TeliaSonera in brief

Communication the easy way

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

TeliaSonera creates a world with better opportunities

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

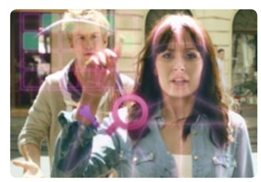
We are an international group

We have subsidiaries from the Nordics to Nepal, with 72.5 million subscriptions at year-end 2013 as well as 116.5 million subscriptions in our associated companies, mainly in Russia and Turkey. We are also the leading European wholesale provider with a wholly-owned international carrier network.

We are organized into three business areas

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

- Mobility Services
- Broadband Services
- Eurasia



We want to help our customers get connected

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

Our employees

We had 26,013 employees at year-end

26,013

The year in brief

2013 – an eventful year

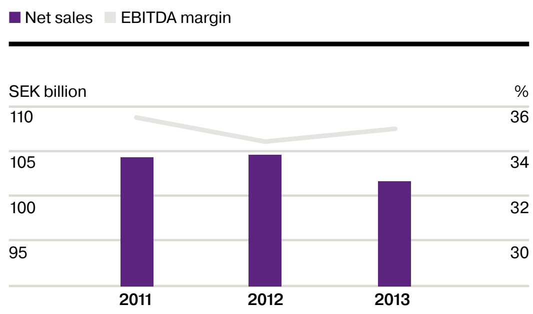
- In early February, the Swedish law firm Mannheimer Swartling released its report on TeliaSonera's investments in Uzbekistan. The investigation was not able to establish that bribery or money laundering had occurred; however, the suspicions of crime expressed by the Swedish Prosecution Authority could not be dismissed by the investigation. Serious criticism was directed at TeliaSonera for shortcomings in the investment process. As a consequence, Lars Nyberg left the company and a new Board of Directors was elected at the April AGM. The Board promptly launched a review of transactions in Eurasia, led by Norton Rose Fulbright, and in June appointed Johan Dennelind as President and CEO. He assumed his position on September 1.
- In March, we took an important step in the Swedish market. As one of the first operators in Europe, we offered the opportunity to connect multiple mobile devices to one subscription, including unlimited calls and text messages, with the possibility to share data volumes within certain buckets. Data-centric pricing has now been launched in Sweden, Denmark, Norway, Lithuania and Finland.
- In March, TeliaSonera and the other members of the Telecommunication Industry Dialogue signed guiding principles on telecommunication and freedom of expression and privacy. We also entered into a two-year collaboration with the Global Network Initiative (GNI) to develop and expand this initiative further.
- The customer base continued to grow for all IP-based services and the fiber roll-out regained momentum. Around 28 percent of our customers are connected via fiber in the Nordic and Baltic region. During the summer, the number of TV customers passed 600,000 in Sweden, reaching the number two position in the Swedish TV market.
- 4G is now launched in all Nordic and Baltic countries, in Spain and also in Azerbaijan, Moldova, Tajikistan and Uzbekistan (scale trial).
- In December, it was announced that following the decision to change TeliaSonera's operating model, a new Group Management team will be formed as of April 1, 2014.
- TeliaSonera is financially sound, with a robust generation of free cash flow and a solid capital structure.

Financial highlights

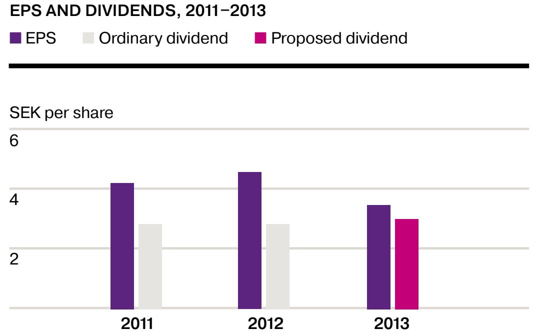
SEK in millions, except key ratios, per share data and margins	2013	2012	2011[1]
Net sales	101,700	104,898	104,804
EBITDA, excluding non-recurring items	35,584	36,171	37,222
Margin (%)	35.0	34.5	35.5
Operating income	24,462	28,400	29,720
Operating income, excluding non-recurring items	28,534	28,682	29,889
Net income	16,767	21,168	21,119
of which attributable to owners of the parent company	14,970	19,886	18,388
Earnings per share (SEK)	3.46	4.59	4.21
Return on equity (%, rolling 12 months)	15.9	20.5	17.1
CAPEX-to-sales (%)	16.1	15.0	16.6
Free cash flow	16,310	23,740	9,415

[1] Has not been restated for change in accounting principles, see further information in Note C1 to the consolidated financial statements.

NET SALES AND EBITDA MARGIN, EXCLUDING NON-RECURRING ITEMS, 2011–2013



EPS AND DIVIDENDS, 2011–2013



Letter from the CEO

Dear Shareholders,
2013 was another eventful and challenging year for the telecom industry and for TeliaSonera. Despite an uncertain and troubling macroeconomic climate in many of our markets, regulatory effects and rapidly changing customer behavior, we are pleased to close the year with more or less flat organic revenues, a slight increase in our EBITDA margin and solid free cash flow.

We have a lot to be proud of

I assumed the position as CEO in September 2013, and my initial observations were that TeliaSonera has a solid asset base, attractive footprint, strong brands and competent people. We have a lot to be proud of. However, our position has weakened in too many markets and it is vital to strengthen our competitiveness. In a fast changing landscape we have to develop a company culture that encourages agility and innovation.

Closer to the customers

We have to understand our customers' needs and deliver a differentiated customer experience. We need to reduce complexity regarding processes, products & offerings and step up our competitiveness in our local markets. The rapid development of our industry continues and legacy is being replaced with new technologies and business models. We maintain an active role in this migration by expanding high speed internet via fiber and 4G in order to enable people to communicate even more with each other, with even better quality. We are also determined to make our enterprise customers even more competitive by offering tailored products and services to best meet the core requirements of our diverse customer segments. In 2013, we invested more than SEK 16 billion in order to have high-quality networks, a prerequisite to be a leading telecom operator.

New business models

In March, we took an important initiative. As one of the first operators in Europe we offered our customers to connect multiple mobile devices to one subscription, including unlimited calls and text messages, with the possibility to share data volumes within certain buckets. In our view, this is an important step and an attractive service for the customer at the same time as we move towards a more sustainable business model in a world where the consumption of data is increasing heavily. Data-centric pricing is now launched in Sweden, Denmark, Norway, Lithuania and Finland.

Governance and ethical behavior

It's obvious that managing our business in a sustainable way is vital to our reputation and future success. Creating a sustainable business is a key part of our strategy and major actions have been taken during the year in order to strengthen corporate governance.

I have launched a comprehensive program to rebuild our reputation towards our stakeholder everywhere we operate. This is a long journey, but a prerequisite for our future survival. We can only sustain as a profitable company long term by acting responsibly in everything we do.

The sustainability work in 2013 has been focusing on improving our governance and compliance. In April the Board established a Sustainability and Ethics Committee with the task to review the group's internal and external sustainability reporting, policies, action plans and systems for risk management. I also implemented an Ethics and Compliance function to enforce the compliance with ethical and legal requirements. Our key sustainability focus areas have continued to be freedom of expression and privacy, customer privacy, anti-corruption, sustainability in supply chain and environmental targets. We need to pro-actively promote health and well-being at work for everyone who works for or with TeliaSonera, therefore occupational health and safety will be prioritized during 2014.

During the spring, TeliaSonera and the other members of the Telecommunication Industry Dialogue signed guiding principles on telecommunication and freedom of expression and privacy. The principles provide guidance on how we should act to respect these basic human rights. We also entered into a two-year collaboration with the Global Network Initiative (GNI) to develop and expand this initiative further.

We continued implementing the group environmental targets in all business units, identifying hotspots for energy efficiency and ways to reduce our CO_2 emissions. We have been looking into, and realizing, the potential to use for example solar energy in Eurasia and have currently over 500 base stations solar powered. However, in 2013 we were unable to deliver positive progress on our environmental targets, as energy efficiency decreased 5 percent and emissions increased 18 percent per subscription. This is mostly caused by our efforts to improve the reported data quality and accuracy.

> **"Creating a sustainable business is a key part of our strategy and major actions have been taken to strengthen corporate governance."**

TeliaSonera is committed to follow United Nations Global Compact 10 principles. Our sustainability performance is reported in the Sustainability report where you also find the progress regarding implementing the principles. To assure the credibility, transparency and balanced view of our sustainability issues, the Sustainability report has been externally assured by third party.

Accountability and a winning innovative culture

In order to compete effectively and to support long term profitability, it is crucial to have an efficient organization and a sound cost base. We have to reduce complexity to enable an efficient way of working, accelerate decision making and ensure our employees stay skilled and motivated.

A key task during the fall has been to develop the strategic roadmap for TeliaSonera. An important step in this process was taken in December when we finalized our new operating model, a country based structure that will be launched in April 2014. The aim with this change is to reduce overall complexity within the group, enhance customer focus and clarify general accountability as well as establishing a winning culture and mindset.

I want us to become a company much closer to our customers, with clearer accountability for delivering superior results in a sustainable, innovative and fun way. This will help us unleash and reach our full potential.

Capture the opportunities

TeliaSonera is a financially sound and balanced company. Entering a new year we face many challenges but also a lot of opportunities. I'm sure that that we have an exciting year ahead of us.

Stockholm, March 5, 2014

Johan Dennelind
President and CEO

Markets and brands

Strong market positions

Customers recognize us in each of our markets by our common identity. Our icon represents the international strength of TeliaSonera combined with a strong local connection as represented by our well-known local brand names. We also have local fighting brands in most markets, 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	39%
	Telia	100%	100%	Broadband	1	39%
	Telia	100%	100%	Fixed Voice incl. VoIP	1	62%
	Telia	100%	100%	TV	3	14%
Finland						
Sonera, tele finland	Sonera, TeleFinland	100%	100%	Mobile	2	34%
	Sonera	100%	100%	Broadband	2	31%
	Sonera	100%	100%	Fixed Voice	2	23%
	Sonera	100%	100%	TV	2	21%
Norway						
NetCom, Chess	NetCom, Chess	100%	100%	Mobile	2	23%
Denmark						
Telia, Call me, dlg	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 incl. VoIP	2	7%
	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	1	36%
	TEO	88.2%	88.2%	Broadband	1	51%
	TEO	88.2%	88.2%	Fixed Voice	1	90%
	TEO	88.2%	88.2%	TV	1	23%
Latvia						
	LMT Okarte, Amigo	60.3%	60.3%	Mobile	1	41%
Estonia						
	EMT, Diil	100%	100%	Mobile	1	44%
	Elion	100%	100%	Broadband	1	59%
	Elion	100%	100%	Fixed Voice incl. VoIP	1	78%
	Elion	100%	100%	TV	2	35%
Spain						
	Yoigo	76.6%	100%	Mobile	4	7%
Kazakhstan						
	Kcell, Activ	61.9%	61.9%	Mobile	1	46%
Azerbaijan						
	Azercell	38.1%	69.5%	Mobile	1	51%
Uzbekistan						
	Ucell	94.0%	100%	Mobile	2	44%
Tajikistan						
	Tcell	60.0%	60.0%	Mobile	1	37%
Georgia						
	Geocell, Lailai	74.3%	74.3%	Mobile	2	35%
Moldova						
	Moldcell	74.3%	74.3%	Mobile	2	30%
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 incl. VoIP	1	94%
	Lattelecom	49.0%	49.0%	TV	1	35%
Russia						
	MegaFon	25.2%	27.2%	Mobile	2	28%
Turkey						
	Turkcell	38.0%	38.0%	Mobile	1	51%

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

[2] Consolidated share includes commitments to acquire non-controlling interests (NCI put options).

[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 via agreements.

Board of Directors' Report

TeliaSonera reports its financial results by the three business area segments **Mobility Services, Broadband Services** and **Eurasia**, and the segment **Other operations**. The business areas are based on business units which in most cases are country organizations, and for which certain financial information is reported. Other operations includes the units Other Business Services, TeliaSonera Holding and Group functions, which are all reported collectively. TeliaSonera's group functions are Communications, Finance (including M&A and Procurement), Human Resources, Strategy and Business Development, IT, Legal Affairs, Ethics and Compliance and Internal Audit.

A new operating model effective April 1, 2014, was announced on December 16, 2013. For additional information, see section "Significant events in 2013."

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 2012, unless otherwise stated.

Mission, Vision and Strategy

Corporate and private customers value the freedom and flexibility of high-quality internet and communication systems. TeliaSonera provides network access and telecommunication services that enable people and businesses to achieve what they regard as important. Seeing the big picture is vital, but the smaller details are just as essential in meeting customer needs.

Mission: To provide network access and telecommunication services

TeliaSonera's mission is to help people and companies communicate in an easy, efficient and environmentally-friendly way, by providing network access and telecommunication services. Our focus is to deliver a first-rate customer experience, while ensuring the quality of our networks and maintaining a cost-efficient structure. TeliaSonera is an international group with a global strategy, but wherever we operate we act as a local company.

Our focus areas

- Providing world-class customer experience
- High-quality networks
- Driving cost efficiency

Vision: To contribute to a world with better opportunities

TeliaSonera is a world-class service company, recognized as an industry leader. We are proud pioneers of the telecom industry, a position we have gained by being innovative, reliable and customer-friendly. Wherever we operate, we act in a responsible way, based on a firm set of values and business principles. Our services form a major part of people's daily lives – for business, education and pleasure.

Shared values

- Add value
- Show respect
- Make it happen

Strategy: Solutions based on deep understanding

Widespread access to reliable communication services has become pivotal in our daily lives both at home and at work. Since the arrival of smartphones and tablets, we rely increasingly on digital transmission for social and business communication. New pricing models have contributed to making communication services effective, transparent and personal. We expect this trend to increase and evolve in the coming years. TeliaSonera's strategy is to deliver tailored products and services to best meet the core requirements of our diverse customer segments. We provide solutions formed by our in-depth understanding of our customers' present and future needs. We create shareholder value by delivering services in a cost-effective and sustainable manner, which leads to improved profitability and strong cash flow.

Three major challenges

Our customers' behavior has been affected by the rapid digitalization of data within our society. Usage has become more dynamic and enhanced by videos, moving images, interactive entertainment and social networks. With consideration to this development, we believe our industry faces three main imminent challenges:

1. Continued rebalancing of data pricing to follow current business models
2. Fixed-mobile convergence and bundling of services
3. Development of value-added services linked to our core business, e.g. cloud storage and virtual meetings

Our customers depend on us to prioritize our commitment to be their access provider – it is our primary role.

Additionally, we pledge to add value through applications that relate to network access to reduce churn and increase data transfer-speed and capacity.

An industry leader

Corporations and customers value quality, flexible B2B product portfolios, outstanding customer care and early implementation. Mobile internet has revolutionized the business landscape.

We at TeliaSonera understand our customers' needs, which include:

- High-quality networks – Our services are reliable in terms of coverage, speed and up-time.
- World-class customer experience – We strive to provide easy-to-use services with a "touch and feel" experience.
- Business-to-business (B2B) product portfolios – We assure customer needs are met with integrated business solutions.
- Early implementation – We get new technology and services to customers faster.
- Competitive pricing – We exploit the potential of economies of scale.

Our unified brand

People trust a brand they know. The unified brand further strengthens our position on the international scene by manifesting TeliaSonera's unique combination of international reach and local connection.

We aim to be seen as the most attractive brand in our industry in each market, providing the best customer experience. We also aim to be viewed as smart, innovative and local, wherever we operate.

Risks and Risk Management

TeliaSonera operates in several geographical markets and with a broad range of products and services in the highly competitive and regulated telecommunications industry. In addition, certain TeliaSonera markets are highly challenging when it comes to corruption and violations of human rights. 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 risks and uncertainties, and to mitigate such risks when appropriate. Risk management is an integral part of TeliaSonera's business planning process and monitoring of business performance. Main risks relate to industry and market conditions, operations and strategic activities, associated companies and joint operations, ethics and sustainability, ownership of TeliaSonera shares, financial management and financial reporting.

Risks and uncertainties related to business, ethics and sustainability as well as shareholder issues are described in Note C34, key sources of estimation uncertainty in Note C2 and financial risks in Note C26 to the consolidated financial statements. TeliaSonera's enterprise risk management, governance and process as well as internal controls over financial reporting are described in the Corporate Governance Statement.

Ethics and Sustainability

TeliaSonera's ethical and sustainability work encompasses all efforts to realize economic, environmental and social responsibilities and opportunities through responsible business practices.

This involves ensuring environmental and social sustainability along the supply chain, respecting human rights, complying with ethical business practices in all markets, improving the protection of customers' privacy, taking care of the well-being of the employees, reducing TeliaSonera's and its customers' carbon footprint, protecting children online, and supporting research related to exposure to electromagnetic fields.

TeliaSonera recognizes its duty to have a positive effect on society, the environment, the employees and the value chain, and to minimize and mitigate any negative impacts TeliaSonera's operations might have.

In 2013, among other actions taken, a new Board of Directors committee, the Sustainability and Ethics Committee, was established as well as extended quarterly Group Management meetings focusing on governance, risk, ethics and compliance issues (GREC meetings). The main sustainability focus areas in 2013 were:

- Freedom of expression and privacy
- Customer privacy
- Anti-corruption
- Sustainability along the supply chain
- Environmental responsibility

See also section "Significant events in 2013" and the Corporate Governance Report, sections "Sustainability and Ethics Committee," "Sustainability, ethics and compliance," "Group policies" and "Enterprise Risk Management" for information on actions taken in 2013.

Already in April, the Board of Directors launched a review of transactions in Eurasia, led by the international law firm Norton Rose Fulbridgt (NRF). For additional information, see the Sustainability Report, section "Review of Eurasian transactions". As a consequence of the ongoing review, four senior employees had to leave TeliaSonera in late November as it was evident to the Board of Directors and the CEO that the processes for conducting some transactions had not been in line with sound business practices.

Board of Directors' Report

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

The **TeliaSonera Sustainability Report** is available at:
www.teliasonera.com/Sustainability-Report
(Information on the TeliaSonera website does not form part of this Report).

Group Development in 2013

Financial highlights

- Net sales in local currencies, excluding acquisitions and disposals, decreased 0.2 percent. In reported currency, net sales decreased 3.0 percent to SEK 101,700 million (104,898).
- The total number of subscriptions increased by 6.0 million to 189.0 million. In the consolidated operations the number of subscriptions increased by 1.3 million to 72.5 million and in the associated companies by 4.7 million to 116.5 million.
- The addressable cost base in local currencies, excluding acquisitions and disposals, decreased 1.6 percent. In reported currency, the addressable cost base decreased 4.3 percent to SEK 28,380 million (29,644).
- EBITDA, excluding non-recurring items, increased 1.7 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, decreased 1.6 percent to SEK 35,584 million (36,171). The EBITDA margin, excluding non-recurring items, increased to 35.0 percent (34.5).
- Operating income, excluding non-recurring items, decreased 0.5 percent to SEK 28,534 million (28,682). Income from associated companies, excluding non-recurring items, increased to SEK 5,986 million (5,488).
- Net income attributable to owners of the parent company decreased 24.7 percent to SEK 14,970 million (19,886) and earnings per share to SEK 3.46 (4.59).
- Free cash flow was SEK 16,310 million (23,740). Free cash flow excluding dividends from MegaFon was SEK 14,370 million (12,014).

SEK in millions, except key ratios, per share data and changes	2013	2012	Change (%)
Net sales	101,700	104,898	-3.0
Addressable cost base[1] excl. non-recurring items[3]	-28,380	-29,644	-4.3
EBITDA[2] excl. non-recurring items[3]	35,584	36,171	-1.6
Margin (%)	35.0	34.5	
Depreciation, amortization and impairment losses	-15,215	-20,542	-25.9
Income from associated companies	6,021	13,868	-56.6
Non-recurring items[3] within EBITDA	-1,928	-1,097	75.8
Operating income	24,462	28,400	-13.9
Financial income and expenses, net	-3,094	-3,918	-21.0
Income taxes	-4,601	-3,314	38.8
Net income	16,767	21,168	-20.8
of which attributable to owners of the parent company	14,970	19,886	-24.7
Earnings per share (SEK)	3.46	4.59	-24.6
Operating income excluding non-recurring items[3]	28,534	28,682	-0.5
Margin (%)	28.1	27.3	
Return on equity (%)	15.9	20.5	
CAPEX-to-sales (%)[4]	16.1	15.0	
Free cash flow	16,310	23,740	-31.3

[1] See section "Expenses" for details on addressable cost base
[2] EBITDA is an abbreviation of Earnings Before Interest, Tax, Depreciation and Amortization and is in TeliaSonera defined as operating income before depreciation, amortization and impairment losses, and before income from associated companies
[3] See section "Non-recurring items" for details on non-recurring items
[4] Including license and spectrum fees

Restated financial information

In this Report, prior periods have been restated to reflect the application of the amended standard IAS 19 "Employee Benefits" as of January 1, 2013. For additional information, see Note C1 to the consolidated financial statements.

Significant events in 2013

In March, TeliaSonera in Sweden, as one of the first operators in Europe, offered the opportunity to connect multiple mobile devices to one subscription, including unlimited calls and text messages, with the possibility to share data volumes within certain buckets. At the end of the year, data-centric pricing had been launched in Sweden, Norway, Denmark and Lithuania.

During the year, TeliaSonera continued to invest in network capacity and coverage and to improve cost efficiency in the networks, as follows:

- In May, Telia in Sweden announced that it will further invest in 4G and mobile coverage, expand within fiber and selectively target acquisitions of existing fiber networks. Telia will significantly expand the 4G network in Sweden, targeting 92 percent geographical coverage in the next two years, utilizing existing 2G/3G infrastructure to ensure a cost efficient roll-out. The investment amounts to approximately SEK 5 billion annually during a three-year period.

Board of Directors' Report

- In May, TeliaSonera secured 800 MHz spectrum enabling faster 4G roll-out in Estonia. By mid-June, the 4G network was ready to use and has a territorial coverage of over 95 percent.
- In August, TeliaSonera's Spanish operator Yoigo (Xfera Móviles S.A.) had reached a series of agreements with Telefónica's subsidiary Movistar enabling Yoigo to sell combined fixed-mobile services to its customers. In addition, Movistar will be able to offer its customers better and faster mobile services on Yoigo's 4G network. In parallel, Yoigo and Telefónica have reached an agreement with Abertis Telecom to acquire mobile telephone towers from Yoigo and Telefónica, with the aim to improve cost efficiency.
- In October, TeliaSonera's Finnish operator Sonera (TeliaSonera Finland Oyj) invested in new 4G frequencies in the 800 MHz band. Sonera secured 2*10 MHz frequencies in the 800 MHz band. The licenses granted for the 800 MHz band are valid for 20 years starting from 2014, and the price for the new frequency blocks was EUR 41.2 million including the administrative fees for the auction. Payment to the Finnish regulatory authority Ficora will be made in equal installments during the next five years.
- In December, TeliaSonera's Norwegian operator NetCom (TeliaSonera Norge AS) invested in new 4G frequencies in the 800 MHz band. Along with prolonged licenses in 900 MHz band and more 4G frequencies in the 1,800 MHz band, the investment of NOK 626.7 million underlined the ambition to support customers with high-speed data connections across Norway.
- At year-end, TeliaSonera had launched 4G services in 10 countries and been awarded 4G licenses in 2 more countries. The 3G licenses in Georgia and Nepal were renewed during the year.

During the year, the Board of Directors and management further increased the efforts to develop principles and processes that respect human rights and protect TeliaSonera from corruption.

- On February 1, the Swedish law firm Mannheimer Swartling (MSA), finalizing the assignment given by the Board of Directors in October 2012, presented its review of TeliaSonera's investments in Uzbekistan. The investigation was not able to establish that bribery or money laundering had occurred; however, the suspicions of crime expressed by the Swedish Prosecution Authority could not be dismissed by the investigation. Serious criticism was directed at TeliaSonera for shortcomings in the investment process and that the internal controls were not sufficient. On the same day, the Board of Directors issued a statement, concluding that the investments were not carried out in a satisfactory manner and that the Board concurred with and shared MSA's criticism.
- On March 12, TeliaSonera announced that the company, and its fellow founding members of the Telecommunication Industry Dialogue, had published the signed guiding principles on telecommunication and freedom of expression and privacy. The principles are the result of two years of dialogue. In addition, the Global Network Initiative (GNI) announced a two-year collaboration with the Industry Dialogue group. By working together, the Industry Dialogue and GNI aim to advance freedom of expression and privacy rights in the Information and Communication Technology (ICT) sector more effectively.
- On April 3, the Board of Directors at its statutory meeting decided to establish a Sustainability and Ethics Committee, tasked to work forward with sustainability issues to safeguard that TeliaSonera is doing the right things and is working in a correct way.
- On April 18, the Board of Directors launched a review of transactions in Eurasia, led by the international law firm Norton Rose Fulbright (NRF). For additional information, see the Corporate Governance Report, section "Review of Eurasian transactions."
- On November 29, four senior employees had to leave TeliaSonera as a consequence of the ongoing review regarding transactions made in Eurasia. On the basis of the information and conclusions to that date it was evident to the Board of Directors and the CEO that the processes for conducting some transactions had not been in line with sound business practices. The Board also decided to hand over the material from the NRF review to the Swedish Prosecution Authority as part of the continuous dialogue and information-sharing started in 2012.
- Other actions during the year included, but was not limited to, the establishment of an Ethics and Compliance Office, headed by a Chief Ethics and Compliance Officer reporting to the CEO; the establishment of an extended Group Management meeting, assembled quarterly to discuss and decide on governance, risk, ethics and compliance issues (GREC meeting); group-wide roll-out of an e-learning tool to enforce the implementation of TeliaSonera's Code of Ethics and Conduct with focus on anti-corruption and issuing and initiating the implementation of new group policies on freedom of expression in telecommunications and sponsorships. For additional information, see the Corporate Governance Report, sections "Sustainability, ethics and compliance", "Group policies" and "Enterprise Risk Management."

In December 2013, TeliaSonera announced a change of its operating model to be launched April 1, 2014. The new operating model will improve TeliaSonera's local operations' ability to provide an even better customer experience and at the same time clarify performance accountability. The countries will be the leading dimension and the current business area layer is removed from the existing organization. The country structure will be grouped in three geographical areas; Europe, Eurasia and Sweden. It will also strengthen the ability to enforce and follow up the sustainability, compliance

Board of Directors' Report

and governance agendas, and support local management and staff in this regard. Until April 1, 2014, TeliaSonera will prepare by appointing heads of the new key functions, and by adapting processes and supporting systems. The new Group Management team will consist of twelve members with a mix of international experience and relevant industry background, combining new people and outside experience with high performing existing members. TeliaSonera will report according to the new structure as of the second quarter of 2014.

During 2013, changes in the Board of Directors and TeliaSonera Group Management were as follows:

- On April 3, six new members of the Board of Directors were elected and the Board members are Marie Ehrling, Chair, Olli-Pekka Kallasvuo, Vice-Chair, Mats Jansson, Mikko Kosonen, Nina Linander, Martin Lorentzon, Per-Arne Sandström and Kersti Strandqvist.
- On February 1, Lars Nyberg resigned from his position as President and CEO of TeliaSonera and Per-Arne Blomquist, Executive Vice President and CFO, was appointed acting President and CEO.
- On February 6, Veysel Aral, CEO of AO Kcell and Regional Head of Central Asia, was appointed President of Business area Eurasia. In this role, he succeeded Tero Kivisaari, who managed dual roles since his appointment as President of Business area Mobility Services in October 2012.
- On February 6, Christian Luiga, Head of Corporate Control, was appointed acting CFO as a consequence of Per-Arne Blomquist being appointed acting President and CEO.
- On June 14, it was announced that Cecilia Edström would leave her position as Head of Group Communications at TeliaSonera during the summer of 2013 and on November 5, Peter Borsos was appointed new Head of Group Communications.
- On June 16, the Board of Directors appointed Johan Dennelind to the position of President and CEO of TeliaSonera. Johan Dennelind assumed the position on September 1.
- On August 15, Jonas Bengtsson was appointed General Counsel of TeliaSonera.
- On October 3, Sverker Hannervall was appointed acting President of Business area Mobility Services. He assumed the position with immediate effect and remained in his position as member of Group Management and Head of Business Services. He succeeded Tero Kivisaari, whose role in TeliaSonera's criticized investments in Uzbekistan, and the attention surrounding them, made it impossible for him to act with the internal and external authority necessary.
- On November 29, TeliaSonera's Executive Vice President and CFO Per-Arne Blomquist had to leave his position effective immediately. Christian Luiga, previously Head of CEO Office, assumed the position as acting CFO.
- On December 16, Erik Hallberg, President of TeliaSonera International Carrier within Business area Broadband Services, replaced Veysel Aral as President of Business Area Eurasia.

In March, the Turkish Capital Markets Board (CMB) decided to appoint three independent members to the Board of Directors of TeliaSonera's associated company Turkcell, replacing three Board members representing each of the major shareholders. In August, CMB took further action and resolved on two issues. Firstly, CMB terminated the tenures of all remaining members of the Turkcell Board of Directors elected by the shareholders and directly appointed two new members. Secondly, each major shareholder was requested to nominate two independent board member candidates each. On September 2, TeliaSonera applied to CMB and nominated Mr. Erik Belfrage and Mr. Jan Rudberg as independent candidates. The application was accepted and CMB appointed TeliaSonera's independent candidates as members of the Board of Directors in Turkcell on September 13.

In April, TeliaSonera acquired 90,000 own shares to cover commitments under its Long term incentive program 2010/2013. For more information on these programs, see section "Long-term incentive program 2013/2016" and Note C31 to the consolidated financial statements.

In 2013, TeliaSonera made a number of targeted acquisitions and divestitures (see section "Acquisitions and Divestitures" for further information). In April, TeliaSonera also announced that it had decided to continue developing its Spanish operator Yoigo.

During the year, TeliaSonera in line with its funding strategy of diversification and increasing the duration of the debt portfolio issued bonds under its existing EUR 11 billion EMTN (Euro Medium Term Note) program:

- In August, a 20-year Eurobond of EUR 350 million, maturing in September 2033. The re-offer yield was set at 3.558 percent per annum equivalent to Euro Mid-swaps +85 basis points.
- In November, a 10-year bond issue of SEK 1,850 million in the Swedish market, maturing in November 2023. The three tranche deal was in one fixed tranche with an annual coupon of 3.625 percent and two floating tranches with a spread of 100 basis points to 3-month Stibor.

Board of Directors' Report

Net sales SEK in millions	2013	2012	Change (SEK million)	Change (%), total	Change (%), of which local organic[1]	M&A effects	FX effects[2]
Mobility Services	48,873	50,637	-1,764	-3.5	-2.5	0.0	-1.0
Broadband Services	33,510	35,723	-2,213	-6.2	-3.2	-2.6	-0.4
Eurasia	20,414	19,731	683	3.5	11.5	0.4	-8.4
Other operations	3,556	3,799	-243	-6.4	-6.1	0.0	-0.3
Elimination of internal sales	-4,653	-4,992	339	-6.8	n/a	n/a	n/a
Group	**101,700**	**104,898**	**-3,198**	**-3.0**	**-0.2**	**-0.7**	**-2.1**

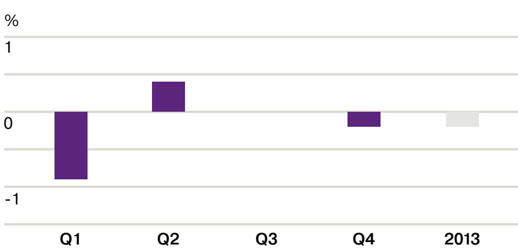
[1] In local currencies and excluding acquisitions and disposals (M&A effects)
[2] Effects of exchange rate fluctuations

Net sales

Net sales decreased 3.0 percent to SEK 101,700 million (104,898). Net sales in local currencies and excluding acquisitions and disposals decreased 0.2 percent (increased 1.2). The negative effect of exchange rate fluctuations was 2.1 percent (1.1). Continuing sales growth in Eurasia, Yoigo in Spain and the international carrier operations did not compensate for a general slow-down in other areas and the divestment of the Norwegian broadband operation.

Over the year, net sales change rate, in local currencies and excluding acquisitions and disposals, was negative in the first quarter, positive in the second quarter and flattish in the third and fourth quarters.

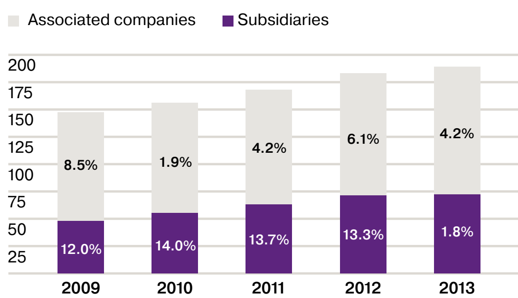
NET SALES GROWTH IN LOCAL CURRENCIES AND EXCLUDING ACQUISITIONS, QUARTERLY CHANGE YEAR-ON-YEAR (%)



Subscription growth

The total number of subscriptions increased by 6.0 million to 189.0 million. In the consolidated operations, the number of subscriptions increased by 1.3 million to 72.5 million, of which Eurasia increased by 1.6 million to 44.2 million. Broadband Services' exit from Norway reduced the number of subscriptions by 0.2 million. In the associated companies, the number of subscriptions increased by 4.7 million to 116.5 million.

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



Expenses

Cost of goods and services sold (COGS) was SEK 38,040 million (39,505), 3.7 percent down compared to 2012, mainly due to reduced interconnect expenses. COGS decline exceeded net sales decline, improving the gross margin to 62.6 percent (62.3).

Expenses SEK in millions	2013	2012	Change (SEK million)	Change (%)
COGS	-38,040	-39,505	1,465	-3.7
Goods and sub-contracting services purchased	-18,576	-17,635	-941	5.3
Interconnect and roaming expenses	-10,694	-12,671	1,977	-15.6
Other network expenses	-5,829	-5,791	-38	0.7
Change in inventories	-2,941	-3,408	467	-13.7
Addressable cost base	-28,429	-29,885	1,456	-4.9
Personnel expenses	-12,226	-12,438	212	-1.7
Marketing expenses	-6,134	-6,829	695	-10.2
Other expenses	-10,069	-10,618	549	-5.2
Total	**-66,469**	**-69,390**	**2,921**	**-4.2**
Amortization, depreciation and impairment losses, total	-15,215	-20,542	5,327	-25.9
Other operating income and expenses, net[1]	-1,575	-434	-1,141	
Total expenses	**-83,259**	**-90,366**	**7,107**	**-7.9**

[1] Excluding amortization, depreciation and impairment losses

Board of Directors' Report

The addressable cost base, in local currencies and excluding acquisitions and disposals, decreased 1.6 percent compared to last year, with decreases in both Mobility Services (-3.4 percent) and Broadband Services (-2.9 percent) offsetting the slight increase in Eurasia (0.6 percent). Excluding Spain, which was not part of the efficiency measures (see below), the group's addressable cost base decreased 2.8 percent and Mobility Services 7.8 percent.

Personnel expenses, in local currencies and excluding acquisitions and disposals, increased 0.6 percent compared to 2012. Both Mobility Services and Broadband Services lowered personnel expenses, while Eurasia increased. Also Group functions reported an increase, to a large extent due to a decrease in capitalized wages related to IT projects. Group headcount was reduced by 1,825 employees during the year.

Marketing expenses, in local currencies and excluding acquisitions and disposals, declined 7.4 percent, with Mobility Services driving the development for equipment subsidies, sales commissions and advertising. Other expenses were reduced in almost all spend categories except energy, most notably in IT expenses.

Amortization, depreciation and impairment losses decreased 25.9 percent to SEK 15,215 million (20,542), where 2012 included goodwill impairment charges of SEK 7,534 million related to Mobility Services' operations in Norway and Lithuania, and Broadband Services' operations in Norway. In 2013, goodwill impairment charges were related to Mobility Services' operations in Denmark and Lithuania, and Broadband Services' operations in Denmark. Amortization and depreciation excluding non-recurring items increased 0.5 percent to SEK 13,036 million (12,977). In local currencies and excluding acquisitions and disposals, the decrease was 2.5 percent.

Other operating income and expenses, net excluding amortization, depreciation and impairment losses, was SEK -1,575 million (-434).

Non-recurring items

Non-recurring items affecting operating income totaled SEK -4,072 million (-282), mainly related to goodwill impairment charges in Denmark and Lithuania, asset write-downs in Kazakhstan, a capital loss in connection with the divestment of Nepal Satellite, settlement of an interconnect court case in Azerbaijan, scrapping of old IT legacy systems and restructuring charges in connection with the cost efficiency program.

The following table presents non-recurring items for 2013 and 2012. These 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 business areas.

Non-recurring items SEK in millions	2013	2012
Within EBITDA	**-1,928**	**-1,097**
Restructuring charges, synergy implementation costs, etc.:		
Mobility Services	-373	-228
Broadband Services	-486	-633
Eurasia	-349	-287
Other operations	-331	-147
of which TeliaSonera Holding	-3	-48
Capital gains/losses	-389	198
Within Amortization, depreciation and impairment losses	**-2,179**	**-7,565**
Impairment losses, accelerated depreciation:		
Mobility Services	-1,048	-5,984
Broadband Services	-462	-1,555
Eurasia	-500	–
Other operations	-169	-26
Within Income from associated companies	**35**	**8,380**
Capital gains/losses	35	8,380
Total	**-4,072**	**-282**

Earnings

EBITDA, excluding non-recurring items, decreased 1.6 percent to SEK 35,584 million (36,171). In local currencies and excluding acquisitions and disposals, EBITDA, excluding non-recurring items, increased 1.7 percent. The main reason is the continued net sales volume-decrease in Broadband Services aggravated by a negative product mix shift from high-margin to low-margin products. The decline in Broadband Services is partly offset by the net sales increase in Eurasia, driven by Uzbekistan and Nepal. The EBITDA margin increased to 35.0 percent (34.5) as a result of the cost efficiency program and supported by interconnect rate reductions.

EBITDA excluding non-recurring items SEK in millions	2013	2012	Change (SEK million)	Change (%)
Mobility Services	14,689	14,718	-29	-0.2
Broadband Services	9,778	11,004	-1,226	-11.1
Eurasia	10,796	9,976	820	8.2
Other operations	321	483	-162	-33.5
Eliminations	–	-10	10	
Group	**35,584**	**36,171**	**-587**	**-1.6**

Operating income, excluding non-recurring items, decreased 0.5 percent to SEK 28,534 million (28,682), mainly due to the EBITDA drop in Broadband Services which, however, is largely compensated for by the increase in Eurasia. Income from associated companies contributed positively with a strong operational improvement in Turkcell. The contribution from MegaFon was flattish as the negative impact on earnings from a lower effective ownership canceled out the underlying performance improvement. The operating margin, excluding income from associated companies and non-recurring items affecting operating income, was 22.2 percent (22.1).

Board of Directors' Report

Operating income excluding non-recurring items SEK in millions	2013	2012	Change (SEK million)	Change (%)
Mobility Services	10,433	10,429	4	0.0
Broadband Services	4,970	6,242	-1,272	-20.4
Eurasia	13,714	12,340	1,374	11.1
Other operations	-583	-319	-264	82.8
Eliminations	–	-10	10	
Group	**28,534**	**28,682**	**-148**	**-0.5**

Financial net, taxes and non-controlling interests

Financial items totaled SEK -3,094 million (-3,918). Net interest expenses decreased to SEK -2,918 million (-3,181) due to lower average indebtedness. Financial items were negatively impacted by exchange rate effects related to the operations in Eurasia.

Income taxes increased to SEK 4,601 million (3,314). The effective tax rate was 21.5 percent (13.5). Following the Finnish Parliament decision in December 2013 to reduce the corporate income tax rate in Finland from 24.5 percent to 20.0 percent, a negative one-time effect of SEK 675 million due to net releases of deferred tax assets was recorded in the fourth quarter of 2013. In the fourth quarter of 2012, income taxes were positively impacted by SEK 1,225 million as a one-time effect of the income tax rate cut in Sweden. The effective tax rate going forward is expected to be around 20 percent.

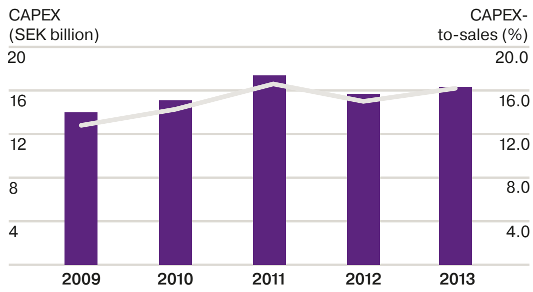
Net income attributable to non-controlling interests in subsidiaries increased to SEK 1,797 million (1,282), of which SEK 1,619 million (1,042) was related to the Eurasian operations and SEK 133 million (197) to the LMT Group and the TEO Group.

Net income attributable to owners of the parent company decreased 24.7 percent to SEK 14,970 million (19,886) and earnings per share to SEK 3.46 (4.59).

CAPEX

CAPEX (capital expenditures) increased to SEK 16,332 million (15,685) and the CAPEX-to-sales ratio to 16.1 percent (15.0). CAPEX included continued investments in network capacity, coverage and modernization, and increased investments in fiber roll-out. In addition, telecom licenses and frequency permits were acquired or renewed in Finland, Norway, Estonia, Georgia and Nepal. Fees for the commercial license in Uzbekistan, terminating in 2016, were capitalized. CAPEX, excluding license and spectrum fees, amounted to SEK 14,565 million (15,332) and the CAPEX-to-sales ratio was 14.3 percent (14.6).

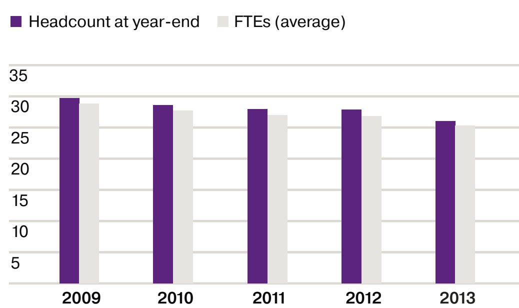
CAPEX AND CAPEX-TO-SALES



Human resources

In 2013, mainly as a result of the efficiency measures implemented during the year, the number of employees decreased 6.6 percent from 27,838 to 26,013 at year-end. The net reduction from divestitures and minor business combinations in 2013 was 165 employees.

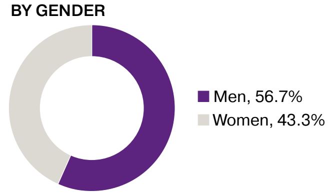
EMPLOYEES (THOUSANDS)



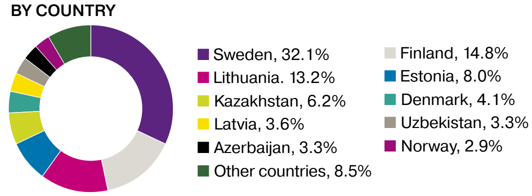
The average number of full-time employees in 2013 was 25,321 (26,793). In total, operations were conducted in 29 countries (29). See also Note C31 to the consolidated financial statements.

EMPLOYEES (FTEs, %)

BY GENDER



BY COUNTRY



For **additional information** on labor practices and decent work, see the TeliaSonera Sustainability Report available at: www.teliasonera.com/Sustainability-Report
(Information on the TeliaSonera website does not form part of this Report)

Financial Position, Capital Resources and Liquidity

Financial position

In total, the financial position remained stable year-on-year, although certain balance sheet items showed significant increases or decreases.

Financial position SEK in millions	2013	2012	Change (SEK million)	Change (%)
Goodwill and other intangible assets	81,522	83,278	-1,756	-2.1
Property, plant and equipment	64,792	62,657	2,135	3.4
Financial assets	47,552	49,738	-2,186	-4.4
Total non-current assets	**193,866**	**195,673**	**-1,807**	**-0.9**
Current assets	27,241	27,568	-327	-1.2
Cash and cash equivalents	31,721	29,805	1,916	6.4
Total current assets	**58,962**	**57,373**	**1,589**	**2.8**
Total assets	**252,828**	**253,046**	**-218**	**-0.1**
Total equity	112,934	109,106	3,828	3.5
Borrowings	90,723	91,587	-864	-0.9
Provisions and other liabilities	49,171	52,353	-3,182	-6.1
Total equity and liabilities	**252,828**	**253,046**	**-218**	**-0.1**

Goodwill decreased by SEK 1.9 billion to SEK 67.3 billion, mainly due to impairment charges of SEK 1.2 billion related to the operations in Denmark and Lithuania and negative exchange rate differences of SEK 0.9 billion. Additional goodwill from business combinations was SEK 0.3 billion. Other intangible assets were stable at SEK 14.2 billion. Capital expenditures (CAPEX) in other intangible assets were SEK 3.7 billion, of which licenses and spectrum fees SEK 1.8 billion. Amortization amounted to SEK 2.8 billion and impairment losses on frequency permits and obsolete IT systems and platforms to SEK 1.1 billion. The currency effects were immaterial.

Property, plant and equipment increased by SEK 2.1 billion through CAPEX and advances totaling SEK 12.7 billion and decreased due to depreciation and impairment losses amounting to SEK 10.2 billion. Exchange rate differences were negative at SEK 0.4 billion.

Financial assets comprise investments in associated companies and joint ventures, deferred tax assets, pension obligation assets and other non-current assets. The carrying value of associated companies and joint ventures was stable at SEK 29.4 billion. Share of net income in the companies amounting to SEK 5.9 billion added value, as did treasury share transactions in MegaFon and acquisitions totaling SEK 0.6 billion, offset by dividends received, in total SEK 2.2 billion. Mainly due to the depreciation of the Turkish lira, currency effects had a negative impact of SEK 4.4 billion.

Deferred tax assets decreased by utilizing differences between tax base and carrying value related to amortization and depreciation of non-current assets. The enacted Finnish corporate income tax rate cut as of 2014 resulted in one-off net releases of deferred tax assets of SEK 0.7 billion. Deferred tax liabilities (included in Provisions) declined slightly. All in all, the net deferred tax liability of SEK 2.9 billion in 2012 increased to SEK 4.6 billion at year-end 2013.

Other non-current assets include a SEK 3,956 million (5,675) receivable on AF Telecom, representing the not yet paid consideration for the 2012 sale of shares in the associated company OAO Telecominvest in Russia. The current portion of the not yet paid consideration was SEK 1,978 million (1,884).

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 -0.0 billion (-0.3).

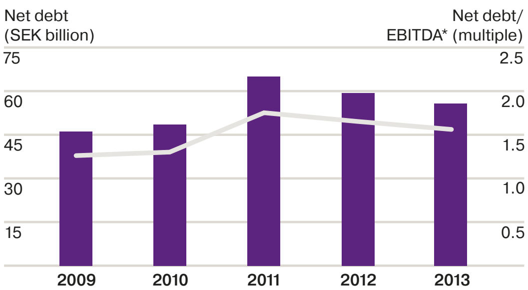
Total equity increased 3.5 percent to SEK 112.9 billion (109.1). Shareholders' equity rose to SEK 108.3 billion (105.2), positively impacted by net income of SEK 15.0 billion and remeasurement effects on pension obligations amounting to SEK 3.4 billion. Dividends of SEK 12.3 billion and exchange rate differences of SEK 3.2 billion had a negative impact. Equity attributable to non-controlling interests increased to SEK 4.6 billion (4.0). Dividends to non-controlling interests were SEK 1.0 billion, down from the SEK 3.1 billion reported in 2012 following the one-off dividends made in conjunction with the IPO of Kcell in Kazakhstan.

In 2013, rising yields on mortgage bonds, used as reference rates when discounting pension obligations, resulted in remeasurement effects reducing the present value of the pension obligations. At year-end 2012, the total pension liability (included in Provisions) was SEK 4.7 billion, while at year-end 2013, certain pension plans had turned to an overfunded status (reported in Financial assets) totaling SEK 1.6 billion and liabilities in the underfunded plans had declined to SEK 1.5 billion, leading to a reported total net pension obligation asset of SEK 0.1 billion.

Total gross borrowings decreased slightly, with some shift towards short-term borrowings totaling SEK 10.6 billion (9.4). Long-term borrowings were SEK 80.1 billion (82.2). Positively impacted by a satisfactory free cash flow generation in 2013, cash and cash equivalents increased to SEK 31.7 billion (29.8). Net debt decreased from SEK 59.4 billion to SEK 55.8 billion.

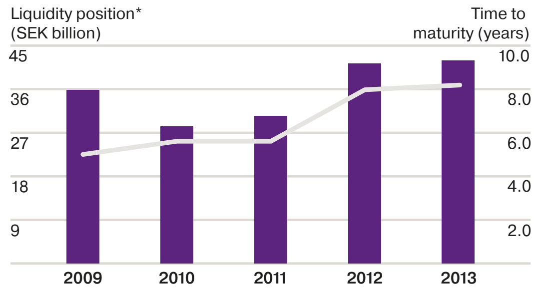
Board of Directors' Report

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

The equity/assets ratio, adjusted for the proposed dividend, increased to 39.5 percent (38.2). The net debt/EBITDA rate decreased to 1.57 (1.64), at the low end of TeliaSonera's target range which is between 1.5 and 2.0. The net debt/equity ratio decreased to 55.8 percent (61.4).

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

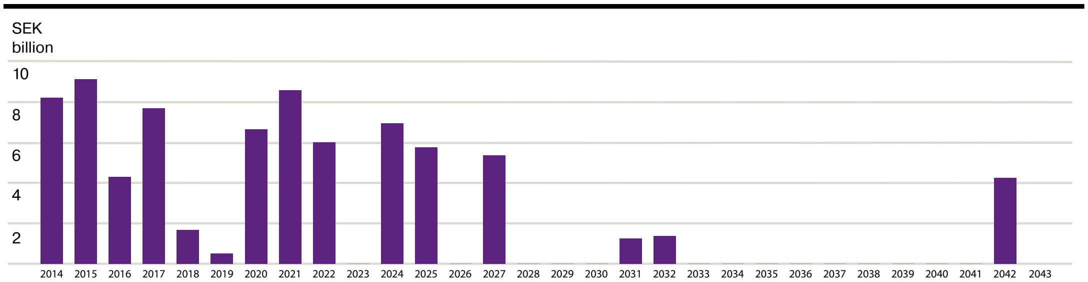
TeliaSonera believes that its bank credit facilities and open-market financing programs are sufficient for the present liquidity requirements. At year-end, TeliaSonera's surplus liquidity (short-term investments and cash and bank) totaled SEK 32.1 billion (30.0). In addition, the total available unutilized amount under committed bank credit facilities as well as overdraft and short-term credit facilities at year-end was SEK 10.2 billion (11.3).

TeliaSonera retained its good credit ratings. Standard & Poor's Ratings Services and Moody's Investors Service, respectively, confirmed its credit rating on TeliaSonera AB of A-/A3 for long-term borrowings and A2/Prime-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 2013, TeliaSonera AB issued some SEK 4.9 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 8.2 years.

At the end of 2013, TeliaSonera AB had no Commercial Papers outstanding.

DEBT PORTFOLIO MATURITY SCHEDULE – 2014 AND ONWARDS



Cash repatriation

In general, TeliaSonera has no cash repatriation issues related to its operations in emerging market countries. As of December 31, 2013, such issues existed in three countries: Uzbekistan due to ongoing foreign exchange restrictions and currency conversion issues, Nepal due to administrative issues regarding a dividend distribution and Turkey due to ongoing corporate governance issues on shareholder level in the associated company Turkcell prohibiting dividend distribution.

Cash flow

Free cash flow generation, excluding dividends from the associated company MegaFon, increased 19.6 percent to SEK 14.4 billion in 2013 from SEK 12.0 billion in 2012.

Cash flow SEK in millions	**2013**	**2012**	**Change (SEK million)**	**Change (%)**
Cash flow from operating activities	31,036	38,879	-7,843	-20.2
Cash CAPEX	-14,726	-15,139	413	-2.7
Free cash flow	**16,310**	**23,740**	**-7,430**	**-31.3**
Cash flow from other investing activities	361	8,780	-8,419	-95.9
Cash flow before financing activities	**16,671**	**32,520**	**-15,849**	**-48.7**
Cash flow from financing activities	-15,013	-15,231	218	-1.4
Cash and cash equivalents, opening balance	**29,805**	**12,631**	**17,174**	**136.0**
Net cash flow for the period	**1,658**	**17,289**	**-15,631**	**-90.4**
Exchange rate differences	258	-115	373	
Cash and cash equivalents, closing balance	**31,721**	**29,805**	**1,916**	**6.4**

Cash flow from operating activities decreased to SEK 31.0 billion (38.9). The positive impact of dividends from MegaFon was, net of taxes, SEK 1.9 billion in 2013 and SEK 11.7 billion in 2012 as a result of one-off payments ahead of MegaFon's IPO in November this year. Lower cash inflow from underlying operations was compensated for mainly by lower tax payments and a positive impact from changes in working capital. After a number of years with negative cash flow generation from changes in working capital, 2013 ended positively at SEK 0.7 billion (-1.1).

Cash CAPEX (cash used in capital expenditures) decreased by SEK 0.4 billion. Payments for the acquired Finnish license will be made according to a 5-year installment plan. In total, free cash flow (cash flow from operating activities less capital expenditures) decreased to SEK 16.3 billion (23.7).

Cash inflow from other investing activities, totaling SEK 0.4 billion (8.8), consists of acquisitions and divestments, changes in loans receivable and in short term investments, and repayments from or additional contributions to pension funds. Cash paid for acquisitions was SEK 1.4 billion (0.6), while cash received for divesting equity instruments and other assets was SEK 1.9 billion in 2013 compared to SEK 9.4 billion in 2012, mainly related to the MegaFon transactions. Net cash used for granting loans was SEK 0.1 billion (0.2).

Cash outflow from financing activities in 2013, totaling SEK 15.0 billion (15.2), includes dividends paid to shareholders of the parent company of SEK 12.3 billion (12.3) and to non-controlling interests of SEK 1.3 billion (3.9). In 2012, other transactions with non-controlling interests resulted in a net outflow of SEK 8.8 billion. Net outflow from new and repaid borrowings in 2013 was SEK -2.7 billion (inflow 11.9). Settlement of hedging activities was positive at SEK 1.3 billion (negative 2.1).

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

Outlook for 2014

Net sales in local currencies, excluding acquisitions and disposals, are expected to be around the same level as in 2013. Currency fluctuations may have a material impact on reported figures in Swedish krona.

The EBITDA margin, excluding non-recurring items, is expected to be around the same level as in 2013 (35.0 percent).

The CAPEX-to-sales ratio is expected to be approximately 15 percent, excluding license and spectrum fees.

Efficiency Measures

In the third quarter report of 2012, TeliaSonera announced efficiency measures with a target to reduce the cost base by SEK 2 billion net over a period of two years ending 2014, affecting 2,000 employees.

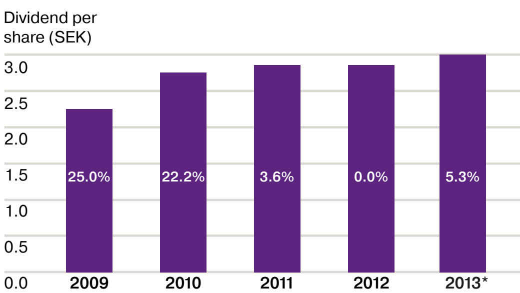
The redundancies related to the efficiency measures have been completed and the non-recurring costs amounted to SEK 1.2 billion in 2013.

The accumulated savings amounted to approximately SEK 1 billion at the end of 2013.

Ordinary Dividend to Shareholders

For 2013, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 3.00 (2.85) per share, totaling SEK 12,990 million (12,341), or 86.8 percent (62.1) of net income attributable to owners of the parent company.

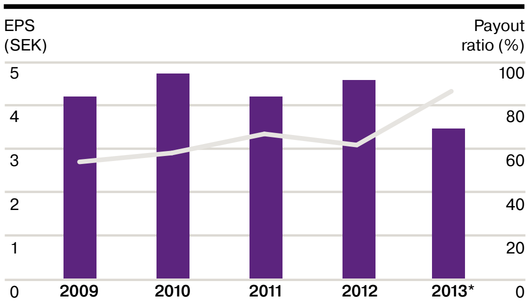
ORDINARY DIVIDEND PER SHARE AND CHANGE YEAR-ON-YEAR (%)



* For 2013 as proposed by the Board of Directors

The Board of Directors proposes that the final day for trading in shares entitling shareholders to dividend be set for April 2, 2014, and that the first day of trading in shares excluding rights to dividend be set for April 3, 2014. The recommended record date at Euroclear Sweden for the right to receive dividend will be April 7, 2014. If the AGM votes to approve the Board's proposals, the dividend is expected to be distributed by Euroclear Sweden on April 10, 2014.

EARNINGS PER SHARE (EPS) AND PAY-OUT RATIO



* Pay-out ratio for 2013 according to the Board of Directors' dividend proposal

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

The Board of Directors has, 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. See also Proposed Appropriation of Earnings.

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

Proposal for Share Repurchase Authorization

In order 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 2, 2014, 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 2015. The maximum number of treasury shares held by the company may not exceed 10 percent of all shares in the company.

TeliaSonera Share

The TeliaSonera share is listed on NASDAQ OMX Stockholm and Helsinki. In 2013, the share price in Stockholm rose 21.5 percent, to SEK 53.55. During the same period, the OMX Stockholm 30 Index rose 20.7 percent and the STOXX 600 Telecommunications Index rose 32.1 percent.

At year-end 2013, TeliaSonera's market capitalization was SEK 231.9 billion. Besides NASDAQ OMX 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 22.4 percent to 25.6 percent and TeliaSonera had 529,394 shareholders at the end of the year, of which two shareholders held more than 10 percent of the shares and votes: the Swedish State with 37.3 percent and the Finnish State with 10.1 percent.

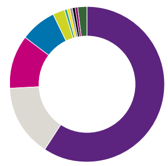
SHAREHOLDER STRUCTURE, DECEMBER 31, 2013

	Number of shareholders	Number of oustanding shares	Percent of outstanding shares/votes
1 – 500	446,006	79,904,823	1.85
501 – 1,000	34,122	26,799,220	0.62
1,001 – 5,000	39,840	88,782,990	2.05
5,001 – 10,000	4,887	35,873,133	0.83
10,001 – 15,000	1,332	16,540,147	0.38
15,001 – 20,000	726	13,245,749	0.31
20,001 –	2,481	4,068,938,719	93.97
Total	**529,394**	**4,330,084,781**	**100.00**

MAJOR SHAREHOLDERS, DECEMBER 31, 2013

Shareholder	Number of oustanding shares	Percent of outstanding shares/votes
Swedish State	1,614,513,748	37.3
Finnish State	437,123,642	10.1
Capital Group Funds	153,677,692	3.5
Swedbank Robur Funds	90,902,714	2.1
AMF Insurance & Funds	83,270,740	1.9
Alecta	75,577,322	1.7
Nordea Funds	62,828,753	1.5
SEB Funds	56,269,429	1.3
SHB Funds	52,550,976	1.2
BNY Mellon Investment Fund	48,926,037	1.1
Total other shareholders	1,654,443,728	38.3
Total outstanding shares	**4,330,084,781**	**100.0**

MAJOR SHAREHOLDER COUNTRIES BY NUMBER OF SHARES, AS OF DECEMBER 31, 2013



Sweden, 59.3%
Finland, 15.1%
Great Britain, 11.1%
USA, 7.3%
Luxemburg, 2.5%
Switzerland, 0.7%
Belgium, 0.6%
Denmark, 0.6%
Germany, 0.5%
Ireland, 0.5%
Other countries, 1.8%

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	2013	2012
Paid at year-end (SEK)	53.55	44.06
Highest paid during the year (SEK)	54.90	49.33
Lowest paid during the year (SEK)	41.80	41.43
Number of shares at year-end (millions)	4,330.1	4,330.1
Number of shareholders at year-end	529,394	553,631
Earnings per share (SEK)	3.46	4.59
Dividend per share (SEK)[1]	3.00	2.85
Pay-out ratio (%)[1]	86.7	62.1
Equity per share (SEK)	25.02	24.28

[1] For 2013 as proposed by the Board of Directors
Sources: Euroclear Sweden and SIS Ägarservice

Board of Directors’ Report

As of December 31, 2013, 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, 2013, TeliaSonera’s Finnish pension fund held 0.01 percent of the company’s shares and votes.

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.

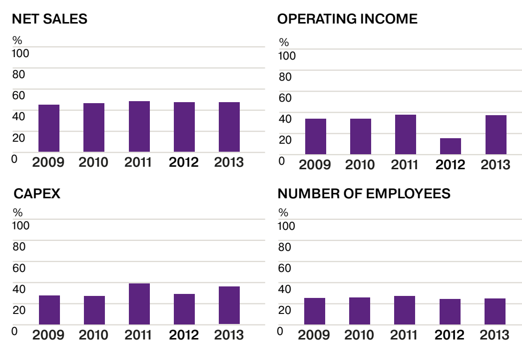
In case of a change of control in TeliaSonera AB, the company could have to repay certain loans at short notice, since some of TeliaSonera’s financing agreements contain customary change-of-control clauses. These clauses generally also contain other conditions including, for example, that the change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

Business Area Development in 2013

Increased margin within Mobility Services

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

SHARE OF GROUP TOTAL (%)



SEK in millions, except margins, operational data and changes	2013	2012	Change (%)
Net sales	48,873	50,637	-3.5
EBITDA excl. non-recurring items	14,689	14,718	-0.2
Margin (%)	30.1	29.1	
Operating income	9,012	4,229	113.1
Operating income excl. non-recurring items	10,433	10,429	0.0
CAPEX	5,811	4,496	29.2
Subscriptions, period-end (thousands)	20,497	20,537	-0.2
Employees, period-end	6,347	6,720	-5.6

Additional (unaudited) segment information available at www.teliasonera.com; see also section “Group Development in 2013” for information on restated financial information.

Market development

During the year, several important steps were taken to monetize on the continued growth in data traffic. In Sweden, Norway, Denmark and Lithuania, new offerings were introduced, combining free voice and messaging with data pricing correlated to data consumption. This is a key business model to secure rev-

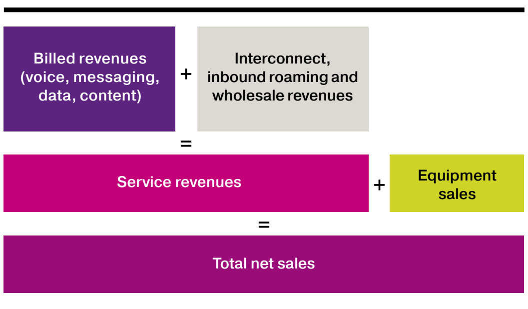
Board of Directors' Report

enue from data traffic in the long term, and will enable further investments necessary to provide high network quality. As competition followed suit and responded by similar offerings, the conclusion is that these markets are moving into a clear data-centric business model. In addition, offerings pooling usage of data for several mobile devices were introduced. The growth rates for data were coming down from previously very high levels, indicating that users are becoming increasingly aware of data usage and more mature in their way of using mobile data. It indicates that the era of free data is coming to an end also in the mind of the consumer.

Price pressure continued, especially in the enterprise segment, while the consumer segment showed more resilience. In particular, the public sector put pressure on prices in tenders during the year.

A 4G-enabled Iphone 5 model was released in Sweden in October, giving additional uplift to the 4G demand.

Net sales



Net sales in local currencies and excluding acquisitions and disposals were down 2.5 percent. Several markets were hit by reductions in interconnect rates – excluding interconnect revenue, net sales increased 1.2 percent. In reported currency, net sales decreased 3.5 percent to SEK 48,873 million (50,637). The negative effect of exchange rate fluctuations was 1.0 percent. A slight decrease by 0.2 percent of the number of subscriptions was mainly due to a change of churn policy in Lithuania. Billed revenues were flat (±0.0 percent).

Only Spain managed to grow the operations in terms of net sales during the year, with much of the growth coming from increased equipment sales. Many markets were negatively impacted by interconnect price reductions, especially Sweden, Spain, Denmark and Estonia. In the Nordics, billed revenue growth stabilized during the year as new offerings were well received.

The number of subscriptions was 20.5 million (20.5). Spain continued to grow, although at a lower rate than in prior years (4.9 percent). Finland also showed an increased number of subscriptions (3.0 percent) following the introduction of new competitive offerings in the fall of 2012. Also Denmark managed to show a positive development (4.1 percent) in a continuously tough market. Sweden on the other hand struggled to maintain the subscription base and ended the year slightly below last year (-0.6 percent). ARPU fell in all markets, mainly explained by the interconnect rate cuts.

Earnings

EBITDA, excluding non-recurring items, increased 0.7 percent in local currencies and excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, declined 0.2 percent to SEK 14,689 million (14,718). The EBITDA margin increased to 30.1 percent (29.1).

The main reason for the EBITDA margin increase was the initiative during the year to reduce the addressable cost base in order to secure earnings despite top line challenges. Although all markets except Spain were affected, the main savings were visible in Sweden and Finland. Equipment margin was strengthened in Finland, Norway and Denmark, contributing to the improvement. The EBITDA margin was also positively affected by the interconnect rate reductions, hitting both top line and the cost side.

Operating income, excluding non-recurring items, was stable at SEK 10,433 million (10,429), as a result of the EBITDA margin improvement efforts. Depreciation increased in Sweden as 4G roll-out speed was intensified, while it declined in Norway and in Denmark, where the network-sharing operation with Telenor is implemented.

Non-recurring items amounted to SEK -1,421 million (-6,200), mainly due to goodwill impairment charges in the Danish operations related to the material goodwill amount originating from various acquisitions in the beginning of the millennium, and the challenging competitive situation in Denmark combined with rising interest rates. Also in Lithuania, goodwill impairment charges were recognized as a consequence of tough market conditions and higher long-term CAPEX-to-sales assumptions.

Board of Directors' Report

CAPEX

CAPEX increased to SEK 5,811 million (4,496) and the CAPEX-to-sales ratio to 11.9 percent (8.9). CAPEX, excluding licenses and spectrum fees, amounted to SEK 4,842 million (4,397) and the CAPEX-to-sales ratio increased to 9.9 percent (8.7). During the year, 4G licenses were acquired in Finland, Norway and Estonia.

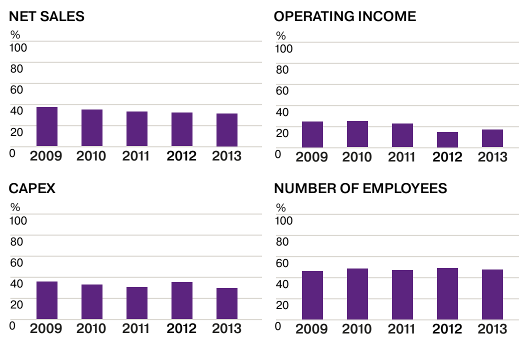
SEK in millions, except margins and changes	2013	2012	Change (%)
Net sales	48,873	50,637	-3.5
of which Sweden	16,853	17,297	-2.6
of which Finland	7,523	8,173	-8.0
of which Norway	6,797	7,582	-10.4
of which Denmark	4,350	4,835	-10.0
of which Lithuania	1,158	1,277	-9.3
of which Latvia	1,492	1,608	-7.2
of which Estonia	1,284	1,515	-15.2
of which Spain	9,467	8,382	12.9
EBITDA excl. non-recurring items	14,689	14,718	-0.2
of which Sweden	7,458	7,382	1.0
of which Finland	2,637	2,446	7.8
of which Norway	2,148	2,414	-11.0
of which Denmark	639	549	16.4
of which Lithuania	280	339	-17.4
of which Latvia	449	543	-17.3
of which Estonia	388	417	-7.0
of which Spain	690	627	10.0
Margin (%), total	30.1	29.1	
Margin (%), Sweden	44.3	42.7	
Margin (%), Finland	35.1	29.9	
Margin (%), Norway	31.6	31.8	
Margin (%), Denmark	14.7	11.4	
Margin (%), Lithuania	24.2	26.5	
Margin (%), Latvia	30.1	33.8	
Margin (%), Estonia	30.2	27.5	
Margin (%), Spain	7.3	7.5	

Net sales in local currencies and excluding acquisitions and disposals	2013
Change (%), total	-2.5
Change (%), Sweden	-2.6
Change (%), Finland	-7.4
Change (%), Norway	-5.9
Change (%), Denmark	-9.2
Change (%), Lithuania	-8.8
Change (%), Latvia	-6.2
Change (%), Estonia	-14.8
Change (%), Spain	13.6

Regained momentum for fiber deployment and reduced costs within Broadband Services

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

SHARE OF GROUP TOTAL (%)



SEK in millions, except margins, operational data and changes	2013	2012	Change (%)
Net sales	33,510	35,723	-6.2
EBITDA excl. non-recurring items	9,778	11,004	-11.1
Margin (%)	29.2	30.8	
Operating income	4,023	4,054	-0.8
Operating income excl. non-recurring items	4,970	6,242	-20.4
CAPEX	4,755	5,445	-12.7
Subscriptions, period-end (thousands)			
Broadband	2,474	2,532	-2.3
Fixed voice and VoIP	3,918	4,269	-8.2
TV	1,429	1,332	7.3
Employees, period-end	12,263	13,571	-9.6

Additional (unaudited) segment information available at www.teliasonera.com; see also section "Group Development in 2013" for information on restated financial information.

Market development

Fixed lines remain a core part of the portfolio and the customer demand for fixed line solutions increases as the demand for bandwidth boosts. At the same time, the customer base for traditional services such as copper-based telephone services continues to decrease. Consumer demand for fiber is higher than supply in Sweden, which stands for 56 percent of Broadband Services' net sales, which leads to a situation where the ability to efficiently build a fiber network is becoming increasingly important. During the year, over 60,000 SDUs (Single Dwelling Units) were passed in the effort to build out the fiber network in Sweden. The ratio of accepted offers in areas of network build-out is increasing and the process is thereby becoming more efficient. In all markets, approximately 180,000 new homes were connected to fiber networks during the year.

The enterprise segment remained tough also on the Broadband Services' side and price pressure was evident in all key markets.

In December 2013, TeliaSonera strengthened its position in the Swedish fiber market through agreements to acquire the communication operator Zitius Service Delivery, as well as Quadracom Networks and the service provider Riksnet. Closing of the transactions are subject to regulatory approval.

Net sales

Net sales in local currencies and excluding acquisitions and disposals decreased 3.2 percent. In reported currency, net sales decreased 6.2 percent to SEK 33,510 million (35,723). The negative effect of exchange rate fluctuations was 0.4 percent and the negative effect of acquisitions and disposals (related to the divestment of the Norwegian operation NextGenTel in January) was 2.6 percent.

Subscription growth (adjusted for the divestment of NextGenTel) continued in all areas except fixed voice, with broadband subscriptions increasing 5.4 percent, VoIP subscriptions increasing 18.8 percent and TV subscriptions increasing 8.2 percent. During the second quarter, TeliaSonera became the second largest TV-service provider in Sweden, surpassing 600,000 subscriptions. Broadband ARPU in Sweden also increased 5.3 percent, another sign of consumer appetite for fixed line and associated services. Meanwhile, the fixed voice subscriptions decreased 12.4 percent, representing a fairly steady decline rate compared to last year.

Earnings

EBITDA, excluding non-recurring items, decreased 9.7 percent in local currencies and excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, declined 11.1 percent to SEK 9,778 million (11,004). The EBITDA margin decreased to 29.2 percent (30.8).

Sweden continued to lead the EBITDA decline as the shift away from high-margin traditional products continued. The cost reduction program to reduce the addressable cost base, launched in the end of 2012, continued during the year. Headcount was reduced by 1,308 employees, which helped to defend margins.

The restructuring measures took place throughout the year and the full effect was not seen until the end of 2013. Only International Carrier managed to improve EBITDA, excluding non-recurring items, during the year.

Operating income was flat at SEK 4,023 million (4,054). However, in 2012 operating income was negatively affected by the write-down of goodwill related to NextGenTel. Operating income, excluding non-recurring items, was SEK 4,970 million (6,242), in line with the EBITDA decline.

CAPEX

CAPEX decreased to SEK 4,755 million (5,445) and the CAPEX-to-sales ratio to 14.2 percent (15.2). Fiber investments remained a major investment area. Compared to 2012, investments decreased in IT development as well as in fiber build-out in Finland.

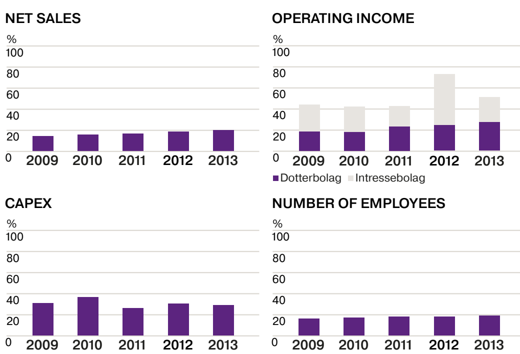
SEK in millions, except margins and changes	2013	2012	Change (%)
Net sales	33,510	35,723	-6.2
of which Sweden	19,120	20,043	-4.6
of which Finland	5,232	5,584	-6.3
of which Norway	89	1,083	–
of which Denmark	1,009	1,092	-7.6
of which Lithuania	1,805	1,915	-5.7
of which Estonia	1,692	1,761	-3.9
of which International Carrier	5,584	5,388	3.6
EBITDA excl. non-recurring items	9,778	11,004	-11.1
of which Sweden	6,916	7,747	-10.7
of which Finland	1,198	1,351	-11.3
of which Norway	-4	184	–
of which Denmark	92	125	-26.4
of which Lithuania	747	774	-3.5
of which Estonia	461	463	-0.4
of which International Carrier	368	361	1.9
Margin (%), total	29.2	30.8	
Margin (%), Sweden	36.2	38.7	
Margin (%), Finland	22.9	24.2	
Margin (%), Norway	-4.5	17.0	
Margin (%), Denmark	9.1	11.4	
Margin (%), Lithuania	41.4	40.4	
Margin (%), Estonia	27.2	26.3	
Margin (%), International Carrier	6.6	6.7	

Net sales in local currencies and excluding acquisitions and disposals	2013
Change (%), total	-3.2
Change (%), Sweden	-4.7
Change (%), Finland	-5.8
Change (%), Norway	-16.0
Change (%), Denmark	-6.9
Change (%), Lithuania	-5.2
Change (%), Estonia	-3.4
Change (%), International Carrier	5.2

Continued growth and improved margins within Eurasia

Business area Eurasia comprises mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal. The business area also includes TeliaSonera's shareholding in Russian MegaFon (25 percent) and Turkish Turkcell (38 percent). The main strategy is to create shareholder value by increasing mobile penetration and introducing value-added services in each respective country.

SHARE OF GROUP TOTAL (%)



SEK in millions, except margins, operational data and changes	2013	2012	Change (%)
Net sales	20,414	19,731	3.5
EBITDA excl. non-recurring items	10,796	9,976	8.2
Margin (%)	52.9	50.6	
Income from associated companies	5,926	13,815	-57.1
Russia	3,128	11,542	-72.9
Turkey	2,779	2,280	21.9
Operating income	12,510	20,629	-39.4
Operating income excl. non-recurring items	13,714	12,340	11.1
CAPEX	4,712	4,739	-0.6
Subscriptions, period-end (thousands)			
Subsidiaries	44,177	42,535	3.9
Associated companies	115,500	110,700	4.3
Employees, period-end	4,904	4,980	-1.5

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

Market development

The number of subscriptions in the consolidated operations grew 3.9 percent during the year, including churning out passive subscriptions in Uzbekistan in the first quarter. Adjusted for this measure, subscription growth was 7.7 percent. All markets except Georgia grew in local currencies.

The market in Uzbekistan continued to show exceptional growth during 2013 in the absence of a third operator, following the events in 2012 where the competitor MTS lost its license.

In September 2013, TeliaSonera announced that it for regulatory reasons had exited Nepal Satellite and focuses on Ncell, which reduces the business risk and complexity of TeliaSonera's involvement in Nepal. TeliaSonera reached an agreement to sell back its indirect ownership in Nepal Satellite, a regional operator in Nepal, to Zhodar Investment. The transaction generated a capital loss of SEK 389 million.

In January 2013, TeliaSonera acquired a Kazakh company holding frequency permits in the 2.5/2.6 GHz band, which are compatible for use with WiMAX and other mobile data transmission technologies. Based on the view that it will take longer than expected to achieve full use of these frequency permits due to the current lack of a 4G license in Kazakhstan, TeliaSonera recognized a non-cash impairment charge of SEK 500 million in December.

Mobile data increased in importance as a net sales driver during the year and in the fourth quarter represented 13 percent of net sales. Increased smartphone penetration is expected to lead to continued high data-volume growth in Eurasia.

Net sales

Net sales in local currencies and excluding acquisitions and disposals increased 11.5 percent. In reported currency, net sales increased 3.5 percent to SEK 20,414 million (19,731). The negative effect of exchange rate fluctuations was 8.4 percent.

In Kazakhstan, the largest market in the business area, net sales increased 3.2 percent in local currency. Growth in the subscription base continued, up 0.8 million to 14.3 million, while minutes of use decreased. The price erosion is slowing down but is still at high levels, leading to reduced ARPU.

Nepal continued to be an important growth engine with a 20.1 percent expansion of the subscription base while minutes of use decreased slightly. Net sales growth reached 27.0 percent in local currency through increased ARPU in addition to the subscription intake. In Azerbaijan, growth was slow at 1.0 percent in local currency. Both the subscription base and minutes of use decreased.

Uzbekistan showed exceptional growth with a 51.2 percent net sales growth in local currency. However, in reported currency growth stopped at 31.6 percent and the difficulties to repatriate cash have continued throughout the year. The lower subscription base compared to 2012 reflects a revised churn-out policy in order to free up capacity.

Earnings

EBITDA, excluding non-recurring items, increased 17.0 percent in local currencies and excluding acquisitions and disposals. Growth has been achieved while simultaneously keeping control of the addressable cost base, resulting in strengthened margins. The EBITDA margin was 52.9 percent (50.6), while the EBITDA growth in reported currency stopped at an 8.2 percent increase reflecting the strengthening of the Swedish krona in relation to many of the Eurasian currencies. Azerbaijan was negatively affected by a lost court case regarding interconnect pricing, with a total effect of SEK 308 million of which SEK 103 million was recorded in EBITDA, excluding non-recurring items.

Operating income, excluding non-recurring items, increased to SEK 13,714 million (12,340). Amortization and depreciation was slightly lower than last year, especially in Azerbaijan and Uzbekistan. Income from associates increased due to improved operational performance in Turkcell. Income from MegaFon was lower due to the lower effective ownership following the IPO in the end of 2012, but improved operational performance offset a large part of the ownership-related decline.

Non-recurring items totaled SEK -1,204 million (8,289), mainly related to write-downs in Kazakhstan and Nepal. In 2012, the MegaFon structural changes and IPO generated significant positive effects.

CAPEX

CAPEX was flat at SEK 4,712 million (4,739) and the CAPEX-to-sales ratio decreased to 23.1 percent (24.0). In 2013, licenses in Georgia and Nepal were renewed. CAPEX, excluding licenses and spectrum fees, was SEK 3,914 million (4,486) and the CAPEX-to-sales ratio 19.2 percent (22.7). Compared to last year, investments increased in Uzbekistan to meet capacity and coverage demand in the two-player market, but declined in Nepal, partly due to late equipment deliveries.

SEK in millions, except margins and changes	2013	2012	Change (%)
Net sales	20,414	19,731	3.5
of which Kazakhstan	8,111	8,256	-1.8
of which Azerbaijan	3,824	3,934	-2.8
of which Uzbekistan	3,118	2,369	31.6
of which Tajikistan	932	927	0.5
of which Georgia	915	1,011	-9.5
of which Moldova	512	536	-4.5
of which Nepal	3,023	2,716	11.3
EBITDA excl. non-recurring items	10,796	9,976	8.2
of which Kazakhstan	4,481	4,602	-2.6
of which Azerbaijan	1,912	1,964	-2.6
of which Uzbekistan	1,680	904	85.8
of which Tajikistan	472	470	0.4
of which Georgia	385	397	-3.0
of which Moldova	185	193	-4.1
of which Nepal	1,803	1,614	11.7
Margin (%), total	52.9	50.6	
Margin (%), Kazakhstan	55.2	55.7	
Margin (%), Azerbaijan	50.0	49.9	
Margin (%), Uzbekistan	53.9	38.2	
Margin (%), Tajikistan	50.6	50.7	
Margin (%), Georgia	42.1	39.3	
Margin (%), Moldova	36.1	36.0	
Margin (%), Nepal	59.6	59.4	

Net sales in local currencies and excluding acquisitions and disposals	2013
Change (%), total	11.5
Change (%), Kazakhstan	3.1
Change (%), Azerbaijan	1.0
Change (%), Uzbekistan	51.2
Change (%), Tajikistan	5.8
Change (%), Georgia	-5.3
Change (%), Moldova	3.3
Change (%), Nepal	27.0

Associated companies – Russia

MegaFon (TeliaSonera holds 25.2 percent and consolidates 27.2 percent, reported with a one-quarter lag) in Russia reported a subscription base of 68.3 million, an increase of 3.5 million.

TeliaSonera's income from Russia, excluding non-recurring items, decreased to SEK 3,093 million (3,151), as a consequence of the lower effective ownership after the IPO. The Russian ruble depreciated 4.1 percent against the Swedish krona which had a negative impact of SEK 36 million.

Dividends paid by MegaFon were SEK 1,940 million net of taxes (11,726). In 2012, MegaFon paid one-off dividends in conjunction with the structural changes ahead of the IPO.

Associated companies – Turkey

Turkcell (TeliaSonera holds 38.0 percent, reported with a one-quarter lag) in Turkey reported a subscription base of 35.0 million, a decrease of 0.2 million. In Ukraine, the number of subscriptions increased by 1.5 million to 12.2 million.

TeliaSonera's income from Turkey increased to SEK 2,779 million (2,280), or a reported growth of 22.0 percent. The Turkish lira depreciated 7.8 percent against the Swedish krona, which had a negative impact of SEK 173 million.

As in the previous year, no dividend from Turkcell was decided and paid in 2013.

Other operations

Segment Other operations comprises Other Business Services, TeliaSonera Holding and Group functions. Other Business Services is responsible for sales of managed-services solutions to business customers in the Nordic countries.

SEK in millions, except changes	2013	2012	Change (%)
Net sales	3,556	3,799	-6.4
EBITDA excl. non-recurring items	321	483	-33.5
Income from associated companies	-1	-50	-98.0
Operating income	-1,083	-503	115.3
Operating income excl. non-recurring items	-583	-319	82.8
CAPEX	1,054	1,014	3.9

Additional (unaudited) segment information available at www.teliasonera.com; see also section "Group Development in 2013" for information on restated financial information.

Net sales in local currencies and excluding acquisitions and disposals decreased 6.1 percent, mainly as a result of winding-up the retail chain Veikon Kone. In reported currency, net sales decreased to SEK 3,556 million (3,799).

EBITDA, excluding non-recurring items declined to SEK 321 million (483), mainly due to increased costs for Group functions.

Income from associated companies increased to SEK -1 million (-50).

Operating income was SEK -1,083 million (-503). Non-recurring items of SEK -500 million were recorded (-183), related to both the restructuring program and to write-downs of obsolete IT systems and platforms.

Acquisitions and Divestitures

Date	Country	Comments
January 11, 2013	Kazakhstan	On December 28, 2012, TeliaSonera announced that the formal conditions to complete the acquisition of the WiMAX operations of Alem Communications, from its owner Midas Telecom, and an indirect minority investment in TOO KazTransCom, a company listed on the Kazakhstan Stock Exchange and owning, among other businesses, a fiber optics network in Kazakhstan, through the purchase of shares from its owner Alatau, had been met. The transactions were completed on January 11, 2013. According to the closing provisions of the agreements, the consideration paid was USD 106 million for the WiMAX operations, TOO KazNet Media, which also received a USD 64 million shareholder contribution from TeliaSonera. The consideration paid for the indirect holding in KazTransCom was USD 22 million.
January 31, 2013	Norway	On December 20, 2012, TeliaSonera announced the signing of an agreement to divest its subsidiary NextGenTel AS to Telio Holding, a company listed on the Oslo Stock Exchange, for a total consideration of NOK 601 million (approximately SEK 700 million) on a cash and debt free basis (enterprise value). The transaction was closed on January 31, 2013.
Second quarter 2013	Norway	TeliaSonera divested its remaining 2.46 million shares in Telio Holding for a total consideration of NOK 55 million. The shares were part of the payment when TeliaSonera divested NextGenTel to Telio on January 31, 2013.
September 11, 2013	Nepal	TeliaSonera announced that it for regulatory reasons had exited Nepal Satellite Telecom Pvt. Ltd. and focuses on Ncell, which reduces the business risk and complexity of TeliaSonera's involvement in Nepal. TeliaSonera reached an agreement to sell back its indirect ownership in Nepal Satellite, a regional operator in Nepal, to Zhodar Investment. The transaction generated a capital loss of SEK 389 million. Norton Rose Fulbright, K&L Gates and UBS were the principal advisors in the transaction.
December 18, 2013	Sweden	TeliaSonera announced that it had signed agreements to acquire a group of companies within open fiber networks. By acquiring the communication operator Zitius Service Delivery AB, TeliaSonera continues to invest in the Swedish fiber business. The acquisition also comprised Quadracom Networks AB and the service provider Riksnet AB. The operations will be part of TeliaSonera's Fiber Business unit in Sweden. In total, the agreed upon purchase price was SEK 473 million on a cash and debt-free basis. Closing of the transactions are subject to regulatory approval.
December 23, 2013	Estonia	TeliaSonera acquired 25 percent of the shares in the Estonian companies Yoga AS and ZeroGroup Holding OÜ, respectively, suppliers of TeliaSonera's home control solution offered in Estonia and Finland. In total, the purchase price was SEK 20 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. 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 future profitable growth and cost efficiency. In 2013, TeliaSonera accentuated the importance of innovation and initiated studies and pilots to strengthen the innovation culture and process. Innovation activities typically target new business models and solutions, offering excellent customer experience by being based on deep customer and market insight. The solutions are often based on open standards and prepared in cooperation with different types of partners.

The main focus is on developing the core network access and telecommunication service solutions. To support the core business, value-added services are facilitated in partnership with leading brands and players to enhance the offerings to various customer segments. In 2013, several new partnerships have been agreed and also one new investment in a partner. 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 through improved business and operational support systems and processes.

The consumer portfolio is developed with new functionality and services regarding data, digital home, IPTV, media and applications. TeliaSonera acquired a 25 percent stake in the Estonian partner Yoga, supplier of TeliaSonera's home control solution offered in Finland and Estonia. Business models are adapted to new needs, exemplified by the new mobile data-centric subscriptions that have been introduced in several markets. To facilitate further revenues, the subscription user interfaces and processes for value-added services are enhanced as well as the interfaces for integrating third-party services.

The business portfolio is developed with emphasis on data, cloud-based services, applications and net-based communication solutions. TeliaSonera launched TeliaSonera CDN as an internal venture in a partnership model, serving OTT traffic for media delivery and web performance, securing a faster and more reliable end-user experience. TeliaSonera is launching a cloud application marketplace based on a platform from AppDirect, where partnerships are also agreed with service providers to fill the cloud marketplace for SMEs with relevant services. Cooperation with PGi has been established regarding cloud-based conferencing and collaboration solutions. TeliaSonera is also working with partners to develop the M2M (machine-to-machine) area in the TeliaSonera M2M Partner Program and in separate innovation projects. A new M2M platform has been put in operation which will support innovation and business up-scaling. More and more things are connected as for example shown by the partnership with Tesla Motors.

TeliaSonera has innovation partnerships with large customers, for example with the Swedish city of Uppsala, working together on enabling innovation with third parties including the citizens of Uppsala, and is also looking into an innovations test-bed partnership.

As of December 31, 2013, TeliaSonera had 423 patent "families" and 2,590 patents and patent applications, none of which, individually, is material to its business. In 2013, TeliaSonera sold some patents as part of an effort to increase the commercialization of the patent portfolio.

In 2013, TeliaSonera incurred R&D expenses of SEK 294 million (382).

Environment

TeliaSonera is committed to environmental responsibility. The work is guided by TeliaSonera's Code of Ethics and Conduct which serves as an overall policy document, also covering the majority-owned subsidiaries. Annually, TeliaSonera also publicly reports on its environmental performance in a separate Sustainability Report.

> The **TeliaSonera Sustainability Report** is available at:
> www.teliasonera.com/Sustainability-Report
> (Information on the TeliaSonera website does not form part of this Report)

The environmental impact from TeliaSonera's operations is mainly associated with energy utilization and material usage. Customers demand 24/7 mobile and internet connectivity and even if using cutting-edge technology, the energy consumption required to meet this demand and to run the operations currently represent the greatest part of TeliaSonera's calculated carbon footprint. One permanent priority is to continuously strive to find more energy-efficient solutions for networks and data centers. With 2012 as the base year, group common targets are to:

- Reduce carbon dioxide (CO_2) emissions by 20 percent per subscription equivalent by 2020; and
- Increase energy efficiency (measured as kWh electricity purchased in operations) by 20 percent by 2020.

The progress on the targets will be reported to Group Management bi-annually as well as annually in the Sustainability Report.

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

TeliaSonera's indirect environmental impacts include various ways in which customers can use TeliaSonera's services to reduce their CO_2 emissions. Other indirect environmental impacts related to TeliaSonera's value chain include activities such as the manufacturing of the equipment and devices used by customers and TeliaSonera's own network equipment, as well as the end-of-life treatment of these products.

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

Remuneration to Executive Management

Proposed remuneration principles for Group Management 2014

The Board of Directors proposes that the Annual General Meeting on April 2, 2014, resolves on the following principles for remuneration to Group Management. Group 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 vision and strategy of the company. Remuneration to Group 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 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 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 Management member may be entitled to a company car, health and care provisions, etc. Internationally hired Group 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 Management member may be up to six months (12 months for the President) when given by the employee and up to twelve 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 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.

Long-term incentive program 2013/2016

The Annual General Meeting held on April 3, 2013, decided to launch a long-term incentive program which includes approximately 100 key employees. This program is not available for the members of Group Management. A long-term incentive 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 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 such a program is the continuous employment at the end of the performance period.

The program measures performance over a 3-year period in relation to Earnings Per Share (EPS, weight 50 percent) and Total Shareholder Return (TSR, 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 2010-2012. The prevalence of a long-term incentive program is subject to the approval of the Annual General Meeting.

For more information on TeliaSonera's long-term incentive 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.

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

Net sales decreased to SEK 7 million (61), of which SEK 3 million (58) was billed to subsidiaries. Income before taxes improved to SEK 17,862 million (13,954) due to increased dividends partly offset by lower capital gains from associates and exchange rate losses. Net income was SEK 16,860 million (12,327).

Total investments were SEK 1,090 million (21,723), of which SEK 1,052 million (20,695) referred to shareholder contributions to subsidiaries and associates. Cash and cash equivalents totaled SEK 26,782 million (26,802) at year-end. The balance sheet total decreased to SEK 243,680 million (265,965). Shareholders' equity was SEK 86,661 million (81,871), of which non-restricted equity SEK 70,950 million (66,160). The equity/assets ratio was 33.8 percent (29.9). Net debt decreased to SEK 113,578 million (140,152).

As of December 31, 2013, the number of employees was 239 (241).

Significant Events after Year-End 2013

- On February 11, 2014, TeliaSonera announced that it had issued a Eurobond of EUR 500 million in a 5-year deal maturing in February 2019, under its existing EUR 11 billion EMTN (Euro Medium Term Note) program. The re-offer yield was set at 1.483 percent per annum equivalent to Euro Mid-swaps + 45 basis points.
- On February 14, 2014, TeliaSonera announced that Hélène Barnekow had been appointed Senior Vice President and Chief Commercial Officer to lead the Group Commercial function in TeliaSonera's new organization to be launched on April 1, 2014. Hélène Barnekow will be a member of TeliaSonera Group Management, reporting to the CEO.

Corporate Governance Statement

TeliaSonera operates in a dynamic industry with many challenges. At the time the current Board of Directors was elected, the company was facing intense scrutiny and was strongly questioned. The Board's mission was to take the required steps to regain trust from the outside world and to ensure sustainable operations.

In order to attain good profitability, we must secure a long-term view of sustainability issues and build a strong platform to meet future challenges. In 2013, the Board's work focused on three main areas.

One of the Board's first actions was to initiate a review of transactions and agreements made in Eurasia. The aim was to gain an understanding of the facts and risks, and, where appropriate, take the necessary measures to establish suitable conditions in order to act appropriately and ethically today and in the future. The review will be concluded during the first quarter of 2014 and to fulfil the goal of transparency, a summary of the findings and conclusions will be presented at the Annual General Meeting. The Board has also appointed a new committee, the Sustainability and Ethics Committee, tasked to work forward with sustainability issues to safeguard that we are doing the right things and are working in a correct way.

A board's main tasks are to ensure that there is a functioning management team that exerts a strong and good leadership – it's a prerequisite for a solid corporate culture. A second key priority was therefore to start the process of recruiting a permanent CEO. In June, Johan Dennelind was appointed CEO and he assumed his position on September 1.

The third area we worked intensively with is the strategy – our future focus and long-term goals as well as our geographical footprint. The telecommunications industry is undergoing rapid change and our role on the Board is to build a stronger platform to address future challenges and opportunities in order to continue to deliver profitable growth through sustainable business. I am convinced that we will have an interesting year ahead of us.

Marie Ehrling
Chair of the Board

Introduction

This Corporate Governance Statement was adopted by the Board of Directors at its meeting on March 5, 2014. 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 2013, a large part of the work of the Board of Directors and Group Management was devoted to strategic development issues and to sharpening the focus on sustainability, ethics and compliance issues. Significant new measures were implemented and announced.

In addition, development work in corporate governance during 2013 included implementing risk catalogues in all major entities in which TeliaSonera has management responsibility in order to establish a consistent approach to and a group-common view of risks related to incorrect financial reporting.

Compliance

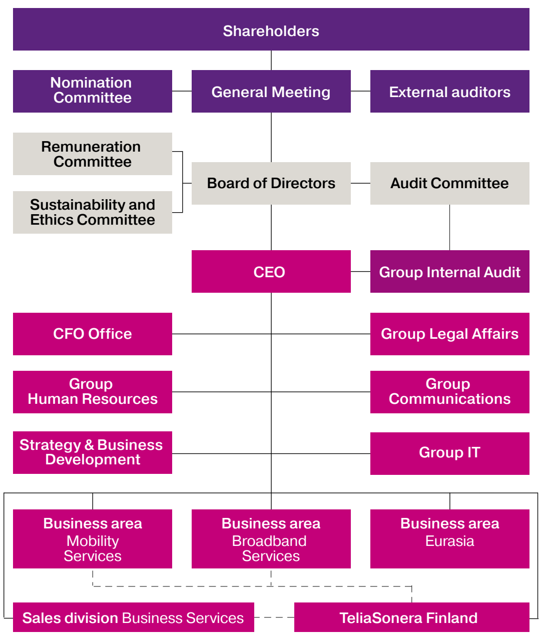
It is the opinion of the Board of Directors that TeliaSonera has complied with the Swedish Corporate Governance Code during 2013.

Further, there was no infringement of applicable stock exchange rules and no breach of good practice on the securities market reported by the NASDAQ OMX Stockholm's 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 Management



A new operating model effective April 1, 2014, was announced on December 16, 2013. For additional information, see the Board of Directors' Report, section "Significant events in 2013."

Shareholders

Shareholders' General Meeting

TeliaSonera is a Swedish public limited liability company and is governed by the Swedish Companies Act, the NASDAQ OMX 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 OMX Stockholm (issuer rules and surveillance): www.nasdaqomx.com
- Swedish Corporate Governance Code and specific features of Swedish corporate governance: www.corporategovernanceboard.se

The TeliaSonera share is listed on NASDAQ OMX Stockholm and NASDAQ OMX Helsinki. TeliaSonera has only one type of shares. Each TeliaSonera share represents one vote at the General Meeting of Shareholders. At year-end 2013, TeliaSonera had 529,394 shareholders. For more information on the shareholder structure, see the Board of Directors' Report.

The Annual General Meeting 2013 was held in Stockholm on April 3, 2013. Among other issues, the Annual General Meeting 2013 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 four largest shareholders at the time of notice of the Annual General Meeting and which also wish to participate in the nomination process, and the Chair of the Board of Directors. The Nomination Committee presently consists of:
- Magnus Skåninger, 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
- 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.

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 2013 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 is held in Helsinki and at least one other meeting is held elsewhere to be able to discuss local issues more deeply, make specific site visits, etc. In 2013, one meeting was held in Kazakhstan.

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.

Corporate Governance Statement

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

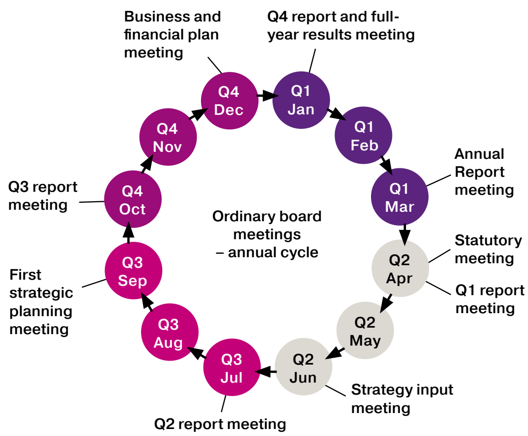
Q3 report meeting
A Board meeting is held to approve the interim financial report and review the risk report for the third quarter of the year and to discuss the second step of the strategic planning process – the strategic options. This meeting is also devoted to the annual evaluation of the Board's internal work.

Business and financial plan meeting
As the final step of the strategic planning process, a 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 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 Report meeting
This meeting closes the annual work cycle of the Board of Directors by an approval of the Annual Report and a review of the Sustainability Report.

THE BOARD'S ANNUAL WORK CYCLE



In addition, ordinary Board meetings include:
- As the Board is responsible for financial oversight, a report by the CEO on business and market developments as well as on the financial performance
- Reports on Committee work by the respective Committee Chair
- Information on developments in significant legal and regulatory matters
- A closed session without management being present

Organization
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 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 TeliaSonera Group 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 was established on April 3, 2013. The Ethics and Sustainability committee primarily reviews the progress of the Sustainability Priority Action Plan and the Ethics and Compliance programs as well as the Sustainability Report.

Corporate Governance Statement

Board work during 2013

In 2013, the Board of Directors held 9 ordinary meetings and 10 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 areas, including for example pricing strategy and fiber roll-out
- Comprehensive and detailed review of the overall sustainability risks for the group, including decisions on a new ethics and compliance function and updated group policies
- Initiation and close follow-up of the review of transactions in Eurasia performed by the international law firm Norton Rose Fulbright (for further information, see section ”Review of Eurasian transactions”)
- 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
- Reviewing efficiency programs aiming at a cost reduction of some SEK 2 billion net over a two-year period
- Regulatory developments in the telecom industry
- Structure for target model and financial targets
- Potential acquisitions and increase of ownership in subsidiaries
- Divestments of NextGenTel and Nepal Satellite
- Investments in frequencies, in particular in Finland and Norway
- Follow-up of CAPEX, in particular related to network investments
- Developments in the associated companies in Turkey and Russia
- Development and governance of IT projects in the group
- Funding and debt structure
- Operational model and organizational issues
- Human Resources issues, in particular succession planning and performance management
- Recruitment of a new CEO

In addition, the Board of Directors devoted a number of meetings to training activities, in order to get a comprehensive introduction to the group’s operations.

Further, the Board of Directors evaluated its internal work during 2013 by self-assessment. The results of the evaluation were reported to the Nomination Committee.

Review of Eurasian transactions

In connection with the Annual General Meeting on April 3, 2013, the Board of Directors announced its intention to conduct a thorough review of transactions and agreements made in the past few years and TeliaSonera’s partners in Eurasia. On April 18, the Board announced that the international law firm Norton Rose Fulbright had been assigned to conduct the review.

The review will give the Board of Directors a clear picture of transactions in Eurasia and a risk assessment from a business ethical perspective. TeliaSonera’s present processes and routines have also been analyzed in order to assess whether they are suitable and sufficient for managing the identified risks.

The review project has been performed in stages, country by country. Assessments regarding risks for participation in corruption and money laundering are made under the laws of the jurisdictions involved in or affected by the transactions. For advice on implications under Swedish legislation, the Board assigned two Swedish law firms.

The review project will be finalized in the first quarter of 2014. Initially, the review project was steered by the Sustainability and Ethics Committee. As of September 1, 2013, project governance was changed by establishing a separate Steering Group. Marie Ehrling is Chair of the Steering Group and informs the entire Board of Directors on the progress of the project and other relevant issues at every Board meeting or as and when required.

See also the Board of Directors’ Report, section “Significant events in 2013.” and Note C34 to the consolidated financial statements, section “Review of Eurasian transactions”.

ORGANIZATION OF THE BOARD WORK

Board of Directors
11 members

Remuneration Committee
3 members

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

Audit Committee
3 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

Corporate Governance Statement

Remuneration Committee

Marie Ehrling is Chair of the Remuneration Committee. In 2013, the Committee handled, amongst others, the following issues:

- Initiating and finalizing the recruitment of a new CEO
- Structure for target model and financial targets
- Succession planning
- Performance management
- Remuneration to the CEO and Group Management

In 2013, the Remuneration Committee held 17 meetings, of which a considerable number devoted to the CEO recruitment. In addition, the Committee members were engaged in interviews with a number of CEO candidates.

Audit Committee

Nina Linander is Chair of the Audit Committee. In 2013, the Committee held 10 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 the 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 2013 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 the quality and integrity of the enterprise risk reporting
- Reviews of the company's external financial reporting
- Reviews of reports issued by the external auditors and follow-up of recommended actions
- Reviews of reports issued by the internal auditors and follow-up of recommended actions
- Review of internal audit methodology development to include fraud detection capability
- Review and follow-up of whistle-blower cases
- Reviews of important risk areas, e.g. treasury, taxes, litigation, mergers & acquisitions, insurance and pensions
- Review of the annual impairment testing process and significant testing parameters
- Review of IT structure and development
- 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
- 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
- External auditor selection process

In 2013, the Committee devoted 2 extra meetings to get a comprehensive introduction to the group's financial position and financial reporting as well as to the group's IT environment and governance.

Further, the Audit Committee evaluated its internal work during 2013 by self-assessment. The results of the evaluation were reported to the Board of Directors. A summary of the evaluation was also presented to the Nomination Committee.

Sustainability and Ethics Committee

The Sustainability and Ethics Committee was established on April 3, 2013. Marie Ehrling was Chair of the Committee until August 31, 2013. As of September 1, 2013, Mikko Kosonen is Chair of the Sustainability and Ethics Committee. The Committee held 10 meetings during 2013. At each Board meeting following a Committee meeting, the Chair of the Sustainability and Ethics Committee reported on key discussion items

MEMBERS OF THE COMMITTEES

Members of the Committees of the Board of Directors in 2013

Remuneration Committee	Audit Committee	Sustainability and Ethics Committee
Marie Ehrling (Chair)	Nina Linander (Chair)	Mikko Kosonen (Chair as of September 1, 2013)
Mats Jansson	Marie Ehrling*	Marie Ehrling (Chair April 3–August 31, 2013)
Olli-Pekka Kallasvuo	Martin Lorentzon	Martin Lorentzon
	Per-Arne Sandström	Kersti Strandqvist

* Not a formally elected member, but attending all meetings.

and brought proposals on decision items to the Board agenda.

Committee work in 2013 included, amongst others, the following issues:

- Map and review the status of ongoing ethics, compliance and sustainability initiatives in TeliaSonera
- Establish a vision of leadership in sustainability
- Initial steering of the Eurasian transaction review performed by the international law firm Norton Rose Fulbright (for further information, see section ”Review of Eurasian transactions”)
- Review of the establishment of an 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-blower tools, etc.
- Reviews of sustainability risks in the quarterly risk reports
- Follow-up of the compliance with the OECD Guidelines for Multinational Enterprises
- Review of the TeliaSonera Sustainability Report

CEO and Group Management

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

Headed by the CEO, the Group Management currently comprises the CEO, CFO, General Counsel, Head of Group Human Resources, Head of Group Communications, Head of Stategy and Business Development, CIO, Presidents of the business areas, Head of business sales division Business Services and Head of TeliaSonera Finland. Group 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.

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

A new operating model effective April 1, 2014, was announced on December 16, 2013. For additional information, see the Board of Directors’ Report, section “Significant events in 2013.”

Group-wide Governance Framework

GROUP-WIDE GOVERNANCE FRAMEWORK – STRUCTURE

Deciding what we shall achieve

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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 direction, shared 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

- Mission
- Vision
- Strategy
- Operational and financial targets

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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 mission and vision statements. Further, the Board yearly adopts a strategy, setting more specific directions for a three-year period as well as yearly operational and financial targets.

Corporate Governance Statement

Mission: To provide network access and telecommunication services

TeliaSonera's mission is to help people and companies communicate in an easy, efficient and environmentally-friendly way, by providing network access and telecommunication services. Our focus is to deliver a first-rate customer experience, while ensuring the quality of our networks and maintaining a cost-efficient structure. TeliaSonera is an international group with a global strategy, but wherever we operate we act as a local company.

Our focus areas

- Providing world-class customer experience
- High-quality networks
- Driving cost efficiency

Vision: To contribute to a world with better opportunities

TeliaSonera is a world-class service company, recognized as an industry leader. We are proud pioneers of the telecom industry, a position we have gained by being innovative, reliable and customer-friendly. Wherever we operate, we act in a responsible way, based on a firm set of values and business principles. Our services form a major part of people's daily lives – for business, education and pleasure.

Strategy: Solutions based on deep understanding

Widespread access to reliable communication services has become pivotal in our daily lives both at home and at work. Since the arrival of smartphones and tablets, we rely increasingly on digital transmission for social and business communication. New pricing models have contributed to making communication services effective, transparent and personal. We expect this trend to increase and evolve in the coming years. TeliaSonera's strategy is to deliver tailored products and services to best meet the core requirements of our diverse customer segments. We provide solutions formed by our in-depth understanding of our customers' present and future needs. We create shareholder value by delivering services in a cost-effective and sustainable manner, which leads to improved profitability and strong cash flow.

Operational and financial targets

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

Setting the boundaries for how we act

GROUP-WIDE GOVERNANCE FRAMEWORK – STRUCTURE

Deciding what we shall achieve

↓

Setting the boundaries for how we act

- Shared values
- Sustainability, ethics and compliance
- 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 shared values, code of ethics and conduct, group policies, organizational structure and delegation of obligations and authority.

Shared values – making us stronger together

TeliaSonera's shared values – "Add value," "Show respect" and "Make it happen" – shape the way we work every day.

Add value

We are customer focused and business minded. Innovation and pioneering are important aspects of our heritage and culture. By collaborating in teams and across borders, we share knowledge and use our resources efficiently. We take ownership, follow up and give feedback to ensure that we foster simple and sustainable solutions that deliver value for our customers.

Show respect

We demonstrate trust, courage and integrity in everything we do. We place a high value on our employees' knowledge and diversity, and share the responsibility for creating a good working climate. We treat others the way we want to be treated; in a professional and fair manner. We carefully protect customer privacy and network integrity, and always act in the best interests of our customers and our company.

Make it happen

We constantly make decisions to drive development and change; planning and fast implementation are crucial to our business. We make the best use of our employees' competence and commitment to maintain

Corporate Governance Statement

a dynamic business climate where everyone contributes. We make it easy and rewarding to do business with us, and always deliver on our promises.

Sustainability, ethics and compliance

TeliaSonera strives for sustainability throughout the value chain, and aims to be fully accountable to the stakeholders. The term sustainability is used as an umbrella term covering all efforts to realize economic as well as environmental and social sustainability through responsible business operations.

TeliaSonera's sustainability work involves ensuring environmental and social sustainability along the supply chain, taking care of the well-being of the employees, reducing its own carbon footprint and those of the customers, respecting human rights, complying with ethical business practices in all markets, improving the protection of customer privacy and protecting children online.

In 2013, follow-up of sustainability-related risks and opportunities as well as compliance with ethical and sustainability-related requirements were discussed within the Board's newly established Sustainability and Ethics Committee. TeliaSonera aims to ensure that the sustainability management practices are constantly updated on present and future issues and developments, and that the stakeholders can play a proactive role. To enforce compliance with ethical and legal requirements an Ethics and Compliance Office was established.

The Chief Ethics and Compliance Officer reports to the CEO. The Ethics and Compliance Office is responsible for ensuring that there is a systematic and consistent approach towards managing sustainability related ethical and legal requirements, risks and opportunities.

For additional information, see section "Enterprise Risk Management."

Code of Ethics and Conduct

The TeliaSonera Code of Ethics and Conduct 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.

To enforce the implementation efforts, increase the understanding and to further ensure full compliance with the Code, a related e-learning tool has been rolled-out. The training tool focuses on anti-corruption and human rights. Further work to expand the understanding of TeliaSonera's ethical standards and values has also been undertaken by the Ethics and Compliance Office.

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)

Policies on anti-corruption and supply chain conduct

TeliaSonera has a clear position against corruption. The group Anti-Corruption Policy and related guiding principles are implemented through an anti-corruption program. The Ethics and Compliance Office is responsible for the program execution.

To ensure sustainability in the supply chain, the TeliaSonera Supplier Code defines the conduct expected from suppliers in relation to protecting human and labor rights, promoting occupational health and safety, environmental management and ethical business practices. The conduct rules are mandatory to major suppliers. Implementation of the Supplier Code is applicable for all entities in which TeliaSonera has management responsibility. To implement the Supplier Code, targeted training has been held by Group Procurement specialists.

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

Sustainability reporting

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

The **TeliaSonera Sustainability Report** is available at:
www.teliasonera.com/Sustainability-Report
(Information on the TeliaSonera website does not form part of this Statement)

Whistle-blower process

The Board of Directors has established a process which enables employees and others to anonymously report violations in accounting, reporting or internal controls, as well as non-compliance with the TeliaSonera Code of Ethics and Conduct and some other group policies, a

Corporate Governance Statement

so called whistle-blower system. In 2013, a project was initiated to implement an external hotline to replace the current whistle-blower system. The hotline will be maintained by an accredited external service provider to guarantee confidentiality and professionalism.

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 address your concerns to:
TeliaSonera AB, Board of Directors
Att: Michaela Ahlberg, Chief Ethics and Compliance Officer
SE-106 63 Stockholm, Sweden

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.

Currently – in addition to the TeliaSonera Code of Ethics and Conduct – the Board has issued the following group policies.

GROUP POLICIES ISSUED BY THE BOARD – AREA AND PURPOSE

Financial management	To set the rules for credit ratings and how financial risks shall be managed
Risk management	To describe the enterprise risk management framework
Procurement	To minimize the total cost of purchased goods and services by setting rules for how to use the purchasing power of the group
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
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
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
Sponsorships	To define a consistent and group-wide approach to sponsorships and donations
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 operations in the Nordics and Baltics, broadband and fixed-line operations in the Nordics and Baltics, and mobile operations in Eurasia.

In order to ensure strong leverage for profitable growth and cross-border synergies, TeliaSonera is organized in three international business areas. The business areas have full profit and loss responsibilities for their assigned businesses. The Finnish business operation in total is also separated into one consolidated reporting area, managed in a matrix with business areas Mobility Services and Broadband Services. A separate sales unit for all sales to business customers is established in Sweden and Finland.

A new operating model effective April 1, 2014, was announced on December 16, 2013. For additional information, see the Board of Directors' Report, section "Significant events in 2013."

Business area Mobility Services

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

Business area Broadband Services

The business area comprises operations in Sweden, Finland, Denmark, Lithuania, Latvia (49 percent), Estonia and international carrier operations.

Business area Eurasia

The business area comprises mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal. The business area also includes TeliaSonera's shareholdings in Russian MegaFon (25 percent) and Turkish Turkcell (38 percent).

Corporate Governance Statement

Group functions
The group functions assist the CEO in setting the framework for the activities of the business areas and provide the business areas with process development support and common platforms within the areas communication, finance (including M&A and procurement), human resources, strategy and business development, IT and legal affairs.

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

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
- 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 performed on organizational units as well as on an individual level.

Business reviews
The CEO sets goals for the operations based on the decisions of the Board of Directors. To ensure performance, managers have annual targets for their 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 business unit and business area levels. The business review meetings are held as physical meetings and include financial and business reviews for the reporting period and forecast period, risks and operations performance metrics on network quality and customer service levels. At the business area review meetings, the CEO, CFO, Group Controller and selected members of Group Management attend in addition to the respective business area management.

The Board of Directors receives reports on operational performance on a monthly basis, and at each regular Board meeting the group's operational and financial performance is presented in detail by the CEO and the CFO. The business area heads also regularly present their view on the business development to the Board.

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 currently valid for the five highest management levels in the organization.

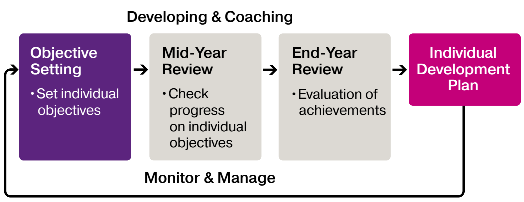
The model, which aims to focus on TeliaSonera's business objectives and to cascade them into the different business areas, is designed to:
- Help managers to set and cascade business objectives
- Review individual performance
- Develop and reward high performance
- Address poor performance

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 shared 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.

Corporate Governance Statement

PERFORMANCE MANAGEMENT PROCESS



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

Enterprise Risk Management

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 Note C34 and financial risks in Note C26 to the consolidated financial statements.

Integrated governance, risk management and compliance

Three-line defense

Risk management in TeliaSonera can 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

According to the TeliaSonera Risk Management Policy, all TeliaSonera employees are responsible for acknowledging the risks that are taken as part of the daily work.

First and third-line defense roles and responsibilities for operational risk management, internal controls as well as assurance activities are as follows:

- The line organization has the ownership, responsibility and accountability for assessing, controlling and mitigating risks
- 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

Second-line defense transition in 2013

In 2013, the Risk Management Committee facilitated and monitored the implementation of effective risk management practices within the operations as well as set the reporting requirements and coordinated compliance assessments throughout the group. At the end of 2013, the Risk Management Committee was replaced by the Governance, Risk, Ethics and Compliance (GREC) meeting.

To support line management and enable a consistent risk view throughout the group, the risk management work in 2013 was divided into three function-based risk areas:

- Business and Finance – Group CFO
- Sustainability – Head of Group Communications
- IT and Security – Group CIO

The function-based responsibility included e.g. issuing guidelines regarding risk identification, mitigation, execution as well as monitoring and reporting. The risk areas were also responsible for reporting to the Chief Risk Officer (CRO). In 2014, the function-based responsibilities will be merged into the GREC meeting to further facilitate an integrated risk management process.

Corporate Governance Statement

GREC MEETING – RISK AREAS AND RESPONSIBILITIES

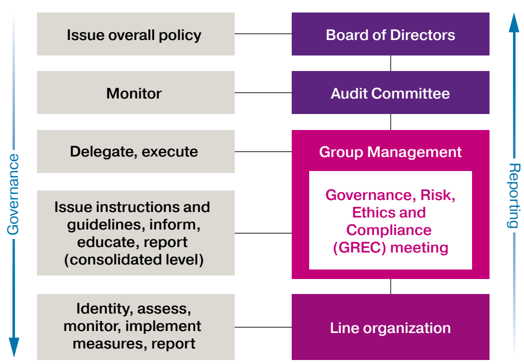
Governance, Risk, Ethics and Compliance (GREC) meeting

Head of Strategy & Business Development	CFO	CIO	Head of Legal Affairs	Heads of Business Areas	Ethics & compliance programs
Strategic & emerging risks	Financial risks	Technology & security risks	Legal risks	Business risks	Ethics & compliance risks
Sustainability					

Governance, Risk, Ethics and Compliance (GREC) meeting

To further integrate risk management into the business operations, facilitate risk awareness and a risk-based decision making process, a quarterly GREC meeting was established at the end of 2013. The meeting replaced the Risk Management Committee.

RISK MANAGEMENT – REPORTING AND GOVERNANCE



The GREC meeting is chaired by the CEO and consists of the members of Group Management extended with the Head of CEO Office, the Chief Ethics and Compliance Officer as well as the Head of Internal Audit. The main focus will initially be on implementing a consistent approach towards the ongoing ethics and compliance programs as well as on improving the strategic risk management process.

The GREC meeting agenda is risk-based, where all members are accountable for a specific risk area. The ethics and compliance program managers also report to the meeting.

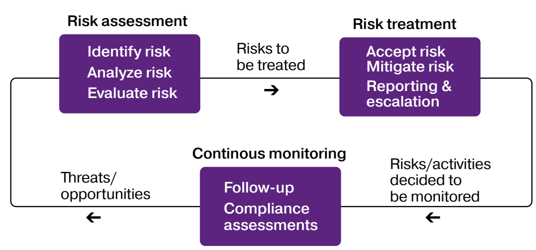
Chief Risk Officer (CRO) role

The group-level CRO role comprises responsibility for coordinating and monitoring the group's risk management processes, and for ensuring a consistent approach throughout the line organization. The CRO 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.

Risk management process

The main components of the risk management process 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. The line organization is responsible for assessing, mitigating and reporting risks. The risk reporting is integrated into the business planning process and risks shall be reviewed at business reviews and escalated to the GREC meeting through the line organization.

The Audit Committee and the Board of Directors receives a consolidated risk report on a quarterly basis, aligned with the Board's annual work cycle as described in section "Board of Directors." The consolidated risk report is divided into Financial, Business, Country, and Legal and Regulatory risks. Under each section, risks are presented on group level and by business area, described, valued when possible and graded (high, medium and low risk).

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, commitments to international norms and internal policies, instructions and guidelines. The most significant areas are included in the ethics and compliance programs and monitored by the Ethics and Compliance Office.

In 2013, the following actions were taken:

- Implementing risk catalogues for risks related to financial reporting in all major entities in which TeliaSonera has management responsibility
- A tool for bottom-up risk reporting for technology and security-related risks were implemented
- Reporting of sustainability-related risks was integrated into the business review process
- The most significant areas related to ethical and compliance risks were structured into the ethics and compliance programs

Ethics and compliance framework

An effective ethics and compliance framework is the primary mean to ensure awareness and management of the critical ethical and legal risks. TeliaSonera's Ethics and Compliance Framework consists of eight compliance dimensions and is built on the model described as "effective compliance" and "adequate procedures" set by e.g. the Society of Corporate Compliance and Ethics, the U.S. Sentencing Guidelines, the UK Bribery Act and Competition Authorities throughout Europe.

ETHICS AND COMPLIANCE FRAMEWORK

The most significant risks are systematically managed according to the ethics and compliance framework through subject-specific ethics and compliance programs. The prioritized areas are identified based on risk assessment and will in 2014 be consisting of, but not limited to, the following programs:

- Anti-Corruption Program
- Customer Privacy Program
- Privacy and Freedom of Expression Program
- Occupational Health and Safety Program

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 continually 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 renewed 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, development work in 2013 included implementing risk catalogues in all major entities in which TeliaSonera has management responsibility.

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

- Safeguard the group's assets
- Ensure the reliability and correctness of financial reporting
- 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. Management at all levels is responsible for ensuring that group policies and requirements are implemented and applied. Group-wide controls exist and are reviewed on an annual basis. The purpose of the group-wide controls is to ensure that the organization complies with Delegation of obligations and authority, financial policies and the reporting framework.

Management at each business unit 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. As described in section "Enterprise Risk Management," risk management related to financial reporting is incorporated in the 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. As a baseline, the group risk catalogues are used. Risk assessments are performed both from a top-down and bottom-up perspective. Outcome from 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 (also IT 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

Instructions, guidelines and requirements regarding accounting and reporting as well as performing internal controls are made accessible to all relevant employees through the use of TeliaSonera's regular internal communication channels. In recent years, staff at group level has 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 for all entities are shared with all business unit managers and their management teams. The sharing gives a good opportunity for benchmark and learning within the group.

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

Monitoring of control activities

TeliaSonera has implemented a structured process for performance monitoring of internal controls. This process includes all major business units, business areas and group functions and consists of a self-assessment of the risk mitigating activities. A risk-based compliance review of key risks is carried out on behalf of management in order to assess the quality of the self-assessment, risk mitigation and overall internal controls environment.

The results of the self-assessment and compliance review are communicated to all relevant business units and the GREC meeting as well as to the Audit Committee. The Audit Committee 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.

Control Activities in Business Operations

The purpose of internal controls over business operations is to monitor and support the development within TeliaSonera's strategic focus areas. The monitoring of business operations performance is supported by defined metrics measurements; the Six Sigma framework. The metrics target, amongst others, customer experience, network performance and cost efficiency.

MAIN MEASURES

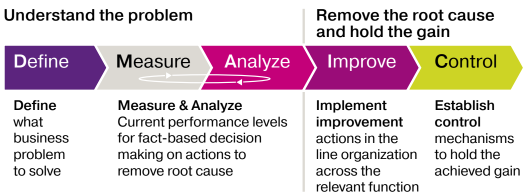
Customer Care	Network Quality	Costs of Poor Quality
• Unwanted calls ratio • Abandoned calls • First call resolution • Answered calls within 1 minute	• Network/service unavailability • Service defect ratio • Media stream disturbance • Network data speed	• Bad invoicing • Costs of sanctions and compensations

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

Six Sigma is a systematic problem-solving methodology that utilizes a broad set of statistical tools to measure, analyze and improve a company's operational performance, practices and systems. Lean Six Sigma focuses on identifying waste and defects in operations by means of statistical analysis. It also focuses on finding out and removing the root causes of problems.

At the end of 2013, TeliaSonera had altogether more than 60 certified Six Sigma black belts and close to 300 green belts. In 2013, 7 green belt courses were either finalized or started and as a result 17 new green belts graduated and additionally over 50 green belts are expected to graduate shortly. In addition, 3 black belt courses were started during 2013 with 27 candidates.

SIX SIGMA



IT Governance Approach

The TeliaSonera IT strategy was further developed during 2013, utilizing a new capability model now connecting all nine IT domains to the business demand. The IT strategy stipulates how IT shall enable business success, in particular when addressing business demand for improved customer experience, business growth, cost efficiency and the One TeliaSonera approach.

IT supply is managed through four revised strategic focus areas, as follows:
- World Class Information Management
- Agile and Speedy IT Services
- Operational Excellence
- One IT Service Company

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

IT GOVERNANCE BODIES AND THEIR RESPONSIBILITIES

Board of Directors	IT Strategic Focus Areas
Enterprise Information and Technology Board	IT Strategy, IT Roadmap, IT Strategic Financial Plan
Chief Information Officer	Validates IT roadmaps and IT financial plans
Enterprise Steering Groups	Validate common projects, information processes and technology decisions in line with IT roadmaps and security instructions
Business Steering Groups	Validate business projects and business processes in line with IT roadmaps

The Enterprise Information and Technology Board consists of selected members of Group Management. There are common area steering groups (SGs) for the areas Enterprise Process and Information, and Enterprise Technology and Security. Whereas the Enterprise Process and Information SG, chaired by the CFO, is to focus on the overall process and information governance including Master Data, the Enterprise Technology and Security SG, chaired by the CIO, is to focus on the overall technology and security governance including Enterprise IT Architecture. The business area steering groups are to focus on business process and information governance.

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.

The Eurasian operations are an important part of the audit scope, including on-site reviews with focus on revenue assurance, processes and governance. In 2013, other focus areas were:
- Procurement and logistics
- IT and information security
- Investment process and CAPEX

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
- Advising the Board of Directors of non-audit services performed, the consideration paid and other issues determining the auditors' independence

The auditors quarterly submit a report to the Audit Committee and Group Management on TeliaSonera's financial statements and issue a review report on the third quarter consolidated financial statements. For further information on the contacts between the Board and the auditors, see sections "Board of Directors" and "Internal Controls over Financial Reporting."

Current auditors and fees

At the Annual General Meeting 2013, PricewaterhouseCoopers AB was re-elected as auditor until the end of the Annual General Meeting 2014. PricewaterhouseCoopers AB has appointed Anders Lundin (born 1956), Authorized Public Accountant, and Jeanette Skoglund (born 1958), Authorized Public Accountant, to serve as auditors, with Anders Lundin as the auditor in charge. PricewaterhouseCoopers AB is often engaged by TeliaSonera's largest shareholder, the Swedish State, for both audit and advisory services. Anders Lundin is also auditor of AB Electrolux and Svenska Cellulosa AB SCA. Jeanette Skoglund is also auditor of Ratos AB. Neither Anders Lundin nor Jeanette Skoglund holds any shares in TeliaSonera AB.

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