less any impairment. Dividends received are brought to income while a repayment of contributed capital reduces the carrying value.
Provisions for pensions and employment contracts	P5, P14	Pension obligations and pension expenses are recognized in accordance with FAR accounting recommendation No. 4 (RedR 4).
Untaxed reserves and appropriations	P6	Untaxed reserves and appropriations are reported gross excluding deferred tax liabilities related to the temporary differences.
Leasing agreements	P21	All leasing agreements are accounted for as operating leases.

Amounts and dates

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

Recently issued accounting standards

For information relevant to TeliaSonera AB, see Notes to consolidated financial statements (corresponding section in Note C1).

Key sources of estimation uncertainty

For information relevant to TeliaSonera AB, see Notes to consolidated financial statements (Note C2).

P2. Net sales

Sales by customer location were distributed among economic regions as follows.

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
European Economic Area (EEA)	4	7
of which European Union (EU) member states	*4*	*7*
of which Sweden	*4*	*7*
Total	**4**	**7**

Net sales were broken down by product category as follows.

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Other services	4	7
Total	**4**	**7**

P3. Expenses by nature

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

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Other network expenses	-1	-8
Personnel expenses (see also Note P25)	-602	-645
Rent and leasing fees	-38	-41
Consultants' services	-304	-260
IT expenses	-153	-149
Invoiced and other expenses, net	166	49
Amortization, depreciation and impairment losses	-5	-14
Total	**-938**	**-1,068**

Administrative and other parent company expenses which are not classified as shareholder costs are invoiced to the subsidiaries and recognized as cost reductions. Amortization, depreciation and impairment losses were distributed by function as follows.

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Administrative expenses	-5	-14
Total	**-5**	**-14**

P4. Other operating income and expenses

Other operating income and expenses were distributed as follows.

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Other operating income		
Exchange rate gains	11	49
Patents sold, commissions, etc.	23	13
Court settled fees with other operators	–	119
Damages received	–	2
Total other operating income	**34**	**183**
Other operating expenses		
Capital losses	–	-1
Exchange rate losses	-11	-52
Restructuring costs	-5	-92
Total other operating expenses	**-16**	**-145**
of which amortization, depreciation and impairment losses	–	–
Net effect on income	**18**	**38**
of which net exchange rate gains/losses on derivative instruments held-for-trading	–	–

P5. Financial income and expenses

Financial income and expenses were distributed as follows.

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Income from shares in subsidiaries		
Dividends	17,711	21,298
Capital gains	1,850	903
Impairment losses	-10,147	-8,720
Capital losses	-28	–
Total	**9,386**	**13,481**
Income from shares in associated companies		
Dividends	0	0
Impairment losses	-1	1
Total	**-1**	**1**
Income from other financial investments		
Dividends	–	0
Capital gains/losses, net	–	-2
Changes in fair value of held for trading investments	55	-6
Total	**55**	**-8**
Other financial income		
Interest from subsidiaries	1,579	928
Other interest income	344	422
Exchange rate gains	366	49
Total	**2,289**	**1,399**
Other financial expenses		
Interest to subsidiaries	-970	-354
Other interest expenses	-3,333	-3,388
Interest component of pension expenses	-27	-20
Exchange rate losses	-3,990	-2,287
Total	**-8,320**	**-6,049**
Net effect on income	**3,409**	**8,824**

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

	Jan–Dec 2014	Jan–Dec 2013	Jan–Dec 2014	Jan–Dec 2013	Jan–Dec 2014	Jan–Dec 2013
SEK in millions	Other interest expenses		Net exchange rate gains and losses		Other interest income	
Fair value hedge derivatives	1,764	366	31	-176	–	–
Cash flow hedge derivatives	-36	-83	576	97	–	–
Derivatives held-for-trading	-188	-411	-267	3,372	–	–
Loans and receivables	–	–	1,002	-3,513	335	422
Bonds available-for-sale	–	–	–	–	9	–
Borrowings in fair value hedge relationships	-2,362	-1,486	-31	176	–	–
Borrowings and other financial liabilities at amortized cost	-2,458	-1,724	-4,935	-2,194	–	–
Other	-53	-50	–	–	0	0
Total	**-3,333**	**-3,388**	**-3,624**	**-2,238**	**344**	**422**

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

P6. Income taxes

Tax items recognized in comprehensive income

Tax items recognized in comprehensive income were distributed as follows.

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Tax items recognized in net income		
Current tax expense relating to current year	-200	-935
Underprovided or overprovided current tax expense in prior years	-76	-12
Deferred tax expense originated or reversed in current year	45	-55
Total tax expense recognized in net income	**-231**	**-1,002**
Tax items recognized in other comprehensive income		
Current tax relating to current year	–	-65
Deferred tax originated or reversed in current year	-25	0
Total tax recognized in other comprehensive income	**-25**	**-65**

Pre-tax income was SEK 10,243 million in 2014 and SEK 17,862 million in 2013. The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	Jan–Dec 2014	Jan–Dec 2013
Swedish income tax rate	22.0	22.0
Underprovided or overprovided current tax expense in prior years	0.8	0.1
Recognition of previously unrecognized deferred taxes	-0.5	–
Non-deductible expenses	22.2	11.1
Tax-exempt income	-42.2	-27.6
Effective tax rate in net income	**2.3**	**5.6**

Non-deductible expenses in 2014 and 2013 consist mainly of write-downs of subsidiaries. In 2014 and 2013, tax-exempt income consisted primarily of dividends from subsidiaries.

Deferred tax assets and liabilities

Deferred tax assets changed as follows.

SEK in millions	Dec 31, 2014	Dec 31, 2013
Deferred tax assets		
Carrying value, opening balance	171	226
Comprehensive income period change	45	-55
Reclassification from current tax	-62	–
Offset tax liabilities/assets	-29	–
Carrying value, closing balance	**125**	**171**
Deferred tax liabilities		
Carrying value, opening balance	–	–
Comprehensive income period change	25	–
Recclassifications from current tax	4	–
Offset tax liabilities/assets	-29	–
Carrying value, closing balance	–	–

Temporary differences in deferred tax assets were as follows.

SEK in millions	Dec 31, 2014	Dec 31, 2013
Deferred tax assets		
Delayed expenses for provisions	154	171
Offset deferred tax liabilities/assets	-29	–
Total deferred tax assets	**125**	**171**
Deferred tax liabilities		
Fair value adjustments, cash-flow hedges and assets available-for-sale	29	–
Offset deferred tax liabilities/assets	-29	–
Total deferred tax liabilities	–	–
Net deferred tax assets	**125**	**171**

In 2014 and 2013, there were no accumulated non-expiring tax loss carry-forwards or unrecognized deferred tax assets. As of December 31, 2014 and 2013, the unrecognized deferred tax liability in untaxed reserves amounted to SEK 2,525 million and SEK 2,474 million, respectively.

Untaxed reserves and appropriations

As of December 31, 2014 and 2013, untaxed reserves in the balance sheet consisted of profit equalization reserves totaling SEK 11,476 million and SEK 11,246 million, respectively.

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Change in profit equalization reserves	-230	1,484
Group contribution net received	7,980	8,578
Net effect on income	**7,750**	**10,062**

P7. Other comprehensive income

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan–Dec 2014	Jan–Dec 2013
Cash flow hedges			
Net changes in fair value	Fair value reserve	66	325
Transferred to interest expenses in net income	Fair value reserve	5	10
Income tax effect adjustments preious year	Fair value reserve	-9	–
Income tax effect	Fair value reserve	-16	-65
Total cash flow hedges		**46**	**270**
Available-for-sale financial instruments			
Net changes in fair value	Fair value reserve	1	-2
Transferred to interest expenses in net income	Fair value reserve	2	–
Tax effect	Fair value reserve	0	–
Total available-for-sale financial instruments		**3**	**-2**
Total other comprehensive income		**49**	**268**
of which total income tax effects (see also Note P6)		*-25*	*-65*

No fair value reserve transfer necessitated adjustment of the cost of acquisition.

P8. Other intangible assets

The total carrying value was distributed and changed as follows.

	Dec 31, 2014	Dec 31, 2013
SEK in millions	Other intangible assets	
Accumulated cost	69	67
Accumulated amortization	-58	-54
Carrying value	**11**	**13**
of which work in progress	*2*	*3*
Carrying value, opening balance	13	21
Investments and operations acquired	1	4
Sales and disposals	–	-4
Amortization for the year	-4	-8
Impairment losses for the year	0	0
Carrying value, closing balance	**10**	**13**

No general changes of useful lives were made in 2014. For other useful lives applied, see Notes to consolidated financial statements (corresponding section in Note C2). In the income statement, amortization and impairment losses are, if applicable, included in all expense line items by function as well as in line item Other operating expenses. Accelerated amortization, to the extent allowed by Swedish tax legislation, is recorded as untaxed reserves and appropriations, see this section in Note P6 “Income taxes.”

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Capitalized development expenses	8	10
Work in progress	2	3
Total carrying value	**10**	**13**

P9. Property, plant and equipment

The total carrying value was distributed and changed as follows.

SEK in millions	Plant and machinery Dec 31, 2014	Plant and machinery Dec 31, 2013	Equipment, tools and installations Dec 31, 2014	Equipment, tools and installations Dec 31, 2013	Total Dec 31, 2014	Total Dec 31, 2013
Accumulated cost	6	6	19	22	**25**	**28**
Accumulated depreciation	-2	-1	-18	-21	**-20**	**-22**
Carrying value	**4**	**5**	**1**	**1**	**5**	**6**
Carrying value, opening balance	5	5	1	6	**6**	**11**
Investments and operations acquired	–	1	–	–	**–**	**1**
Depreciation for the year	-1	-1	0	-5	**-1**	**-6**
Carrying value, closing balance	**4**	**5**	**1**	**1**	**5**	**6**

No general changes of useful lives were made in 2014. For useful lives applied, see Notes to consolidated financial statements (corresponding section in Note C2). In the income statement, amortization and impairment losses are, if applicable, included in all expense line items by function as well as in line item Other operating expenses. Accelerated depreciation, to the extent allowed by Swedish tax legislation, is recorded as untaxed reserves and appropriations, see this section in Note P6 "Income taxes."

P10. Other financial assets

The total carrying value changed as follows.

SEK in millions	Investments in associated companies and joint ventures Dec 31, 2014	Investments in associated companies and joint ventures Dec 31, 2013	Investments in other equity instruments Dec 31, 2014	Investments in other equity instruments Dec 31, 2013	Investments in subsidiaries and other non-current financial assets Dec 31, 2014	Investments in subsidiaries and other non-current financial assets Dec 31, 2013	Total Dec 31, 2014	Total Dec 31, 2013
Carrying value, opening balance	267	223	31	34	178,890	201,574	**179,188**	**201,831**
New share issues and shareholder contributions	9	24	–	4	4,061	1,028	**4,070**	**1,056**
Repayment of capital	–	–	–	–	-18,512	-5,014	**-18,512**	**–**
Additions	4	20	36	–	8,119	176	**8,159**	**196**
Disposals	–	–	–	-7	-3,003	-10,085	**-3,003**	**-15,206**
Impairment losses	–	–	–	–	-10,147	-8,689	**-10,147**	**-8,689**
Reclassifications	–	–	–	–	-4,503	–	**-4,503**	**–**
Changes in fair value	–	–	–	–	103	–	**103**	**–**
Carrying value, closing balance	**280**	**267**	**67**	**31**	**155,007**	**178,890**	**155,355**	**179,188**

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

	Dec 31, 2014		Dec 31, 2013	
SEK in millions	Carrying value	Fair value	Carrying value	Fair value
Investments in other equity instruments held-for-trading	67	67	31	31
Bonds available-for-sale	4,671	4,671	–	–
Interest rate and cross currency interest rate swaps at fair value	4,798	4,798	2,102	2,102
of which designated as fair value hedges	*2,616*	*2,616*	*1,175*	*1,175*
of which held-for-trading	*1,201*	*1,201*	*236*	*236*
of which designated as cashflow hedges	*981*	*981*	–	–
Derivatives held-for-trading	55	55	–	–
Currency swaps and forward exchange contracts held-for-trading	0	0	0	0
***Subtotal** (see Fair value hierarchy levels – Note P19)*	***9,591***	***9,591***	***2,133***	***2,133***
Loans and receivables at amortized cost	2,466	2,466	3,959	3,959
***Subtotal** (see Categories – Note P19 and Credit risk – Note P20)*/**Total fair value**	***12,057***	**12,057**	***6,092***	**6,092**
Investments in subsidiaries	138,259		163,239	
Receivables from subsidiaries	4,759		9,590	
Investments in associated companies	280		267	
Investments in other equity instruments at cost	0		0	
Total other financial assets	**155,355**		**179,188**	
of which interest-bearing	*16,758*		*15,681*	
of which non-interest-bearing	*138,597*		*163,507*	

For Loans and receivables (including claims on associated companies), fair value is estimated at the present value of future cash flows discounted by applying market interest rates at the end of the reporting period.

For more information on financial instruments by category/fair value hierarchy level and exposed to credit risk, refer to Note P19 "Financial assets and liabilities by category and level" and section "Credit risk management" in Note P20 "Financial risk management," respectively. Conventional commercial terms apply for receivables from subsidiaries.

Investments in subsidiaries are specified below, while corresponding information on associated companies and other equity instruments is presented in Notes to consolidated financial statements (Notes C14 and C15).

Subsidiary, Corp. reg. no., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions) Dec 31, 2014	Dec 31, 2013
Swedish companies				
TeliaSonera Skanova Access AB, 556446-3734, Stockholm	100	21,255,000	27,819	34,003
Telia Nättjänster Norden AB, 556459-3076, Stockholm	100	68,512	3,146	7,006
TeliaSonera Sverige AB, 556430-0142, Stockholm	100	3,000,000	2,992	2,992
TeliaSonera Mobile Networks AB, 556025-7932, Stockholm	100	550,000	2,698	2,698
Cygate Group AB, 556364-0084, Solna	100	532,724,280	815	815
TeliaSonera Mobile Holding AB, 556855-9040, Stockholm	100	50,000	476	476
TeliaSonera International Carrier AB, 556583-2226, Stockholm	100	1,000,000	453	453
TeliaSonera Finance AB, 556404-6661, Stockholm	100	45,000	358	229
Zitius Services Delivery AB, 556642-8339, Stockholm	100	2,079,000	353	–
TeliaSonera Försäkring AB, 516401-8490, Stockholm	100	2,000,000	200	200
TeliaSonera Sverige Net Fastigheter AB, 556368-4801, Stockholm	100	5,000	169	169
Ipeer AB, 556707-4876, Karlstad	100	1,000	143	–
Svenska Stadsnät AB, 556577-9195, Landskrona	100	100,000	100	100
Quadracom Networks AB, 556606-6055, Gothenburg	100	10,000	71	–
Rätt Internet Kapacitet i Sverige AB, 556669-1704, Umeå	100	8,500	31	–
TeliaSonera Asset Finance AB, 556599-4729, Stockholm	100	1,000	22	22
Sergel Kredittjänster AB, 556264-8310, Stockholm	100	5,000	8	8
TeliaSonera Network Sales AB, 556458-0040, Stockholm	100	10,000	7	7
Other operating, dormant and divested companies			0	837

Subsidiary, Corp. reg. no., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions)	
			Dec 31, 2014	Dec 31, 2013
Non-Swedish companies				
TeliaSonera Finland Oyj, 1475607-9, Helsinki	100	1,417,360,515	74,863	92,925
Sergel Oy, 1571416-1, Helsinki	100	267,966,000	277	277
TeliaSonera International Carrier Finland Oy, 1649304-9, Helsinki	100	100	98	98
TeliaSonera Norge Holding AS, 981929055, Oslo	100	30,000	6,620	3,255
TeliaSonera International Carrier Denmark A/S, 24210413, Copenhagen	100	1,000	172	172
TeliaSonera Danmark A/S, 18530740, Copenhagen	100	14,500	74	74
Siminn Danmark A/S, 20287381, Glostrup	100	5,300,000	46	–
Sergel A/S, 35481036, Copenhagen	100	500,000	6	1
Argon A/S, 36462272, Copenhagen	100	500,000	1	–
TEO LT, AB, 121215434, Vilnius	88.2	513,593,681	3,310	3,760
UAB Omnitel, 110305282, Vilnius	100	39,688,889	2,153	2,153
UAB Sergel, 125026242, Vilnius	100	10,850	7	7
SIA Telia Latvija, 000305757, Riga	100	328,300	51	100
TeliaSonera International Carrier Latvia SIA, 000325135, Riga	100	205,190	13	13
Latvijas Mobilais Telefons SIA, 000305093, Riga	24.5	140,679	2	2
SIA Sergel, 010318318, Riga	100	3,500	4	4
AS Eesti Telekom, 10234957, Tallinn	100	137,954,528	5,686	5,686
TeliaSonera International Carrier Estonia OÜ, 12606073, Tallin	100	1	11	–
Xfera Móviles S.A., A82528548, Madrid	76.6	517,025,247	2,549	2,549
ZAO TeliaSonera International Carrier Russia, 102780919732, Moscow	100	220,807,825	200	200
TeliaSonera Telekomünikasyon Hizmetleri L.S., 381395, Istanbul	99	79,193	10	10
TeliaSonera International Carrier Telekomünikasyon L.S., 609188-556770, Istanbul	100	55,919	8	8
TeliaSonera International Carrier UK Ltd., 02796345, London	100	1,010,000	268	–
TeliaSonera International Carrier Germany GmbH, HRB50081, Frankfurt am Main	100	–	629	629
TeliaSonera Frankfurt Property GmbH, HRB98956, Frankfurt	100	–	49	–
TeliaSonera International Carrier France S.A.S., B421204793, Paris	100	2,700,000	681	681
TeliaSonera International Carrier Austria GmbH, FN191783i, Vienna	100	–	118	118
TeliaSonera International Carrier Switzerland AG, 2171000547-8, Zurich	100	1,000	54	54
TeliaSonera International Carrier Netherlands B.V., 34128048, Amsterdam	100	910	59	59
TeliaSonera Assignments B.V., 24300363, Rotterdam	100	1,810,719,000	1	1
TeliaSonera International Carrier Belgium S.A., 469422293, Brussels	100	50,620	3	3
TeliaSonera International Carrier Italy S.p.A, 07893960018, Turin	100	530,211	17	17
TeliaSonera International Carrier Ireland Ltd., 347074, Dublin	100	27	6	6
TOV TeliaSonera International Carrier Ukraine, 34716440, Kyiv	100	–	6	6
TeliaSonera International Carrier Poland Sp. z o.o., KRS00000186, Warsaw	100	22,500	37	37
TeliaSonera International Carrier Czech Republic a.s., 26207842, Prague	100	20,000	126	126
TeliaSonera International Carrier Slovakia, s.r.o., 36709913, Bratislava	100	–	7	7
TeliaSonera International Carrier Hungaria Távközlési Kft., 01-09-688192, Budapest	100	–	19	19
TeliaSonera International Carrier Bulgaria EOOD, 175215740, Sofia	100	29,210	14	19
TeliaSonera International Carrier Romania S.R.L., 20974985, Bukarest	100	10,001	5	10
TeliaSonera International Carrier, Inc., 541837195, Herndon, VA	100	3,000,100	136	136
TeliaSonera International Carrier Canada, Inc., BC0968600, Vancouver, BC	100	100	1	1
TeliaSonera International Carrier Singapore Pte. Ltd, 200005728N, Singapore	100	1,200,002	1	1
Other operating, dormant and divested companies			0	0
Total			**138,259**	**163,239**

In 2014, the carrying value of TeliaSonera Skanova Access AB was written down to reflect dividend payments made by the company in order to align its capital structure with group policy provisions. For the same reason, TeliaSonera Finland Oyj made a capital repayment of EUR 2,000 million not affecting parent company earnings.

Telia Danmark is a branch of Telia Nättjänster Norden AB. TeliaSonera's stakes in the network-sharing operations in Sweden and Denmark are held through TeliaSonera Mobile Networks AB and TeliaSonera Mobile Holding AB, respectively.

TeliaSonera's Norwegian subsidiary TeliaSonera Norge Holding AS owns the vast majority of the TeliaSonera companies in Norway.

Another 24.5 percent of the shares in Latvijas Mobilais Telefons SIA are owned by a subsidiary. TeliaSonera has a board majority on Latvijas Mobilais Telefons. The remaining shares in TeliaSonera Telekomünikasyon Hizmetleri L.S. are owned by TeliaSonera Finland Oyj which also indirectly controls Fintur Holdings B.V. and TeliaSonera UTA Holding B.V.

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

Other operating and dormant companies do not control group assets of significant value.

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

P11. Trade and other receivables

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Interest rate and cross currency interest rate swaps designated as fair value hedges	305	121
Currency swaps and forward exchange contracts held-for-trading	668	683
Subtotal *(see Fair value hierarchy levels – Note P19)*	***972***	***804***
Accounts receivable at amortized cost	3	10
Loans and receivables at amortized cost	2,598	2,584
Subtotal *(see Categories – Note P19 and Credit risk – Note P20)*	***3,573***	***3,398***
Receivables from subsidiaries	38,375	33,503
of which cash-pool balances and short-term deposits	*29,801*	*24,724*
of which trade and other receivables	*8,574*	*8,779*
Other current receivables	189	219
Deferred expenses	9	35
Total trade and other receivables	**42,146**	**37,155**
of which interest-bearing	*30,512*	*25,381*
of which non-interest-bearing	*11,634*	*11,774*

For Accounts receivable and Loans and receivables, the carrying values equal fair value as the impact of discounting is insignificant. For Accounts receivable and Loans and receivables (including receivables from associated companies and joint ventures), at the end of the reporting period, concentration of credit risk by geographical area and by customer segment was as follows.

SEK in millions	Dec 31, 2014	Dec 31, 2013
Geographical area		
Sweden	0	0
Other countries	2,600	2,594
Total carrying value	**2,600**	**2,594**
Customer segment		
Other customers	2,600	2,594
Total carrying value	**2,600**	**2,594**

For more information on financial instruments by category/fair value hierarchy level and exposed to credit risk, refer to Note P19 "Financial assets and liabilities by category and level" and section "Credit risk management" in Note P20 "Financial risk management," respectively. Conventional commercial terms apply for receivables from subsidiaries.

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Accounts receivable invoiced	3	10
Allowance for doubtful accounts receivable	–	0
Total accounts receivable	**3**	**10**
Accounts receivable not due	1	1
Accounts receivable past due but not impaired	2	9
of which 30–180 days	*2*	*7*
of which more than 180 days	*0*	*2*
Total accounts receivable	**3**	**10**

As of the end of the reporting period, ageing of Loans and receivables (including receivables from associated companies) were as follows.

SEK in millions	Dec 31, 2014	Dec 31, 2013
Loans and receivables not due	2,598	2,584
Total loans and receivables	**2,598**	**2,584**

Receivables past due at the end of the reporting period were not provided for as there had not been a significant change in credit quality and the amounts were still considered recoverable. See also Notes to consolidated financial statements (section "Credit risk management" in Note C26) for information on mitigation of risks related to accounts receivable.

There were no bad debt expenses and no recovered accounts receivable in 2014 and in 2013.

P12. Short-term investments, cash and cash equivalents

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Short term investments with maturities longer than 3 months	2,383	102
of which bonds available for sale	*279*	–
Short-term investments with maturities up to and including 3 months	15,125	21,756
of which bank deposits at amortized cost	*15,125*	*21,755*
Total short-term investments	**17,508**	**21,858**
Cash and bank	5,254	5,026
Total *(see Categories – Note P19 and Credit risk – Note P20)*	**22,762**	**26,884**
of which cash and cash equivalents	*20,379*	*26,782*

Cash and cash equivalents are defined as the sum of Short-term investments with maturities up to and including 3 months and the balance sheet item Cash and bank. The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. As of December 31, 2014, there were no blocked funds in TeliaSonera AB's bank accounts. For more information on financial instruments by category and exposed to credit risk, refer to Note P19 "Financial assets and liabilities by category and level" and section "Credit risk management" in Note P20 "Financial risk management," respectively.

P13. Shareholders' equity

Share capital, treasury shares, earnings per share and dividends

See Notes to consolidated financial statements (corresponding sections in Note C19).

P14. Provisions for pensions and employment contracts

Pension obligations and pension expenses

The vast majority of employees in TeliaSonera AB are covered by a defined benefit pension plan (the ITP-Tele plan and ITP 2 plan) which means that the individual is guaranteed a pension equal to a certain percentage of his or her salary. The pension plan mainly includes retirement pension, disability pension and family pension. All employees born in 1979 or later are covered by a defined contribution pension plan (the ITP1 plan).

Most pension obligations are secured by Telia Pension Fund. Certain commitments, such as certain supplementary individual pension benefits and a right under the employment contracts for certain categories of personnel to retire at age 55, 60, or 63, are provided for by taxed reserves in the balance sheet.

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Opening balance, pension obligations covered by plan assets	1,594	1,593
Opening balance, pension obligations not covered by plan assets	488	469
Opening balance, total pension obligations	**2,082**	**2,062**
Current service cost	24	26
Interest cost, paid-up policy indexation	60	156
Benefits paid	-139	-141
Divested operations	0	-1
Other changes in valuation of pension obligations	-16	-21
Termination benefits	2	1
Closing balance, pension obligations covered by plan assets	1,586	1,594
Closing balance, pension obligations not covered by plan assets	427	488
Closing balance, total pension obligations	**2,013**	**2,082**
of which PRI Pensionsgaranti pensions	*1,365*	*1,360*

The fair value of plan assets changed as follows.

SEK in millions, except percentages	Dec 31, 2014	Dec 31, 2013
Opening balance, plan assets	2,109	2,002
Actual return	248	107
Closing balance, plan assets	**2,358**	**2,109**
Actual return on plan assets (%)	*11.8*	*5.4*

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Present value of pension obligations	2,013	2,082
Fair value of plan assets	-2,358	-2,109
Surplus capital in pension fund	772	515
Provisions for pension obligations	**427**	**488**

Total pension income was distributed as follows.

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Current service cost	24	26
Interest cost, paid-up policy indexation	60	156
Less interest expenses recognized as financial expenses	-27	-20
Actual return on plan assets	-248	-107
Divested operations, pension obligations	0	-1
Other changes in valuation of pension obligations	-16	-21
Termination benefits	2	1
Pension expenses (+)/income (-), defined benefit pension plans	**-205**	**34**
Pension premiums, defined benefit/defined contribution pension plans and other pension costs	55	48
Pension-related social charges and taxes	30	53
Changes in estimates	–	-5
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring cost	-2	–
Pension expenses (+)/income (-)	**83**	**130**
Decrease (-)/Increase (+) of surplus capital in pension fund	257	106
Recognized pension income	**135**	**236**
of which pension premiums paid to the ITP pension plan	*5*	*3*

Principal actuarial assumptions

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

The principal calculation assumption is the discount rate which, as a weighted average for the different pension plans and, as applicable, net of calculated yield tax, was 3.4 percent in 2014 and 3.5 percent in 2013. Obligations were calculated based on the salary levels prevailing at December 31, 2014 and 2013, respectively.

Plan-asset allocation

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

	Dec 31, 2014		Dec 31, 2013	
Asset category	SEK in millions	Percent	SEK in millions	Percent
Fixed income instruments, liquidity	1,136	48.2	1,103	52.3
Shares and other investments	1,221	51.8	1,006	47.7
Total	**2,358**	**100.0**	**2,109**	**100.0**
of which shares in TeliaSonera AB	–	–	–	–

Future contributions and pension payments

As of December 31, 2014, the fair value of plan assets exceeded the present value of pension obligations. Unless the fair value of plan assets during 2015 should fall short of the present value of pension obligations, TeliaSonera AB has no intention to make any contribution to the pension fund.

In 2015, pension payments from the defined benefit plans are expected to be SEK 115 million.

P15. Other provisions

Changes in other provisions were as follows.

SEK in millions	December 31, 2014				
	Payroll taxes on future pension payments	Restructuring provisions	Damages and court cases	Insurance provisions	Total
Opening balance	32	65	240	30	**367**
of which financial liabilities at amortized cost	–	–	–	–	–
Provisions for the period	-8	5	–	-3	**-6**
Utilized provisions	–	-46	–	–	**-46**
Reversals of provisions	–	–	–	–	–
Reclassifications	–	2	–	–	-2
Closing balance	**24**	**22**	**240**	**27**	**313**
of which non-current portion	24	–	–	27	**51**
of which current portion	–	22	240	–	**262**

For financial liabilities, the carrying value equals fair value as provisions are discounted to present value. Refer to Note P19 "Financial assets and liabilities by category and level" for more information on financial instruments classified by category.

Restructuring provisions mainly refer to staff redundancy costs related to cost saving programs. The remaining provision as of December 31, is expected to be fully utilized in 2015-2016. Provisions for damages and court cases are related to disposals and winding-up of group entities and associated companies. Full utilization of payroll taxes on future pension payments, damages and court cases, and insurance provisions is expected in the period 2014-2028.

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

P16. Long-term and short-term borrowings

Open-market financing programs

For information on TeliaSonera AB's open-market financing programs, see Notes to consolidated financial statements (corresponding section in Note C20).

Borrowings

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

SEK in millions	Dec 31, 2014		Dec 31, 2013	
	Carrying value	Fair value	Carrying value	Fair value[1]
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	26,955	34,726	19,289	20,225
Interest rate swaps at fair value	283	283	254	254
of which designated as hedging instruments	*244*	*244*	*220*	*220*
of which held-for-trading	*39*	*39*	*34*	*34*
Cross currency interest rate swaps at fair value	1,577	1,577	1,630	1,630
of which designated as hedging instruments	*220*	*220*	*245*	*245*
of which held-for-trading	*1,357*	*1,357*	*1,385*	*1,385*
***Subtotal** (see Fair value hierarchy levels – Note P19)*	***28,814***	***36,585***	***21,173***	***22,109***
Open-market financing program borrowings at amortized cost	57,861	63,534	57,026	60,698
Other borrowings at amortized cost	0	0	0	0
Subtotal** (see Categories – Note P19)/Total fair value**	***86,675***	**100,118**	***78,199***	**82,807**
Borrowings from subsidiaries	490		398	
of which other borrowings	*490*		*398*	
Total long-term borrowings	**87,165**		**78,597**	
Short-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	7,414	7,414	2,735	2,819
Interest rate swaps designated as hedging instruments	0	0	31	31
Interest rate swaps designated as held-for trading	0	0	0	0
Cross currency interest rate swaps as held-for trading	329	329	17	17
***Subtotal** (see Fair value hierarchy levels – Note P19)*	***7,743***	***7,743***	***2,783***	***2,867***
Open-market financing program borrowings at amortized cost	725	726	5,954	5,996
of which hedging net investments	*0*	*0*	*2,308*	*2,330*
of which at amortized cost	*725*	*726*	*3,646*	*3,647*
Other borrowings at amortized cost	1,043	1,043	0	0
Subtotal** (see Categories – Note P19)/Total fair value**	***9,511***	**9,423**	***8,737***	**8,863**
Borrowings from subsidiaries	26,776		56,006	
of which cash pool balances	*24,886*		*41,669*	
of which other borrowings	*1,890*		*14,337*	
Total short-term borrowings	**36,287**		**64,743**	

[1] Restated for comparability

As of December 31, 2014 and 2013, fully unutilized bank overdraft facilities had a total limit of SEK 990 million and SEK 1,034 million, respectively.

For additional information on financial instruments classified by category/fair value hierarchy level, refer to Note P19 "Financial assets and liabilities by category and level," and for information on maturities and liquidity risks, refer to section "Liquidity risk management" in Note P20 "Financial risk management." Refer to Notes to consolidated financial statements (corresponding section in Note C20) for further information on borrowings and the swap portfolio. Conventional commercial terms apply for borrowings from subsidiaries, which comprise cash-pool balances and other borrowings.

P17. Long-term liabilities

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Liabilities to subsidiaries	2	1
Other liabilities	5	3
Total long-term liabilities	**7**	**4**

For the years 2014 and 2013, no long-term liabilities fell due more than 5 years after the end of the reporting period.

P18. Short-term provisions, trade payables and other current liabilities

Short-term provisions, trade payables and other current liabilities were distributed as follows.

SEK in millions	Dec 31, 2014	Dec 31, 2013
Currency swaps, forward exchange contracts and currency options held-for-trading	416	171
***Subtotal** (see Fair value hierarchy levels – Note P19)*	***416***	***171***
Accounts payable at amortized cost	103	61
Current liabilities at amortized cost	57	39
***Subtotal** (see Categories – Note P19)*	***576***	***271***
Liabilities to subsidiaries	1,064	1,120
Other current liabilities	515	467
Total short-term provisions, trade payables and other current liabilities	**2,155**	**1,858**

For Accounts payable and Current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. For additional information on financial instruments classified by category/fair value hierarchy level and on liquidity risks, refer to Note P19 “Financial assets and liabilities by category and level” and section “Liquidity risk management” in Note P20 “Financial risk management.” As of December 31, 2014, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2015	Apr–Jun 2015	Jul–Sep 2015	Oct–Dec 2015	Total
Liabilities at amortized cost	160	–	–	–	**160**

Corresponding information for currency derivatives held-for-trading is presented in section “Liquidity risk management” to Note P20 “Financial risk management.”

Conventional commercial terms apply for trading with subsidiaries. The main components of Other current liabilities are short-term provisions, see Note P15 “Other provisions,” and accrued payroll expenses and social security contributions.

P19. Financial assets and liabilities by category and level

Categories

Carrying values of classes of financial assets and liabilities were distributed by category as follows. Financial assets and liabilities relating to subsidiaries are not included. Excluded are also investments in associated companies and joint ventures as discussed in Note P10 “Other financial assets” and pension obligations as discussed in Note P14 “Provisions for pensions and employment contracts.”

SEK in millions	Note	Dec 31, 2014	Dec 31, 2013
Financial assets			
Derivatives designated as hedging instruments	P10, P11	3,901	1,532
Financial assets at fair value through profit and loss		1,990	1,405
Derivatives not designated as hedging instruments	*P10, P11*	*1,869*	*1,374*
Held-for-trading investments	*P10*	*121*	*31*
Long- and short-term bonds available-for-sale	P10, P12	4,950	102
Loans and receivables	P10, P11, P12	27,550	33,335
Total financial assets by category		**38,392**	**36,374**
Financial liabilities			
Derivatives designated as hedging instruments	P16	464	496
Derivatives not designated as hedging instruments	P16, P18	2,141	1,607
Borrowings in fair value hedge relationships	P16	34,369	22,025
Financial liabilities measured at amortized cost	P16, P18	59,789	63,080
Total financial liabilities by category		**96,763**	**87,208**

Fair value hierarchy levels

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

SEK in millions	Note	December 31, 2014 Fair value	of which Level 1	of which Level 2	of which Level 3	December 31, 2013 Fair value	of which Level 1	of which Level 2	of which Level 3
Financial assets at fair value									
Investments in other equity instruments available-for-sale	P10	–	–	–	–	–	–	–	–
Investments in other equity instruments held-for-trading	P10	67	–	–	67	31	–	–	31
Long and short term bonds available-for-sale	P12	4,950	4,950	–	–	102	102	–	–
Derivatives designated as hedging instruments	P10, P11	3,901	–	3,901	–	1,532	–	1,532	–
Derivatives held-for-trading	P10, P11	1,924	–	1,869	55	1,374	–	1,374	–
Total financial assets at fair value by level		**10,842**	**4,950**	**5,771**	**121**	**3,039**	**102**	**2,906**	**31**
Financial liabilities at fair value									
Borrowings in fair value hedge relationships	P16	34,369	–	34,369	–	22,025	–	22,025	–
Derivatives designated as hedging instruments	P16	464	–	464	–	496	–	496	–
Derivatives held-for-trading	P16, P18	2,141	–	2,141	–	1,607	–	1,607	–
Total financial liabilities at fair value by level		**36,974**	–	**36,974**	–	**24,128**	–	**24,128**	–

There were no transfers between Level 1 and 2 in 2014 and 2013.

Level 3 financial assets changed as follows.

SEK in millions	December 31, 2014 Investments in other equity instruments held-for-trading	Convertible bonds available-for-sale	Total	December 31, 2013 Investments in other equity instruments held-for-trading	Convertible bonds available-for-sale	Total
Level 3, opening balance	31	–	**31**	31	4	**35**
Changes in fair value	–	–	–	–	–	–
of which recognized in net income	–	–	–	–	–	–
of which related to assets held at reporting period-end	–	–	–	–	–	–
Purchases/disposals	90	–	**90**	–	-4	**-4**
Level 3, closing balance	**121**	–	**121**	**31**	–	**31**

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

P20. Financial risk management

Principles, capital management and management of financial risks

For information relevant to TeliaSonera AB, see Notes to consolidated financial statements (Note C26).

Credit risk management

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

SEK in millions	Note	Dec 31, 2014	Dec 31, 2013
Other financial assets	P10	12,057	6,092
Trade and other receivables	P11	3,573	3,398
Short-term investments, cash and cash equivalents	P12	22,762	26,884
Total		**38,392**	**36,374**

For information on credit risk management relevant to TeliaSonera AB, see Notes to consolidated financial statements (corresponding section in Note C26).

Liquidity risk management

Liquidity risk is the risk that TeliaSonera AB will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. For information on liquidity risk management relevant to TeliaSonera AB, see Notes to consolidated financial statements (corresponding section in Note C26).

As of December 31, 2014, contractual undiscounted cash flows for interest-bearing borrowings and non-interest-bearing currency derivatives (excluding intra-group derivatives) represented the following expected maturities, including installments and estimated interest payments. The balances due within 12 months equal their carrying values as the impact of discounting is insignificant.

Expected maturity SEK in millions	Jan–Mar 2015	Apr–Jun 2015	Jul–Sep 2015	Oct–Dec 2015	2016	2017	2018	2019	Later years	Total
Open-market financing program borrowings	1,631	7,310	317	1,400	7,225	11,071	4,005	11,142	70,176	**114,278**
Cross currency interest rate swaps and interest rate swaps										
Payables	26,534	–	–	5,266	27	–	–	–	–	**31,827**
Receivables	-26,307	–	–	-5,197	-25	–	–	–	–	**-31,529**
Currency swaps and forward exchange contracts										
Payables	1,385	9,714	441	2,042	5,394	8,528	1,841	532	18,718	**48,596**
Receivables	-1,842	-9,966	-397	-2,148	-6,277	-9,660	-1,952	-811	-20,221	**-53,274**
Total, net	**1,401**	**7,059**	**361**	**1,363**	**6,346**	**9,939**	**3,894**	**10,863**	**68,673**	**109,899**

Expected maturities for and additional information on non-interest-bearing liabilities, guarantees and other contractual obligations are presented in Notes P15 "Other provisions," P18 "Short-term provisions, trade payables and other current liabilities" and P23 "Contingencies, other contractual obligations and litigation," respectively.

P21. Operating lease agreements

TeliaSonera AB leases primarily office premises. Most of the leases are from outside parties. The leases are on commercial terms with respect to prices and duration. There was no subletting.

Future minimum leasing fees under operating lease agreements in effect as of December 31, 2014, that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2015	Apr–Jun 2015	Jul–Sep 2015	Oct–Dec 2015	2016	2017	2018	2019	Later years	Total
Future minimum leasing fees	1	1	1	1	2	1	0	0	0	**5**

In 2014 and 2013, total rent and leasing fees paid were SEK 37 million and SEK 34 million, respectively.

P22. Related party transactions

General

Conventional commercial terms apply for the supply of goods and services to and from subsidiaries, associated companies and joint ventures.

Subsidiaries

In 2014 and 2013, sales to subsidiaries totaled SEK 3 million and SEK 3 million, respectively, while purchases from subsidiaries totaled SEK -129 million and SEK -12 million, respectively.

Commitments on behalf of related parties

TeliaSonera AB has made certain commitments on behalf of group companies, associated companies and joint ventures. See Note P23 "Contingencies, other contractual obligations and litigation" for further details.

Other transactions

For descriptions of certain other transactions with related parties, see Notes to consolidated financial statements (Note C28).

P23. Contingencies, other contractual obligations and litigation

Contingent assets and financial guarantees

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
Guarantees on behalf of subsidiaries	3,158	4,807
Guarantees for pension obligations	38	39
Total financial guarantees	**3,196**	**4,846**

Some loan covenants agreed limit the scope for divesting or pledging certain assets. For information on change-of-control provisions included in some of TeliaSonera AB's more recent bond issuances, see Notes to consolidated financial statements (corresponding section in Note C29).

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

Guarantees on behalf of subsidiaries include SEK 1,388 million (EUR 148 million) related to Xfera Móviles S.A., of which counter guarantees of EUR 46 million as TeliaSonera's share on behalf of Xfera's performance requirements in relation to its telecom and frequency licenses. Guarantees on behalf of subsidiaries also include SEK 714 million related to Swedish pension obligations.

In addition to financial guarantees indicated above, guarantees for fulfillment of contractual undertakings are granted by TeliaSonera AB on behalf of subsidiaries, as part of the group's normal course of business. At the end of the reporting period, there was no indication that payment will be required in connection with any such contractual guarantee.

Collateral held

In 2012, TeliaSonera AB sold all its shares in OAO Telecominvest to AF Telecom Holding. The purchase price has not been fully paid and in order to secure the value of TeliaSonera AB's receivable, certain pledges have been made in favor of the parent company, see Notes to consolidated financial statements (corresponding section in Note C29).

Collateral pledged

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

SEK in millions	Dec 31, 2014	Dec 31, 2013
For commitments under a shareholders' agreement: Shares in 4T Sverige AB and Strex AS	58	48
Total collateral pledged	**58**	**48**

Under an agreement, all shareholders of 4T Sverige AB have mutually pledged their shares in favor of the other shareholders.

Other unrecognized contractual obligations

As of December 31, 2014, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2015	Apr–Jun 2015	Jul–Sep 2015	Oct–Dec 2015	2016	2017	2018	2019	Later years	Total
Other holdings	1	1	1	1	4	2	0	0	0	10
Total *(see Liquidity risk – Note P20)*	**1**	**1**	**1**	**1**	**4**	**2**	**0**	**0**	**0**	**10**

Reported obligations refer to licenses for and adaption of business support systems.

Legal and administrative proceedings

For additional information relevant to TeliaSonera AB, see Notes to consolidated financial statements (corresponding section in Note C29).

P24. Cash flow information

Non-cash transactions

No non-cash transactions were performed during 2014 or 2013.

P25. Human resources

The number of employees was 264 at December 31, 2014 (239 at year-end 2013). The average number of full-time employees was as follows.

Country	Jan–Dec 2014 Total (number)	Jan–Dec 2014 of whom men (%)	Jan–Dec 2013 Total (number)	Jan–Dec 2013 of whom men (%)
Sweden	255	47	224	46
Total	**255**	**47**	**224**	**46**

The share of female and male Corporate Officers was as follows. Corporate Officers include all members of the Board of Directors, the President and the 11 other members (9 members in 2013) of Group Executive Management employed by the parent company.

	Dec 31, 2014		Dec 31, 2013	
Percent	Board of Directors	Other Corporate Officers	Board of Directors	Other Corporate Officers
Women	36.4	33.3	36.4	20.0
Men	63.6	66.7	63.6	80.0
Total	**100.0**	**100.0**	**100.0**	**100.0**

Total personnel expenses were distributed by nature as follows.

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Salaries and other remuneration	**329**	**290**
of which performance share programs	*5*	*6*
Social security expenses		
Employer's social security contributions	104	93
of which performance share programs	*2*	*2*
Pension expenses	135	236
Total social security expenses	**241**	**329**
Other personnel expenses	33	26
Total personnel expenses recognized by nature	**603**	**645**

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

	Jan–Dec 2014		Jan–Dec 2013	
SEK in millions	Corporate Officers (of which variable pay)	Other employees	Corporate Officers (of which variable pay)	Other employees
Salaries and other remuneration	74 (–)	256	90 (–)	200

Corporate Officers include members of the Board of Directors and, as applicable, former Board members (but exclude employee representatives); the President and, as applicable, former Presidents and Executive Vice Presidents; and the 11 other members (9 members in 2013) of Group Executive Management employed by the parent company.

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

	January–December or December 31,	
SEK in millions	2014	2013
Pension expenses	22	26
Outstanding pension commitments	202	194

For additional information, see sections "Performance share programs" and "Remuneration to corporate officers" in Notes to consolidated financial statements (Note C31).

P26. Remuneration to audit firms

Remuneration billed by audit firms was as follows. See additional information in Notes to consolidated financial statements (Note C32).

SEK in millions	Jan–Dec 2014	Jan–Dec 2013
Remuneration expensed		
Deloitte		
Audit	9	–
Audit-related services	1	–
All other services	1	–
Total Deloitte	**11**	**–**
EY		
Tax services	0	2
All other services	4	–
Total EY	**4**	**2**
KPMG		
Tax services	–	4
All other services	7	–
Total KPMG	**7**	**4**
PwC		
Audits	–	8
Audit-related services	–	1
All other services	1	1
Total PwC	**1**	**10**
Other audit firms		
All other services	–	4
Total other audit firms	**–**	**4**
Total remuneration	**23**	**20**

GRI Index

Relevant sections of the Annual and Sustainability Report have been prepared according to GRI G4 "In accordance – Core." Additionally we use the Telecommunications Sector Supplement in reporting. Our audit firm Deloitte has been engaged to provide a limited level of assurance on these sections, see Auditors' Limited Assurance Report on the Sustainability Report for more information. All disclosures in this GRI index are covered by assurance.

Some of the disclosures in this GRI index, while deemed non-material, are nevertheless included as a response to specific stakeholder requests from e.g. SRI analysts.

In the case of a disclosure not being fully reported, the relevant omission is explained in *italic* at the end of the disclosure.

Strategy and analysis

G4-1 *CEO statement*

See Comments by the CEO.

G4-2 *Description of key impacts, risks, and opportunities*

See Role in society, Sustainability in TeliaSonera, Stakeholder engagement and Sustainability focus area summary.

Organizational profile

G4-3 *Name of the organization*

TeliaSonera AB (publ).

G4-4 *Primary brands, products, and services*

See Markets and brands.

G4-5 *Location of the organization's headquarters*

Stockholm, Sweden.

G4-6 *Number of countries where the organization operates, and names of countries with significant operations or that are specifically relevant to the sustainability issues covered in the report*

See Markets and brands.

G4-7 *Nature of ownership and legal form*

See Board of Directors' Report, section "TeliaSonera share."

G4-8 *Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)*

See Markets and brands.

G4-9 *Scale of the organization*

See www.teliasonera.com/about-us/teliasonera-in-brief.

G4-10 *Total workforce by employment type, employment contract, and region*

See Note C31 to the consolidated financial statements.
5 percent of the employees had temporary employments.

Omission: We do not have data regarding percentage of full-time and part-time employees.

G4-11 *Percentage of employees covered by collective bargaining agreements*

Employees covered by collective bargaining agreements, by region	2014 (%)	2013 (%)
Nordics	95	90
Baltics	73	60
Eurasia	45	27
Other countries[1]	36	48
Reported entities' share of total workforce (%)	**79**	**70**

[1] TeliaSonera International Carrier France and Italy

In the following countries the percentage is zero: Kazakhstan, Azerbaijan, Georgia, Moldova, Czech Republic, Germany, Hong Kong, Hungary, Netherlands, Poland, Singapore, United Kingdom, United States and Turkey.

TeliaSonera employees have the right to choose whether or not to be represented by a trade union for the purpose of collective bargaining. No employee shall be discriminated against for exercising this right. All employees should be aware of the basic terms and conditions of their employment. TeliaSonera respectfully cooperates with legitimate employee representatives and national labor unions.

G4-12 *Description of the supply chain*

See Sustainability in the supply chain.

G4-13 *Significant changes during the reporting period regarding size, structure, ownership or supply chain*

See Board of Directors' Report, sections "Group Development in 2014" and "Acquisitions and Disposals."

G4-14 *How the precautionary principle is approached*

For TeliaSonera the precautionary principle relates mainly to electromagnetic fields (EMF). Teliasonera's approach to EMF is explained in Other issues. Our overall precautionary approach is addressed through the Code of Ethics and Conduct, supplier code, other policies, and the risk management framework.

G4-15 *Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses*

See Sustainability in TeliaSonera, section "Our commitments."

G4-16 *Memberships of associations*

See www.teliasonera.com/sustainability/impacts/key-stakeholders.

Identified material aspects and boundaries

G4-17 *Entities included in the consolidated financial statements, and whether any entity is not covered by the report*

See Markets and brands.

G4-18 *Process for defining report content and aspect boundaries, and how the reporting principles for defining report content have been implemented*

See Stakeholder engagement.

G4-19 *List of all material aspects identified in the process for defining report content*

See Stakeholder engagement and "GRI-Disclosure on management approach."

G4-20 *Aspect boundary within the organization for each material aspect*

Material aspects are considered material for the entire organization.

G4-21 *Aspect boundary outside the organization for each material aspect*

Material aspects are considered material for all external stakeholder groups.

G4-22 *Effect of any restatements of information provided in previous reports, and the reasons for such restatements*

Based on corrections of previous data, and new reporting scope and calculation methods, several figures including scope 1 energy consumption, scope 3 emissions and waste have been recalculated from previous reports. Emissions reductions from renewable electricity for 2013 have been recalculated, resulting in larger net emissions for 2013. Other smaller recalculations have been made, but the changes are not deemed significant.

G4-23 *Significant changes from previous reporting periods in the scope and aspect boundaries*

We limited the scope of waste and the extended scope 3 reporting to cover only Sweden and Finland, as a result of quality and completeness issues with supplier data.

Stakeholder engagement

G4-24 *List of stakeholder groups engaged*

See Stakeholder engagement.

G4-25 *Basis for identification and selection of stakeholders engaged*

See Stakeholder engagement.

G4-26 *Approach to stakeholder engagement*

See Stakeholder engagement.

G4-27 *Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns*

See Stakeholder engagement.

Report profile

G4-28 *Reporting period*

Calendar year 2014.

G4-29 *Date of most recent previous report*

March 2014.

G4-30 *Reporting cycle*

Annual. We also publish sustainability related information on the Newsroom.

G4-31 *Contact point for questions regarding the report or its contents*

Comments and feedback are important to help us develop our sustainability work and reporting. You are welcome to contact us at sustainability-group@teliasonera.com or visit www.teliasonera.com/en/contact/contact-us/sustainability for further contact details.

G4-32 *GRI content index*

See GRI Index.

G4-33 *Policy and current practice with regard to seeking external assurance to the report*

The relevant sections of the Annual and Sustainability Report have been externally assured by Deloitte, who also carry out the financial audit. TeliaSonera will continue seeking external assurance of of the Annual and Sustainability Report.

Governance

G4-34 *Governance structure of the organization, including committees of the highest governance body and committees responsible for decision-making on economic, environmental and social impacts*

See Corporate Governance Statement, sections "Governing Bodies" and "Board of Directors."

G4-35 *Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees*

See Corporate Governance Statement, section "Group-wide governance framework."

G4-36 *Executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body*

See Corporate Governance Statement, section "Group-wide governance framework" and Sustainability in TeliaSonera, section "Sustainability organization."

G4-38 *Composition of the highest governance body and its committees*

See Corporate Governance Statement, section "Board of Directors."

G4-39 *Indicate whether the Chair of the highest governance body is also an executive officer*

The Chair of the Board of Directors is not an executive officer.

G4-40 *Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members*

See Corporate Governance Statement, section "Nomination committee."

G4-42 *Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts*

See Corporate Governance Statement, section "Board of Directors."

G4-45 *Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities*

See Corporate Governance Statement, section "Group-wide governance framework."

G4-46 *Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics*

See Corporate Governance Statement, section "Group-wide governance framework."

G4-48 *Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material aspects are covered*

The Board of Directors is responsible for reviewing and approving the Annual and Sustainability Report.

G4-51 *Remuneration policies for the highest governance body and senior executives, and how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives*

Members of the Board of Directors and Group Executive Management do not have variable performance based remuneration. The fixed salary of a Group Executive Management member should be based on competence, responsibility and performance. This might include relevant sustainability targets. See also Board of Directors Report, section "Remuneration to executive management" and Note C31 to the consolidated financial statements, section "Remuneration to corporate officers."

Ethics and integrity

G4-56 *Values, principles, standards and norms of behavior such as codes of conduct and codes of ethics*

See Corporate Governance Statement, section "Group-wide governance framework" and Sustainability in TeliaSonera, section "Our commitments."

G4-58 *Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.*

See Sustainability in TeliaSonera, section "Whistle-blowing and Speak-Up Line."

Disclosure on management approach

For an understanding of how material aspects have been identified, see Stakeholder engagement. For more information about sustainability governance, see Sustainability in TeliaSonera, section "Sustainability organization" and Corporate Governance Statement, section "Group-wide governance framework." Public policies, including the Code of Ethics and Conduct, can be found at www.teliasonera.com/en/about-us/public-policies. A summary of activities in 2014, including the long-term ambition, is presented in Sustainability focus area summary.

Economic	
Material aspects	Economic performance, Indirect economic impacts
Management approach	See Corporate Governance Statement, section "Group-wide governance framework" and "GRI-Economic."

Environment	
Material aspects	Energy, Emissions, Effluents and waste, Supplier environmental assessment
Management approach	See Environmental responsibility and "GRI-Environment."

Social: Labor practices and decent work	
Material aspects	Occupational health and safety, Training and education, Supplier assessment for labor practices, Labor practices grievance mechanisms
Management approach	See Occupational health and safety and "GRI-Labor practices and decent work."

Social: Human rights	
Material aspects	Investment, Non-discrimination, Freedom of association and collective bargaining, Child labor, Forced or compulsory labor, Supplier human rights assessment, Human rights grievance mechanisms
Management approach	See Freedom of expression, Sustainability in the supply chain and "GRI-Human rights."

Social: Society	
Material aspects	Local communities, Anti-corruption, Public policy, Anti-competitive behavior, Compliance
Management approach	See Anti-corruption and "GRI-Society."

Social: Product responsibility	
Material aspects	Customer health and safety, Product and service labeling, Marketing communications, Customer privacy
Management approach	See Customer privacy and "GRI-Product responsibility."

Economic

Economic performance

G4-EC1 *Direct economic value generated and distributed*

TeliaSonera provides network access and telecommunications services to our customers, we buy infrastructural equipment related to the building, development and maintenance of our fixed and mobile networks and IT systems and services, and we purchase mobile handsets and other consumer electronic devices from our contractors and suppliers. We pay salaries, dividends and taxes that benefit our employees, local communities and national economies. These actions all generate monetary flows affecting TeliaSonera's stakeholders.

For detailed financial information, see the consolidated financial statements.

Tax is a complex but important sustainability issue, with high expectations from stakeholders especially on transparency. Tax was identified as a key issue in the materiality review, and we will continue to focus on how to better understand and meet expectations in this area. TeliaSonera shall be a responsible tax payer, and pay the amount of taxes legally due in any territory, in accordance with rules set by governments. Transparency towards tax authorities and other relevant bodies is of utmost importance. In many countries we are one of, or the, largest corporate tax payers, and can lead the way in promoting transparency and fair, ethical practices.

Below is a table laying out corporate income tax payments by country.

Income taxes paid SEK in millions	2014	2013	2012
Sweden	906	942	1,717
Finland[1]	-2	0	5
Norway	159	187	357
Denmark	0	1	0
Lithuania	30	38	29
Latvia	28	22	20
Estonia	101	94	121
Kazakhstan	649	651	729
Azerbaijan	359	370	293
Uzbekistan	12	9	0
Tajikistan	123	93	87
Georgia	24	40	22
Moldova	0	3	4
Nepal	492	379	329
Russia	100	105	659
Turkey	10	17	33
Other countries[2]	187	100	188
Total	**3,178**	**3,051**	**4,593**

[1] Tax payments reduced by usage of tax-deductible impairment losses and capital losses incurred in 2002 and 2003.

[2] Approximately 15 countries.

Omission: we are unable to accurately report value generated and distributed for all stakeholder groups. As we gain a better understanding of the financial and social impact of our services we will be able to improve reporting.

G4-EC2 *Financial implications and other risks and opportunities due to climate change*

See Risks and uncertainties. For additional information, see our 2014 Carbon Disclosure Project Climate Change Response available at www.cdp.net.

Indirect economic impacts

G4-EC8 *Significant indirect economic impacts*

See Role in society.

Environment

Materials

TeliaSonera does not manufacture any physical products. We acknowledge that efficient material use and recycling possibilities are highly relevant for our suppliers who produce mobile devices, other consumer electronic devices, and technical equipment related to the building, development and maintenance of our networks. We seek to choose suppliers who strive to use raw materials efficiently and adopt a life cycle approach to the production, use and dismantling of devices and equipment. Read more about our supplier code and its requirements in Sustainability in the supply chain.

Energy

See comment to "Emissions" regarding reporting scope. All scope 1 energy except solar energy is considered non-renewable. Part of scope 2 energy is renewable, see "G4-EN19" for more information.

G4-EN3 *Energy consumption within the organization*

Direct energy consumption by region, GWh	2014	2013
Nordics	11	9
Baltics	23	25
Eurasia	178	211
Other countries[1]	1	2
Direct energy consumption, total	**213**	**247**

[1] Yoigo in Spain.

Reported direct energy consumption decreased 14 percent. The main reason for the decrease is more accurate data from Ncell in Nepal, which is the biggest direct energy user because of its dependency on back-up generators.

The figures include energy generated by solar powered base stations in Ncell in Nepal, Tcell in Tajikistan and Ucell in Uzbekistan, and the Telia Denmark head office, 4 GWh in total.

Direct energy consumption consists mainly of diesel and gasoline for generators used to provide back-up power to the networks and office buildings during electricity outages, but also fuel used in the vehicles we own or lease. The large figure for Eurasia reflects the need for using back-up generators in areas where, or during periods when, access to grid electricity is limited or unavailable.

Indirect energy consumption by region, GWh	2014	2013
Nordics	819	852
Baltics	178	169
Eurasia	398	393
Other countries[1]	135	174
Indirect energy consumption, total	**1,530**	**1,588**

[1] Yoigo in Spain and TSIC outside the Nordics, the Baltics and Eurasia.

Reported indirect energy consumption decreased 4 percent, mainly because of a decrease in electricity consumption in the Nordics but also due to a change in how we calculate electricity consumption for TeliaSonera International Carrier (TSIC) operations.

The major share of the indirect energy consumed (electricity, district heating and district cooling) is used for running base stations and data centers, but also includes energy consumed in offices, stores and other locations such as warehouses. District heating and cooling represents around 4 percent of total reported indirect energy consumption.

Omission: we do not collect data on actual total cooling and heating, e.g. energy used for cooling in base stations. We do not consume steam.

G4-EN5 *Energy intensity*

See Environmental responsibility.

G4-EN6 *Energy saved due to conservation and efficiency improvements*

Around 35 energy saving initiatives, both small and large, were reported by the business units. These relate mainly to the replacement of older technical equipment at base stations and data centers, and energy efficiency improvements in offices. In total, energy savings of 24 GWh, mainly electricity, through these initiatives were reported. Since we were unable to calculate savings for all of these initiatives the actual savings figure should be higher than what is reported.

Water

G4-EN8 *Total water withdrawal by source*

Total water withdrawal by region, m³	2014	2013
Nordics	85,550	94,496
Baltics	51,109	41,299
Eurasia	117,185	123,619
Other countries[1]	3,156	3,156
Water withdrawal, total	**257,001**	**262,570**

[1] Yoigo in Spain.

TeliaSonera has a very small water footprint, and we have no significant impact on water quality or accessibility anywhere in our operations. The table above represents water withdrawal for our office buildings and production facilities that use water. In Sweden and Finland we use cold surface water for cooling data centers and other network production facilities. This does not affect the quality of the water, but allows us to save considerable amounts of electricity.

With one exception (Ncell in Nepal), all water is drawn from municipal water sources.

Emissions

WRI, IEA and Defra emission factors have been used as a basis for calculating greenhouse gas (GHG) emissions. Leased assets such as vehicles and shops are generally considered part of scope 1 and scope 2. All major operations where TeliaSonera has financial control are included, unless otherwise noted. Joint ventures in Sweden and Denmark are included based on ownership share. Emissions are calculated and reported as CO_2 as we estimate that the difference between CO_2 and CO_2e emissions is negligible.

G4-EN15-16 *Direct and indirect greenhouse gas emissions (scope 1 and scope 2)*

Greenhouse gas emissions by region, metric tons CO_2	2014	2013
Direct emissions (scope 1)		
Nordics	2,808	2,433
Baltics	5,524	5,903
Eurasia	44,484	53,354
Other countries[1]	316	442
Direct emissions, total	**53,132**	**62,132**
Indirect emissions (scope 2)		
Nordics	74,651	81,637
Baltics	97,177	92,823
Eurasia	150,872	141,228
Other countries[1]	42,515	61,071
Indirect emissions, total (gross)	**365,215**	**376,759**
+ Emissions abated from Renewable Energy Certificates (REC)	62,040	43,663
Direct and indirect emissions, total	**356,307**	**395,228**

[1] Yoigo in Spain and TSIC outside the Nordics, the Baltics and Eurasia.

Total direct (scope 1) and indirect (scope 2) CO_2 emissions decreased 10 percent. The main reasons for the decrease is the change in how energy consumption is calculated (see “G4-EN3”) and an increase in purchasing of RECs (see “G4-EN19”).

G4-EN17 *Other indirect greenhouse gas emissions (scope 3)*

Greenhouse gas emissions by region, metric tons CO_2	2014	2013
Nordics		
Business travel[1]	6,289	5,618
Other indirect emissions[2]	20,838	20,245
Nordics, total	**27,127**	**25,863**
Baltics[3]	**422**	**500**
Eurasia[3]	**2,775**	**2,724**
Other countries[3, 4]	**90**	**85**
Other relevant indirect emissions, total	**30,414**	**29,172**

[1] Includes employees' own cars where mileage is paid by the company.
[2] Includes upstream and downstream emissions from field services and logistics. These figures represent data only from Sweden and Finland.
[3] Only business travel.
[4] Yoigo in Spain and TSIC outside the Nordics, the Baltics and Eurasia.

A significant share of the total emissions generated in our value chain is generated at suppliers both upstream and downstream, in production, transportation and end of life treatment. Correctly calculating these figures is very challenging as data is often lacking or of low quality. In 2014, we further revised our process of collecting scope 3 emissions data from our suppliers. We collected business travel data from all countries, and for other scope 3 emissions we include Sweden and Finland where suppliers are generally able to provide high quality and comprehensive data.

G4-EN18 *Greenhouse gas emissions intensity*

See Environmental responsibility.

G4-EN19 *Reduction of greenhouse gas emissions*

See also Environmental responsibility.

By reducing our energy consumption, further utilizing renewable energy such as solar and hydro power, and through purchasing renewable electricity, we can reduce our direct and indirect greenhouse gas emissions.

In 2014, we expanded the voluntary purchasing of Renewable Energy Certificates (REC), as a way of reducing scope 2 emissions in a cost-effective way. This also helps to stimulate renewable energy investments. 'Guarantee of Origin – Hydro' was purchased in the business units in the Nordics and in Lithuania. In total, 62,040 tons of CO_2 or 15 percent of total gross GHG emissions were abated through purchasing RECs representing 714 GWh electricity.

To reduce scope 1 and scope 2 emissions and energy costs we are increasingly using solar powered base stations in Nepal, Uzbekistan and Tajikistan. Over 500 solar powered sites have been installed by Ncell in Nepal, Ucell in Uzbekistan and Tcell in Tajikistan. In areas where grid electricity is not always accessible or its quality is poor, using solar power can be the best way to ensure network coverage.

Whenever possible we try to purchase or lease environmentally friendly vehicles, and to choose low-carbon ways of meeting and traveling such as videoconferencing or traveling by train.

Effluents and waste

G4-EN23 *Total weight of waste by type and disposal method*

Dismantled telephone poles, metric tons	2014	2013
Sweden	7,597	6,945
Finland	12,409	9,797
Dismantled telephone poles, total	20,006	16,742

In 2014, we changed the scope of our waste reporting to only cover Sweden and Finland. In these markets we are confident in the data provided by our waste handlers.

To provide meaningful comparison between scopes and years, in 2014 we limit our waste reporting to include only dismantled telephone poles from the fixed networks. These poles are mainly dismantled as part of the technology shift from fixed to mobile networks, and make up a large share of total reported waste. Dismantled telephone poles are considered hazardous waste because of their creosote impregnation, and are disposed of through incineration. We are constantly looking for less hazardous alternatives that also meet the tough safety requirements.

Additionally, in 2014 a total of 714 tons of electronic waste was reported, but the accuracy of this figure is uncertain. For more information about electronic waste and reclaiming of mobile devices, see Environmental responsibility.

Omission: we are constantly reviewing how we can better report on waste from all markets, especially electronic waste. Region Eurasia is particularly difficult, as in many countries waste treatment facilities are lacking and it is very difficult to get reliable information.

Supplier environmental assessment

G4-EN32 *Percentage of new suppliers screened using environmental criteria*

See Sustainability in the supply chain.

Omission: we are unable to report separately on the percentage of new suppliers. As we develop our supplier screening processes, this data might become available.

Labor practices and decent work

Occupational health and safety

G4-LA6 *Injuries, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities*

See also Occupational health and safety.

LTIF and SAR, by region	2014		2013	
	LTIF[1]	SAR[2] (%)	LTIF	SAR (%)
Nordics	0.61	2.9	0.51	3.0
Baltics	0.30	1.7	0.36	1.8
Eurasia	0.18	1.5	0	1.6
Other countries[3]	1.43	0.7	0	0.7
Total	**0.46**	**2.3**	**0.37**	**2.4**

[1] Total number of lost-time injuries per million possible working hours.
[2] Total hours of sickness absence per possible working hours (full year average).
[3] Yoigo in Spain and TSIC outside Nordics, Baltics and Eurasia.

In 2013, we established group common definitions on lost-time injury frequency (LTIF) and sickness absence rate (SAR). Collecting data on this remains challenging as these definitions can differ significantly from definitions in national legislation and in the reporting to authorities. We believe that the actual figures are higher than reported, and will continue improving reporting practices both internally and from suppliers.

There have been no fatal accidents involving TeliaSonera employees reported during 2014 or 2013. Among our field services contractors which we ask to report fatal accidents while working for us, there was one reported fatal accident in Nepal related to a traffic accident.

A total of 25 lost-time injuries among TeliaSonera employees were reported. Most injuries occurred in the course of normal work (e.g. in offices or shops) or in traffic.

Omission: we do not consider reporting by gender relevant, as there are no differences in work tasks. We do not currently ask suppliers in all markets to report on non-fatal accidents, but will expand this reporting to get a more clear picture of the total number and nature of accidents in our operations.

Training and education

G4-LA11 *Percentage of employees receiving regular performance and career development reviews*

In 2009 TeliaSonera introduced a group-wide performance management process that, until 2014, applied to the highest level management across the group. In 2014, the process was introduced to all managers and employee levels and now covers 19,000 employees.

The process translates TeliaSonera's strategic objectives into actions and is designed to support managers to define and cascade business objectives, review and provide constructive feedback on individuals' performance, and develop personal skills and reward good performance.

Use of the performance management process for the top 900 managers, whose individual performance is connected to the group variable pay plan, is 100 percent. 84 percent of the other 18,100 employees are covered by the process.

Supplier assessment for labor practices

G4-LA14 *Percentage of new suppliers screened using labor practices criteria*

See Sustainability in the supply chain.

Omission: we are unable to report separately on the percentage of new suppliers. As we develop our supplier screening processes, this data might become available.

Labor practices grievance mechanisms

G4-LA16 *Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms*

See Sustainability in TeliaSonera, section "Whistle-blowing cases in 2014."

Omission: we are not yet able to provide detailed statistics on whistle-blowing cases. We will continue developing internal and external reporting of whistle-blowing cases to ensure more specific information.

Human rights

Investment

G4-HR1 *Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening*

During 2014, TeliaSonera conducted two major investment agreements through the acquisition of Tele2 Norway and through the merger of TeliaSonera's and Telenor's operations in Denmark (still pending). In both cases the human rights risks were considered insignificant and extensive human rights screening was not carried out.

See more about human rights risks in Risks and uncertainties.

G4-HR2 *Employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations*

See Sustainability in TeliaSonera, section "Code of Ethics and Conduct and policy framework" and Freedom of expression.

Omission: we do not collect information on the amount of time spent on training.

Non-discrimination

G4-HR3	*Total number of incidents of discrimination and actions taken*

Two investigations of sexual harassment were closed during the year. In both cases the internal investigations showed that the reports were substantiated, which resulted in termination of employment.

Freedom of association and collective bargaining; Child labor; Forced and compulsory labor

G4-HR4-6	*Operations and suppliers identified with significant risks regarding the right to exercise freedom of association and collective bargaining, child labor and forced and compulsory labor*

See Sustainability in the supply chain and Risks and uncertainties. These risks are generally considered small in TeliaSonera's own operations, but bigger in many suppliers' operations. We engage with suppliers in screening, auditing and capacity building to ensure that potential and identified risks are managed.

Supplier human rights assessment

G4-HR10	*Percentage of new suppliers that were screened using human rights criteria*

See Sustainability in the supply chain.

Omission: we are unable to report separately on the percentage of new suppliers. As we develop our supplier screening processes, this data might become available.

Human rights grievance mechanisms

G4-HR12	*Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms*

See Sustainability in TeliaSonera, section "Whistle-blowing cases in 2014."

Omission: we are not yet able to provide detailed statistics on whistle-blowing cases. We will continue developing internal and external reporting of whistle-blowing cases to ensure more specific information.

Society

Local communities

G4-SO1	*Local community engagement*

In 2014, we adopted a sponsoring and donations policy, which sets requirements for assessing sponsoring activities and for carrying out partner due diligence. This is very important as even small sponsoring and donation payouts can be used as bribes or as a source of fraud. The new policy also enables better follow up on impact assessment and reporting. In 2015 we will further develop the policy and approval process to ensure that activities are aligned with the new sustainability and brand strategies.

Total investments of SEK 110 million (107) were reported, divided over more than 200 various commercial and non-commercial activities. The activities are normally chosen by TeliaSonera local companies, who best understand the local context, expectations and needs. We also engage with local communities when relevant, regarding e.g. placement of masts and base stations, and development of local infrastructure such as roads. Activities are normally approved by either region or group functions, to ensure that their rationale is aligned with the sponsorship and donations policy and business strategy, and that proper due diligence has been carried out.

63 percent of the value of reported activities and projects were realized in the Nordics, 8 percent in the Baltics and Spain and 29 percent in Eurasia.

Listed below are some of the activities carried out or supported by TeliaSonera.

- Telia in Denmark, through its fighting brand Call me, runs a campaign called "Tal ordentligt." "Tal ordentligt" supports schools and young people in fighting bullying and being respectful in schools and online.
- Moldcell in Moldova together with UN Development Program in Moldova and the State e-Government Center created the collaborative social innovation center Moldova Innovation Lab (MiLab). MiLab's first project is based around the challenge of how schools can develop useful life competencies.
- Ncell in Nepal contributed USD 2 million in financial support after the serious landslides that took place during the year's monsoon season.
- Additionally in Nepal, our cooperation with World Childhood Foundation, of which we are a founding member, continued. Through Childhood we support various NGOs working with protection of children.
- Elion and EMT in Estonia supported the project "NutiKaitse 2017," which aims to raise security awareness among smartphone users by increasing the use of secure mobile ID. The goal of the project is to ensure that by 2017, 70 percent of Estonian smartphone users use their devices in a safe way.
- Omnitel in Lithuania is a founder of the "Window to the future" NGO, which promotes digital literacy and the use of ICT. The organization, which was founded in 2002 by Omnitel and other companies, uses its funding to establish public internet access points, provide ICT training and promoting the use of e-services.

Omission: we do not currently carry out community or environmental impact assessments as our impact on local communities is limited. As part of our sustainability approach we will develop a more comprehensive approach to how local communities can be engaged.

Anti-corruption

G4-SO3	*Number and percentage of operations assessed for risks related to corruption and the significant risks identified*

See Anti-corruption and Risks and uncertainties.

G4-SO4	*Communication and training on anti-corruption policies and procedures*

See Sustainability in TeliaSonera, section "Code of Ethics and Conduct and policy framework" and Anti-corruption.

Omission: we are not able to report on the exact number and percentage of employees and business partners trained.

G4-SO5	*Confirmed incidents of corruption and actions taken*

See Anti-corruption and Sustainability in TeliaSonera, section "Whistle-blowing cases in 2014."

Public policy

G4-SO6	*Total value of political contributions by country and recipient/beneficiary*

According to the sponsoring and donations policy no financial or in-kind support to support political parties, their representatives, or candidates for office is permitted. We are implementing controls for assessing and ensuring that our sponsoring and donations are not used or interpreted as a substitute for political payments or bribery.

Anti-competitive behavior

G4-SO7	*Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes*

Kcell in Kazakhstan were involved in two legal procedures related to abuse of a dominant position. Kcell was fined in both cases, but has appealed the decisions. Yoigo in Spain is involved in a pending case related to anti-competitive behaviour, and Telia in Sweden is involved in a pending case related to violation of public procurement legislation.

Compliance

G4-SO8	*Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations*

A small number of tax and labor dispute related cases were settled during the year, none of which resulted in a significant fine. TeliaSonera, some of its subsidiaries and former employees are involved in preliminary investigations in Sweden, the Netherlands and USA primarily relating to investments in Uzbekistan. See Board of Directors' Report, sections "Group development in 2014" and "Review of Eurasian transactions and related liability issues."

Product responsibility

Product and service labeling

G4-PR5	*Practices related to customer satisfaction, including results of surveys measuring customer satisfaction*

We use NPS (Net Promoter Score) as a measure to track development towards reaching our vision of becoming loyalty leader on all our markets.

During the year the group NPS framework was developed, with emphasis on continuous improvement based on survey results. A decision was made to introduce NPS as a strategic KPI in 2015, meaning it will be part of the performance targets. We do not have NPS data for 2014.

NPS is complemented by regular brand tracking in terms of brand consideration and preference, which gives useful insights into customer satisfaction trends. All results are followed both locally and on group level.

Marketing communications

G4-PR7	*Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes*

Omnitel in Lithuania and Telia in Denmark were imposed minor fines for unauthorized contact of customers via phone.

Customer privacy

G4-PR8	*Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data*

See Customer privacy.

Telecommunications sector supplement

Health and safety

IO3	*Practices to ensure health and safety of field workers*

See Occupational health and safety.

IO4-6	*Compliance with ICNIRP standards and guidelines related to radiofrequency emissions and Standard Absorption Rate of handsets and base stations*

See Other issues.

Access to telecommunication products and services

PA1-2	*Policies and practices to overcome barriers for access and use of telecommunications products and services*

See Role in society.

PA3	*Policies and practices to ensure availability and reliability of telecommunications products and services*

We strive to enhance availability and reliability in our mobile networks and have a systematic approach to disaster recovery which covers back-up power supplies, transmission redundancy and special solutions for recovery. In emergency situations and disasters TeliaSonera manages business continuity according to the relevant policies on business continuity and crisis management. Our aim is to develop and maintain durable networks that can withstand disturbances and recover from possible disasters.

Especially in Eurasia the operational risks are high, and several factors contribute to the need for robust business continuity planning. Operations in Nepal, Tajikistan and Kazakhstan are at a high risk of earthquakes. Floods or landslides can severely impact operations in Moldova. Instability related to the political situation, regulatory issues or lack of basic infrastructure such as grid electricity needs to be planned for. To ensure business continuity in Eurasia we invest broadly in technical equipment such as better battery and generator solutions, solar panels and earthquake-proof data centers.

In many areas we have cooperated with the national authorities on the preparation of crisis management plans and emergency policies.

PA6	*Programs to provide and maintain telecommunication products and services in emergency situations and disaster relief*

TeliaSonera is prepared to assist in rescue work and disaster relief in cases of major emergencies and disasters. Maintaining telecommunications services is vital to facilitate the rescue work and for helping affected people.

All business units have contingency plans to handle events such as natural disasters or extreme weather. Crisis management teams are in place to ensure rapid response whenever and wherever there is an emergency, and there are mobile base stations that can be set up in areas affected by disasters. In many business units we work together with national and local rescue services to support with for example sending text messages about ongoing extreme weather, natural disasters or other crises.

Access to content

PA7	*Policies and practices to manage human rights issues relating to access and use of telecommunications products and services*

See Freedom of expression.

Customer relations

PA8	*Policies and practices to publicly communicate on EMF related issues*

See Other issues.

Board of Directors' and President's certification

The Board of Directors and the President and CEO certify that the consolidated financial statements have been prepared in accordance with IFRSs as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The Board of Directors' Report for the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 11, 2015

Marie Ehrling
Chair of the Board

Olli-Pekka Kallasvuo
Vice-Chair of the Board

Agneta Ahlström
Board member, employee representative

Stefan Carlsson
Board member, employee representative

Mats Jansson
Board member

Mikko Kosonen
Board member

Nina Linander
Board member

Martin Lorentzon
Board member

Per-Arne Sandström
Board member

Kersti Strandqvist
Board member

Peter Wiklund
Board member, employee representative

Johan Dennelind
President and CEO

Our auditors' report was rendered on March 11, 2015

Deloitte AB

Jan Palmqvist
Authorized Public Accountant

Auditors' Report

To the annual meeting of the shareholders of TeliaSonera AB (publ), corporate identity number 556103-4249

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of TeliaSonera AB (publ) for the financial year 2014-01-01 – 2014-12-31 with the exception of the corporate governance statement included in the printed version of this document on pages 43–63. The annual accounts and consolidated accounts of the company are included on pages 14–63, 89–180 and 193.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 43–63. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Other matters

The audit of the annual accounts for the financial year 2013-01-01 – 2013-12-31 were performed by another auditor who submitted an auditor's report dated 11 March 2014, with unmodified opinions in the Report on the annual accounts.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of TeliaSonera AB (publ) for the financial year 2014-01-01 – 2014-12-31. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm, March 11, 2015

Deloitte AB

Jan Palmqvist
Authorized Public Accountant

Auditors' Limited Assurance Report on the Sustainability Report

To TeliaSonera AB (publ), corporate identity number 556103-4249

Introduction

We have been engaged by the Management of TeliaSonera AB (publ) to undertake a limited assurance engagement of the TeliaSonera Sustainability Report for the year 2014. The Company has defined the scope of the Sustainability Report on page 2 in the printed version of this document.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 181 in the Sustainability Report, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, March 11, 2015

Deloitte AB

Jan Palmqvist
Authorized Public Accountant

Didrik Roos
Authorized Public Accountant

Ten-year summary – financial data

TeliaSonera Group Financial data (IFRS)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Income (SEK in millions)										
Net sales	101,060	101,870	104,898	104,804	106,979	109,550	103,585	96,344	91,060	87,661
Operating income	22,679	24,462	28,400	29,720	32,003	30,242	28,648	26,155	25,489	17,549
Income after financial items	20,107	21,368	24,482	26,872	29,936	27,614	26,411	25,251	25,226	17,019
Net income	15,599	16,767	21,168	21,119	23,562	21,280	21,442	20,298	19,283	13,694
of which attributable to owners of the parent	14,502	14,970	19,886	18,388	21,257	18,854	19,011	17,674	16,987	11,697
EBITDA excluding non-recurring items	35,223	35,584	36,171	37,222	36,897	36,584	32,954	31,021	32,266	29,411
EBITDA	33,675	33,656	35,074	37,181	37,661	35,159	31,658	30,333	31,113	27,508
Amortization, depreciation and impairment losses	15,589	15,215	20,542	13,263	13,479	12,932	12,106	11,875	11,203	13,188
Financial position (SEK in millions)										
Goodwill and other intangible assets	86,161	81,522	83,278	92,017	90,531	100,239	100,968	83,909	74,172	74,367
Property, plant and equipment	69,669	64,792	62,657	61,291	58,353	61,222	61,946	52,602	48,195	48,201
Financial assets	54,592	46,681	49 738	62,865	62,458	60,849	62,265	48,633	41,826	40,526
Current assets and non-current assets held-for-sale	61,644	59,833	57,373	36,710	39,209	47,360	39,107	31,558	35,199	40,681
Total assets	*272,066*	*252,828*	*253,046*	*252,883*	*250,551*	*269,670*	*264,286*	*216,702*	*199,392*	*203,775*
Total equity	116,364	112,934	109,106	122,871	132,665	142,499	141,448	127,057	127,717	135,694
of which attributable to owners of the parent	111,383	108,324	105,150	115,518	125,907	135,372	130,387	117,274	119,217	127,049
Provisions	26,689	22,786	26,383	24,211	23,230	25,625	24,594	16,748	15,471	15,564
Interest-bearing liabilities	101,489	90,723	91,587	79,842	65,436	71,833	65,799	43,579	27,729	26,735
Non-interest-bearing liabilities	27,525	26,385	25,970	25,959	29,220	29,713	32,445	29,318	28,475	25,782
Total equity and liabilities	*272,066*	*252,828*	*253,046*	*252,883*	*250,551*	*269,670*	*264,286*	*216,702*	*199,392*	*203,775*
Capital employed	208,365	192,134	193,056	191,402	186,509	204,908	199,186	153,090	127,195	146,712
Operating capital	150,798	143,154	144,020	170,880	163,889	175,063	178,017	140,925	110,163	125,299
Net debt	59,320	55,774	59,444	65,048	47,309	46,175	48,614	34,155	14,892	7,879
Net interest-bearing liability	47,424	43,209	47,254	60,350	43,573	42,668	44,652	31,830	10,736	5,320
Cash flows (SEK in millions)										
Cash flow from operating activities	29,252	31,036	38,879	26,950	27,434	30,610	25,091	26,529	27,501	26,990
Cash flow from investing activities	-21,979	-14,644	-6,359	-15,967	-16,476	-17,627	-19,634	-15,705	-13,084	-12,236
Cash flow before financing activities	*7,272*	*16,392*	*32,520*	*10,983*	*10,958*	*12,983*	*5,457*	*10,824*	*14,417*	*14,754*
Cash flow from financing activities	-10,269	-15,013	-15,231	-13,295	-17,736	-2,187	-2,364	-14,726	-19,382	-15,653
Cash flow for the year	*-2,997*	*1,379*	*17,289*	*-2,312*	*-6,778*	*10,796*	*3,093*	*-3,902*	*-4,965*	*-899*
Free cash flow	13,046	16,310	23,740	9,415	12,901	16,643	9,333	13,004	16,596	15,594
Investments (SEK in millions)										
CAPEX	16,679	16,332	15,685	17,384	14,934	14,007	15,795	13,531	11,101	11,583
Acquisitions and other investments	1,220	1,461	1,905	672	1,735	2,842	9,060	7,171	3,951	2,732
Total investments	*17,899*	*17,793*	*17,590*	*18,056*	*16,669*	*16,849*	*24,855*	*20,702*	*15,052*	*14,315*
Business ratios										
EBITDA margin (%)	34.9	34.9	33.3	35.5	34.5	33.4	31.8	32.2	35.4	33.6
Operating margin (%)	22.4	24.0	27.0	28.4	29.9	27.6	27.7	27.1	28.0	20.0
Return on sales (%)	15.4	16.5	20.2	20.2	22.0	19.4	20.7	21.1	21.2	15.6
Amortization, depreciation and impairment losses as a percentage of net sales	15.4	14.9	19.6	12.7	12.6	11.8	11.7	12.3	12.3	15.0
CAPEX-to-sales ratio (%)	16.5	16.0	15.0	16.6	14.0	12.8	15.2	14.0	12.2	13.2
Total asset turnover (multiple)	0.39	0.40	0.41	0.41	0.41	0.41	0.43	0.46	0.45	0.44
Turnover of capital employed (multiple)	0.49	0.53	0.54	0.55	0.55	0.54	0.59	0.69	0.67	0.60
Return on assets (%)	10.2	10.6	11.5	12.3	12.7	11.8	12.7	13.1	13.2	9.4
Return on capital employed (%)	12.2	13.5	14.9	16.4	16.9	15.5	17.3	19.4	19.5	12.6
Return on equity (%)	15.0	15.9	20.5	16.8	17.8	15.2	17.2	18.6	17.2	10.3
Equity/assets ratio (%)	38.0	39.5	38.2	44.0	48.0	49.1	50.5	50.3	49.9	58.9
Net debt/equity ratio (%)	57.4	55.8	61.4	58.8	39.3	34.9	36.5	31.3	15.0	6.6
Net debt/EBITDA rate (multiple)	1.68	1.57	1.64	1.75	1.28	1.26	1.48	1.10	0.46	0.27
Interest coverage ratio (multiple)	3.9	4.7	6.3	7.2	10.7	8.3	7.6	14.2	18.1	11.7
Self-financing rate (multiple)	1.63	1.74	2.21	1.50	1.65	1.82	1.01	1.28	1.83	1.89
Share data										
Number of outstanding shares (millions)										
– at the end of the period	4,330.1	4,330.1	4,330.1	4,330.1	4,490.5	4,490.5	4,490.5	4,490.5	4,490.5	4,490.5
– average, basic	4,330.1	4,330.1	4,330.1	4,367.0	4,490.5	4,490.5	4,490.5	4,490.5	4,490.5	4,574.0
– average, diluted	4,330.1	4,330.1	4,330.1	4,367.0	4,490.5	4,490.5	4,490.5	4,490.5	4,490.5	4,574.0
Basic and diluted earnings/loss per share (SEK)	3.35	3.46	4.59	4.21	4.73	4.20	4.23	3.94	3.78	2.56
Cash dividend per share (SEK) [1), 2)]	3.00	3.00	2.85	2.85	2.75	2.25	1.80	4.00	6.30	3.50
Total cash dividend (SEK in millions) [1), 2)]	12,990	12,990	12,341	12,341	12,349	10,104	8,083	17,962	28,290	15,717
Pay-out ratio (%)	89.6	86.8	62.1	67.7	58.1	53.6	42.5	101.6	166.5	136.9
Equity per share (SEK)	25.72	25.02	24.28	26.69	28.04	30.15	29.04	26.12	26.55	28.29

1) For 2014 as proposed by the Board of Directors.

2) For 2007, 2006 and 2005 including extra dividends of SEK 2.20 per share (totaling SEK 9,879 million), SEK 4.50 per share (totaling SEK 20,207 million) and SEK 2.25 per share (totaling SEK 10,104 million), respectively.

Only 2012 has been restated for changes in accounting for defined benefit pension plans in 2013. The definition for the key ratio Return on capital employed was changed during 2014 (see Definitions), only 2013 and 2014 have been calculated with the new definition. Only 2013 has been restated above for changes described in Note C1.

Ten-year summary – operational data

TeliaSonera Group Operational data	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Mobile services										
Total subscriptions (thousands)	65,557	64,673	63,072	54,360	46,889	39,326	34,172	26,648	20,786	19,146
of which Sweden										
Mobile telephony, total subscriptions (thousands)	6,578	6,546	6,587	6,290	5,869	5,666	5,334	4,807	4,603	4,387
Mobile telephony, outgoing traffic (millions of minutes)	10,778	10,277	10,060	9,854	9,499	8,493	7,849	6,635	5,335	4,456
Mobile telephony, incoming traffic (millions of minutes)	4,724	4,550	4,459	4,354	4,220	3,983	3,815	3,474	3,058	2,750
Mobile telephony, MoU (minutes)	260	246	244	242	237	218	191	178	157	139
Mobile telephony, blended churn (%)	17	18	15	15	17	13	14	15	17	15
Mobile telephony, ARPU (SEK)	189	184	190	196	196	192	189	194	204	213
of which Finland										
Mobile telephony, subscriptions (thousands)	3,365	3,345	3,249	3,231	3,237	2,874	2,676	2,449	2,407	2,507
Mobile telephony, outgoing traffic (millions of minutes)	5,402	5,464	5,476	5,471	5,575	5,604	5,618	5,473	5,936	5,642
Mobile telephony, incoming traffic (millions of minutes)	3,097	2,799	2,827	2,840	2,896	2,831	2,911	2,656	2,554	2,405
Mobile telephony, MoU (minutes)	281	271	268	255	266	280	276	284	285	277
Mobile telephony, blended churn (%)	21	22	26	28	25	22	17	16	19	24
Mobile telephony, ARPU (EUR)	16	17	19	21	22	24	26	29	29	30
of which Norway										
Mobile telephony, subscriptions (thousands)	1,600	1,612	1,641	1,657	1,680	1,658	1,581	1,577	1,641	1,651
Mobile telephony, MoU (minutes)	286	283	285	279	276	279	247	236	218	192
Mobile telephony, ARPU (NOK)	240	243	248	259	291	309	330	348	352	333
of which other countries										
Mobile telephony, subscriptions, Denmark (thousands)	1,581	1,522	1,462	1,426	1,450	1,460	1,493	1,449	1,123	1,154
Mobile telephony, subscriptions, Lithuania (thousands)	1,537	1,634	1,953	1,990	2,000	1,991	2,012	2,012	2,074	1,889
Mobile telephony, subscriptions, Latvia (thousands)	1,113	1,083	1,070	1,092	1,068	1,042	1,056	1,015	803	735
Mobile telephony, subscriptions, Estonia (thousands)	873	865	868	795	797	766	778	765	759	677
Mobile telephony, subscriptions, Spain (thousands)	4,044	3,889	3,707	3,039	2,283	1,506	970	427	24	–
Mobile telephony, subscriptions, Kazakhstan (thousands)	13,099	14,307	13,463	10,850	8,921	7,165	7,083	6,017	3,539	3,320
Mobile telephony, subscriptions, Azerbaijan (thousands)	4,567	4,379	4,417	4,166	3,994	3,847	3,471	3,029	2,333	1,741
Mobile telephony, subscriptions, Uzbekistan (thousands)	8,574	8,496	9,475	7,688	6,832	5,074	2,683	690	–	–
Mobile telephony, subscriptions, Tajikistan (thousands)	3,328	3,301	2,809	2,139	1,723	1,523	1,154	611	–	–
Mobile telephony, subscriptions, Georgia (thousands)	2,088	1,803	2,074	2,066	2,044	1,892	1,582	1,296	1,032	715
Mobile telephony, subscriptions, Moldova (thousands)	1,120	1,024	1,251	1,089	907	660	550	504	448	370
Mobile telephony, subscriptions, Nepal (thousands)	12,090	10,867	9,046	6,842	4,084	2,202	1,749	–	–	–
Fixed services										
Broadband, total subscriptions (thousands)	2,690	2,491	2,545	2,481	2,402	2,348	2,284	2,164	1,828	1,278
of which										
Broadband, subscriptions, Sweden (thousands)	1,275	1,208	1,175	1,149	1,129	1,125	1,122	1,061	915	711
Broadband, subscriptions, Finland (thousands)	561	532	501	491	476	458	478	473	412	350
Broadband, subscriptions, Norway (thousands)	–	–	184	188	195	223	176	177	172	–
Broadband, subscriptions, Denmark (thousands)	114	99	87	80	67	47	34	31	7	5
Broadband, subscriptions, Lithuania (thousands)	516	430	385	372	345	313	298	259	181	105
Broadband, subscriptions, Estonia (thousands)	224	222	213	201	190	182	176	163	141	107
Fixed telephony, total subscriptions (thousands) [1]	3,034	3,247	3,452	3,681	3,961	4,115	4,666	4,956	5,288	5,827
of which										
Fixed telephony, subscriptions, Sweden(thousands)	2,054	2,209	2,347	2,521	2,703	2,789	3,178	3,412	3,672	4,081
Fixed telephony, subscriptions, Finland (thousands)	99	108	125	147	175	207	276	305	366	456
Fixed telephony, subscriptions, Denmark (thousands)	122	121	125	81	61	40	52	64	84	104
Fixed telephony, subscriptions, Lithuania (thousands)	468	504	540	647	689	722	769	789	785	798
Fixed telephony, subscriptions, Estonia (thousands)	291	305	315	285	333	357	391	386	381	388
Human Resources										
Number of employees as of December 31	26,166	26,013	27,838	27,983	28,945	29,734	32,171	31,292	28,528	28,175
Average number of full-time employees during the year	24,951	25,319	26,793	27,005	27,697	28,815	30,037	28,561	26,969	27,403
of whom, in Sweden	7,977	8,122	8,486	8,378	8,937	9,170	10,152	10,002	10,427	11,061
of whom, in Finland	3,577	3,745	4,231	4,497	4,686	4,981	5,258	5,697	5,936	6,369
of whom, in other countries	13,397	13,452	14,076	14,130	14,074	14,664	14,627	12,862	10,606	9,973
of whom, women	10,829	10,958	11,465	11,786	12,212	13,111	13,251	12,571	12,164	11,934
of whom, men	14,122	14,361	15,328	15,219	15,485	15,704	16,786	15,990	14,805	15,469
Salaries and remuneration (SEK in millions)	9,746	9,400	9,863	9,979	10,405	11,152	11,011	9,632	8,918	9,023
Employer's social security contributions (SEK in millions)	1,893	1,900	1,835	1,821	1,900	1,995	2,134	1,971	1,903	1,970
Salaries and employer's social security contributions as a percentage of operating costs	14.4	14.0	14.2	14.5	14.8	15.3	15.8	14.8	15.2	15.5
Net sales per employee (SEK in thousands)	4,050	4,017	3,915	3,881	3,862	3,802	3,449	3,373	3,376	3,199
Operating income per employee (SEK in thousands)	909	966	1,056	1,101	1,155	1,05	954	916	945	640
Change in labor productivity (%)	2.6	5.6	14.1	11.2	10.8	11.1	7.8	7.1	11.2	8.3
Net income per employee (SEK in thousands)	625	662	790	782	851	738	714	711	715	500

[1] Fixed telephony subscription includes PSTN and VoIP.

Definitions

Concepts and key ratios

Billed revenues
Voice, messaging, data and content.

Service revenues (external)
External net sales excluding equipment sales.

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 and joint ventures.

Non-recurring items
Non-recurring items comprise capital gains and losses, impairment losses, restructuring programs (costs for phasing out operations and personnel redundancy costs) or other costs with the character of not being part of normal daily operations.

Adjusted equity
Reported equity attributable to owners of the parent less the (proposed) dividend. For the parent company also including untaxed reserves net of tax.

Capital employed
Total assets less non-interest-bearing liabilities and non-interest-bearing provisions, and the (proposed) dividend.

Operating capital
Non-interest-bearing assets less non-interest-bearing liabilities, including the (proposed) dividend, and non-interest-bearing provisions.

Segment assets and liabilities (Segment operating capital)
As Operating capital, but assets and liabilities exclude items related to foreign currency derivatives and accrued interest as well as to deferred and current tax, respectively, and liabilities exclude the (proposed) dividend.

Net debt
Interest-bearing liabilities less derivatives recognized as financial assets (and hedging long-term and short-term borrowings) and related credit support annex (CSA), less short term investments, long-term bonds available for sale and cash/cash equivalents.

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

Free cash flow
Cash flow from operating activities less cash CAPEX.

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

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

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

Operating margin
Operating income expressed as a percentage of net sales.

Return on sales
Net income expressed as a percentage of net sales.

Total asset turnover
Net sales divided by average total assets.

Turnover of capital employed
Net sales divided by the average capital employed.

Return on assets
Operating income plus financial revenues expressed as a percentage of average total assets.

Return on capital employed
Operating income plus financial revenues excluding FX gains expressed as a percentage of average capital employed.

Return on equity
Net income attributable to owners of the parent expressed as a percentage of average adjusted equity.

Equity/assets ratio
Adjusted equity and equity attributable to non-controlling interests expressed as a percentage of total assets.

Net debt/equity ratio
Net debt expressed as a percentage of adjusted equity and equity attributable to non-controlling interests.

Net debt/EBITDA rate
Net debt divided by EBITDA excluding non-recurring items.

Net debt/assets ratio
Net debt expressed as a percentage of total assets.

Interest coverage ratio
Operating income plus financial revenues divided by financial expenses.

Self-financing rate
Cash flow from operating activities divided by gross investments.

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

Pay-out ratio
Dividend per share divided by basic earnings per share.

MoU
Minutes of usage per subscription and month.

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

ARPU
Average monthly revenue per user.

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

Notation conventions

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

SEK	Swedish krona	HKD	Hong Kong dollar	NPR	Nepalese rupee
AZN	Azerbaijan manat	JPY	Japanese yen	RUB	Russian ruble
CZK	Czech koruna	KZT	Kazakhstan tenge	TJS	Tajikistan somoni
DKK	Danish krone	LTL	Lithuanian litas	TRY	Turkish lira
EUR	European euro	LVL	Latvian lats	USD	U.S. dollar
GBP	Pound sterling	NOK	Norwegian krone	UZS	Uzbekistan som
GEL	Georgian lari	MDL	Moldovan leu		

Annual General Meeting 2015

TeliaSonera's Annual General Meeting will be held on Wednesday, April 8, 2015 at 14.00 CET at Waterfront Congress Centre, Stockholm. The complete notification was published on TeliaSonera's website, www.teliasonera.com at the beginning of March. The meeting will be interpreted into English.

Right to attend

Shareholders who wish to attend the Annual General Meeting shall
- be entered into the transcription of the share register as of Tuesday, March 31, 2015, kept by Swedish central securities depository Euroclear Sweden AB and
- give notice of attendance to the Company no later than Tuesday, March 31, 2015.

Notice to the Company

Notice of attendance can be made
- in writing to TeliaSonera AB, Box 7842, SE-103 98 Stockholm, Sweden,
- by telephone +46 (0)8 402 90 50 on weekdays between 09.00 CET and 16.00 CET, or
- via the company's website www.teliasonera.com (only private individuals).

When giving notice of attendance, please state name/company name, social security number/corporate registration number, address, telephone number (office hours) and number of accompanying persons.

Shareholding in the name of a nominee

Shareholders, whose shares are registered in the name of a nominee, must request to be temporarily entered into the share register kept by Euroclear Sweden AB as of March 31, 2015, in order to be entitled to participate in the meeting. Such shareholder is requested to inform the nominee to that effect well before that day. As Finnish shareholders within the Finnish book-entry system at Euroclear Finland Oy are nominee registered at Euroclear Sweden AB, these Finnish shareholders have to contact Euroclear Finland Oy, by email: thy@euroclear.eu or by phone: +358 (0)20 770 6609, for re-registration well in advance of March 31, 2015, to be able to participate in the meeting.

Nominee

Shareholders who are represented by proxy shall issue a power of attorney for the representative. Forms for power of attorneys are available at the Company's website www.teliasonera.com. To a power of attorney issued by a legal entity a copy of the certificate of registration (and should such certificate not exist, a corresponding document of authority) of the legal entity shall be attached. The documents must not be older than one year. In order to facilitate the registration at the meeting, powers of attorney in original, certificates of registration and other documents of authority should be sent to the Company at the address above at the latest by Tuesday, March 31, 2015.

Decisions to be made by the Annual General Meeting

The Annual General Meeting determines, among other matters, the appropriation of the Company's profits and whether to discharge the Board of Directors and President from liability. The Annual General Meeting also appoints the Board of Directors and makes decisions regarding remuneration to the Board. The Board of Directors proposes that a dividend of SEK 3.00 per share be distributed to the shareholders, and that April 10, 2015, be set as the record date for the dividend. If the Annual General Meeting adopts this proposal, it is estimated that disbursement from Euroclear Sweden AB will take place on April 15, 2015.

Other information

Marie Ehrling's and Johan Dennelind's speeches at the meeting will be posted on the Company's website www.teliasonera.com after the meeting.

Contact TeliaSonera

Contact TeliaSonera

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Production: TeliaSonera AB Investor Relations in cooperation with Narva
Photo of the Board of Directors and Group Executive Management:
TeliaSonera and Pentti Hokkanen

TeliaSonera provides network access and telecommunication services that help our customers communicate in an easy, efficient and environmentally friendly way. International strength combined with local excellence is what makes us truly unique – and provides a world class customer experience, all the way from the Nordic countries to Nepal.