

## 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 majority-owned operations from the Nordics to Nepal, with more than 71 million subscriptions at year-end 2012 as well as almost 112 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 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.

### We are organized into three business areas

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

- Mobility Services
- Broadband Services
- Eurasia



### Our employees

We had 27,838 employees at year-end.

# 27,838

## The year in brief

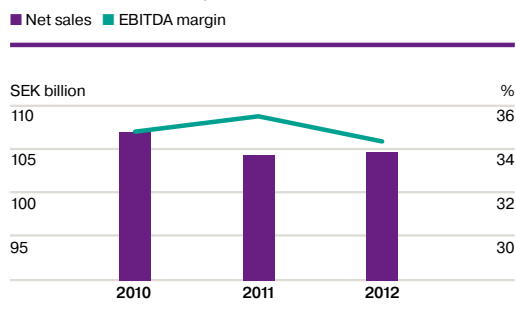
# 2012 – an eventful year

- We continued the roll-out of both fiber as well as 4G and extended our TV offerings, by for example introducing HBO and Play+. Reduced dataroaming prices were brought to new destinations and Spotify was launched in several markets.
- We initiated an efficiency program that will lead to cost reductions of SEK 2 billion net over the coming two years, including personnel reductions net of 2,000 employees in the Nordics and Baltics. At the same time, we see a need to recruit new competence.
- We partnered with the Danish Institute for Human Rights (DIHR) to define and support an internal assessment of risks that could potentially lead to involvement in human rights violations. In particular, freedom of expression and privacy are growing in importance for companies across the ICT sector.
- We successfully managed to settle a long standing ownership dispute in Russian MegaFon and completed an initial public offering of the company by the end of the year. It is amazing that our investment of a mere SEK 1.2 billion since the company's inception in 1994 has grown to around SEK 55 billion including dividends, sale of shares and the value of our remaining 25 percent ownership.
- We successfully completed an initial public offering of Kazakh Kcell during the fall and decided to divest Norwegian NextGenTel.
- We were accused of bribery and money laundering in connection with our investments in Uzbekistan in 2007 and 2010. The Board appointed an external investigation that could neither prove nor completely reject the accusations. The investigation complained of deficiencies in the implementation of the deal and that the company violated its own ethical guidelines. In a statement, the Board agreed in the criticism, and shared the same.
- Our financial position is solid and at year-end free cash flow was record high and we delivered the second highest earnings per share, at SEK 4.59, since the merger between Telia and Sonera in 2002.

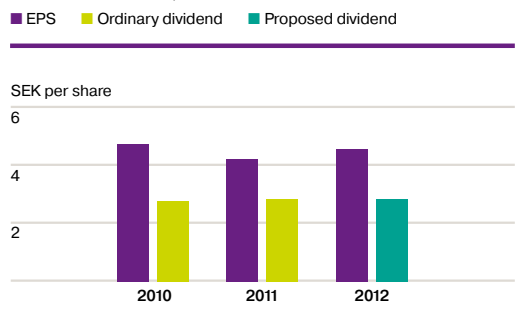
## Financial highlights

SEK in millions, except key ratios, per share data and margins	2012	2011	2010
Net sales	104,898	104,804	106,979
EBITDA, excluding non-recurring items	36,059	37,222	36,897
margin (%)	34.4	35.5	34.5
Operating income	28,288	29,720	32,003
Operating income, excluding non-recurring items	28,570	29,889	31,935
Net income	21,168	21,119	23,562
of which attributable to owners of the parent company	19,886	18,388	21,257
Earnings per share (SEK)	4.59	4.21	4.73
Return on equity (%), rolling 12 months)	19.8	17.1	17.8
CAPEX-to-sales (%)	15.0	16.6	14.0
Free cash flow	23,740	9,415	12,901

### NET SALES AND EBITDA MARGIN, EXCLUDING NON-RECURRING ITEMS, 2010–2012



### EPS AND DIVIDENDS, 2010–2012



## Letter from the CEO

Dear shareholders,

The year of 2012 was a strong one, both financially and operationally. We delivered a good profit, despite a downturn in the global economy. We resolved the ownership conflict at MegaFon, which has dragged on for many years, and carried out stock-market flotations that helped to produce a strong cash flow. At the same time, some of our investments in Eurasia were criticized.

### Second best result in ten years

We have a lot to be proud of. Despite an uncertain and troubling macroeconomic climate, last year we succeeded in achieving our second best result in the ten years that have elapsed since Telia and Sonera merged. Amidst the global economic downturn, we managed to consolidate and strengthen our position. All operations in Business area Eurasia reported higher sales, generating growth of 14 percent. This compensated for slightly lower sales in the Mobility Services and Broadband Services business areas.

Since the merger in 2002, TeliaSonera has delivered dividends totaling SEK 117 billion. This corresponds to SEK 26 per share, excluding share buy-backs. The number of subscriptions has risen from 19 million to nearly 71 million in our majority-owned businesses and to a total of 183 million if we include businesses in which we hold a minority stake.

### High pressure for change and strong pressure on prices

The customers' appetite for bandwidth is more or less unlimited. In practically every home and in just about every workplace, the need for mobile and fixed data communications is growing, as new services and communication tools enter everyday use.

Ten years ago, telephones were used exclusively for voice calls and texting. In the workplace, e-mail was the only form of electronic communication, and the computer was the only terminal connected to the internet. In the evening, all the family got together around the same TV.

Today, every member of the family uses broadband services via their own computer, smartphone or tablet. Businesses and organizations communicate with customers and personnel via apps, social media, video-conferencing and Twitter.

In 2012, mobile data traffic on TeliaSonera's network expanded by nearly 80 percent. That is a very substantial increase but income is not keeping pace, rising by only a little over 20 percent. Our income from mobile voice calls fell by 10 percent, while the volume remained largely unchanged.

Dealing with pressure on prices and constantly rising demand for capacity, while coping with falling income from voice calls, will be the major challenge for TeliaSonera and the industry as a whole. We will meet this challenge in three ways:

We will continue to invest in our networks and services in order to always have the market's most attractive offerings. We will introduce a new pricing structure that better reflects our customers' patterns of consumption and we will reduce our costs.

In 2012, we invested nearly SEK 16 billion in infrastructure, licenses for mobile network and fiber. We have now launched 4G in all the Nordic and Baltic markets, as well as in several countries in Eurasia. In 2013, we will continue to expand our 4G networks. No other company is investing more in infrastructure in Sweden than TeliaSonera.

We will carry on developing new applications and services with the leading players in the market. During the year, we were the first Nordic operator to sign an agreement with the USA TV channel HBO, which offers new series the day after showing in the USA. We partnered with Samsung in developing IPTV technology enabling our customers to watch TV without a set-top box.

In 2012, we embarked on a program aimed at savings of SEK 2 billion. The savings will be achieved partly by introducing new, more efficient ways of working and partly by exploiting the benefits of new technology.

The high pressure for change in the industry is not a negative factor; it is an opportunity to develop competitiveness. TeliaSonera possesses a unique combination of business volume, financial strength, expertise and

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a long-term perspective. We are one of the biggest telecom operators in Europe. We have a very strong balance sheet. We have expert personnel and a long tradition of being at the cutting edge of technology.

### Successful stockmarket flotations

During the year, we succeeded in resolving the dead-locked ownership situation at MegaFon, a situation that had lasted for many years. Now that we have clear ownership conditions and have floated the company on the London and Moscow stockmarkets, we have achieved our aim of transparent direct ownership of Russia's second-largest mobile operator. Our investment of SEK 1.2 billion since the company was formed in 1994 has yielded around SEK 55 billion, an outstandingly good return.

In line with the strategy of increasing the level of ownership in our core holdings, we acquired a minority stake in Kcell, our biggest operator in Eurasia, early in the year. Just before year-end, we also fulfilled our commitment to float the company in London and Almaty, Kazakhstan stock exchanges.

The flotations contributed to a record-high cash flow, which was used primarily to reduce our indebtedness. In addition, we were able to maintain an unchanged dividend of SEK 2.85 per share. This is in an era when many operators are cutting, or opting not to pay, dividend.

### Eurasia – growth but criticism too

TeliaSonera's seven companies in Eurasia remain our engines of growth, with high margins and four times as many subscriptions today as in 2007.

Through our presence in Eurasia, we are generating growth for our shareholders, but even more important are the opportunities that our services create in the countries where we have set up business. Few tools are better for economic and personal development than access to the internet and mobile telephony. They enable people to communicate with each other and the outside world in a way that was not possible a few years ago, and they open up previously closed societies to the outside world. Our contribution is through our investment in important infrastructure, and through provision of communication services at affordable prices to the vast majority of the population.

In September, allegations were made in the media that TeliaSonera had been involved in bribery during establishment of operations in Uzbekistan in 2007. The Board of Directors immediately ordered an external investigation by help of the lawfirm Mannheimer Swartling. The findings, presented on February 1, this year, showed no evidence to support the allegations of criminal activity. On the other hand, the company was criticized for the way in which the investments had been made.



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In a statement made on presentation of the report, the Board of Directors agreed with the conclusions.

The Office of the Prosecutor General at Sweden's National Anti-Corruption Unit initiated a preliminary investigation in September that is still in progress.

The task of living up to the expectations the outside world places on us is not something that an organization such as TeliaSonera can complete at a stroke. It is a continuously ongoing process. A series of measures to bolster our work on sustainability have been ongoing during the last years.

For example, we have developed our processes and tightened our risk assessment procedures in connection with new investments. We have also included sustainability risks into our decision-making procedures. Counterparty risks and frameworks for evaluation are analyzed both by ourselves and by qualified independent experts.

In association with other leading international telecom companies, we have drafted principles laying down how we can respect the right to freedom of expression and integrity. By working together, and with the Global Network Initiative (GNI), we will be better able to safeguard fundamental rights.

We have also, with the support of the Danish Institute for Human rights (DIHR), analyzed which areas we need to improve in, if we are to live up to the UN Declaration on Human Rights.

In 2013, we will maintain a close focus on sustain-

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ability issues. In January, we adopted environmental targets for the whole group for the first time. Our ambition is, by no later than 2020, to cut our carbon dioxide emissions and our energy consumption by 20 percent per subscription from current levels. In February, we signed up to The Global Compact, which embraces the UN's Principles on Human Rights, Labor Law and the Environment etc.

Issues relating to sustainability, business ethics and responsibility will be a natural part of everything we do. The knowledge and experience we have now acquired at great cost will further sharpen our focus on a sustainable and ethical approach to business throughout the organization.

We are proud to be driving development of the communication society in a way that will enable even more people to communicate with each other.

Stockholm, March 6, 2013





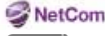




Per-Arne Blomquist  
*President and CEO*

## 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 with a different marketing strategy. We have majority-owned operations in the Nordics and Baltics 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.

## Majority-owned companies




Country	Trademark	Ownership	Service	Market position	Market share¹
<b>Sweden</b>					
 Telia  halebop	Telia, Halebop	100%	Mobile	1	40%
	Telia	100%	Broadband	1	38%
	Telia	100%	Fixed Voice incl. VoIP	1	61%
	Telia	100%	TV	4	13%
<b>Finland</b>					
 Sonera  tele finland	Sonera, TeleFinland	100%	Mobile	2	34%
	Sonera	100%	Broadband	2	30%
	Sonera	100%	Fixed Voice	2	22%
	Sonera	100%	TV	2	21%
<b>Norway</b>					
 NetCom  Chess	NetCom, Chess	100%	Mobile	2	25%
<b>Denmark</b>					
 Telia  Call me  dlg	Telia, Call me, DLG Tele²	100%	Mobile	3	18%
	Telia, DLG Tele²	100%	Broadband	5	3%
	Telia, Call me, DLG Tele²	100%	Fixed Voice incl. VoIP	2	8%
	Telia	100%	TV	>5	<1%

## Majority-owned companies

Country	Trademark	Ownership	Service	Market position	Market share <sup>1</sup>
<b>Lithuania</b>					
	Omnitel, Ezys	100%	Mobile	1	39%
	TEO	88.2%	Broadband	1	50%
	TEO	88.2%	Fixed Voice	1	90%
	TEO	88.2%	TV	1	24%
<b>Latvia</b>					
	LMT, Okarte, Amigo	60.3%	Mobile	1	43%
<b>Estonia</b>					
	EMT, Diil	100%	Mobile	1	44%
	Elion	100%	Broadband	1	58%
	Elion	100%	Fixed Voice incl. VoIP	1	78%
	Elion	100%	TV	1	34%
<b>Spain</b>					
	Yoigo	76.6%	Mobile	4	5%
<b>Kazakhstan</b>					
	Kcell, Aktiv	61.9%	Mobile	1	47%
<b>Azerbaijan</b>					
	Azercell	38.1%	Mobile	1	52%
<b>Uzbekistan</b>					
	Ucell	94%	Mobile	2	43%
<b>Tajikistan</b>					
	Tcell	60%	Mobile	1	36%
<b>Georgia</b>					
	Geocell, Lailai	74.3%	Mobile	1	42%
<b>Moldova</b>					
	Moldcell	74.3%	Mobile	2	33%
<b>Nepal</b>					
	Ncell	60.4%	Mobile	1	53%

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## Associated companies

Country	Trademark	Ownership	Service	Market position	Market share <sup>1</sup>
<b>Latvia</b>					
	Lattelecom	49%	Broadband	1	67%
	Lattelecom	49%	Fixed Voice incl. VoIP	1	74%
	Lattelecom	49%	TV	1	34%
<b>Russia</b>					
	MegaFon	25.2%	Mobile	2	27%
<b>Turkey</b>					
	Turkcell	38%	Mobile	1	52%

<sup>1</sup> 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.

<sup>2</sup> TeliaSonera owns 50 percent of DLG Tele and controls the company.



## Board of Directors' Report

TeliaSonera reports its financial results by the three business area segments **Mobility Services, Broad-band 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 Corporate functions, which are all reported collectively. TeliaSonera's corporate functions are Communications, Finance (including M&A and Procurement), Human Resources, IT, Legal Affairs and Internal Audit.

In this Report, **comparative figures** are provided in parentheses following the operational and financial results and refer to the same item in the full year of 2011, unless otherwise stated.

### Mission, Vision and Strategy

#### Vision and strategy – Making it possible

Customers value the freedom and flexibility to do more and get closer via the internet. TeliaSonera provides network access and telecommunication services that enable people and businesses to achieve what's important to them. Seeing the big picture is important, but the little details are just as essential in meeting customers' 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 world-class 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 – a world-class customer experience

Today communication services are an integral part of people's daily lives. Since the arrival of smartphones and tablets, we rely increasingly on digital communication for social and business interaction. A trend which will only grow stronger in the coming years. Communication services have moved from being expensive and exclusive to being available, affordable and personal. Our ambition is to translate our strategy to provide a world-class customer experience, industry leading network quality and to have a competitive cost structure.

We believe that our industry is faced with three main challenges:

1. Introducing new business models to rebalance pricing towards data
2. Fixed-mobile convergence and bundling of services
3. Development of value-added services linked to the core business

#### Rising to the challenges

We are leading the move towards pricing that better reflects how customers use their devices. Convergence is a growing part of our offering, for example giving customers access to their subscribed TV channels via computers and mobile devices, bringing video services such as HBO and Netflix to mobile devices, and integrating Spotify into mobile and TV services.

While maintaining our primary role as an enabler and access provider, we create added value for private and business customers through services such as cloud storage and virtual meetings. The focus here is on applications closely linked to network access, and that reduce churn and increase data traffic in our networks.

#### Data traffic per customer is increasing

Our strategy is based on growth in data traffic beyond what would be expected from new customers coming into the network, and an unlimited demand for bandwidth. This has two major consequences:

- Established fixed networks remain competitive, with strong growth in new services such as IPTV and video-on-demand
- The pricing model will evolve. We will move from a voice-based model to a focus on charging for access, usage and speed

> Board of Directors' Report

#### Our promise

We want our networks and services to be firmly based on customer needs. This is our promise to customers:

- High quality networks, ensuring our services are reliable in terms of coverage, speed and up-time
- A world-class experience, with services that look and feel great and are easy to use
- A business-to-business product portfolio that gives customers competitive advantage
- Early implementation of new technology and services
- Efficient operations with the benefits of economies of scale

### Risks and Risk Management

TeliaSonera operates in several geographic markets and with a broad range of products and services in the highly competitive and regulated telecommunications industry. 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 business, financial and sustainability 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 ventures, sustainability, ownership of TeliaSonera shares, financial management and financial reporting.

Risks and uncertainties related to business, sustainability and shareholder issues are described in Note C35, key sources of estimation uncertainty in Note C2 and financial risks in Note C27 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.

#### Sustainability reporting

TeliaSonera annually reports its sustainability performance in the Sustainability Report. As of 2012, the external auditors submitted 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](http://www.teliaSonera.com/Sustainability-Report)  
(Information on the TeliaSonera website does not form part of this Report).

### Group Development in 2012

#### Financial highlights

- Net sales in local currencies and excluding acquisitions increased 1.2 percent. In reported currency, net sales were unchanged at SEK 104,898 million (104,804).
- The number of subscriptions grew by 8.4 million in the consolidated operations and by 6.4 million in the associated companies. The total number of subscriptions was 183.0 million.
- The addressable cost base in local currencies and excluding acquisitions decreased 0.3 percent. In reported currency, the addressable cost base decreased 1.5 percent to SEK 29,671 million (30,113).
- EBITDA, excluding non-recurring items, decreased 2.4 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, decreased 3.1 percent to SEK 36,059 million (37,222). The EBITDA margin, excluding non-recurring items, decreased to 34.4 percent (35.5).
- Operating income, excluding non-recurring items, decreased 4.4 percent to SEK 28,570 million (29,889).
- Net income attributable to owners of the parent company increased 8.1 percent to SEK 19,886 million (18,388) and earnings per share to SEK 4.59 (4.21).
- Free cash flow increased to SEK 23,740 million (9,415), including a dividend from MegaFon of SEK 11,726 million net of taxes.

SEK in millions, except key ratios, per share data and changes	2012	2011	Change (%)
Net sales	104,898	104,804	0.1
Addressable cost base <sup>1</sup>	-29,671	-30,113	-1.5
EBITDA <sup>2</sup> excl. non-recurring items <sup>3</sup>	36,059	37,222	-3.1
Margin (%)	34.4	35.5	
Depreciation, amortization and impairment losses	-20,542	-13,263	54.9
Income from associated companies	13,868	5,802	139.0
Non-recurring items <sup>3</sup> within EBITDA	-1,097	-41	
Operating income	28,288	29,720	-4.8
Financial income and expenses, net	-3,806	-2,848	33.6
Income taxes	-3,314	-5,753	-42.4
Net income	21,168	21,119	0.2
of which attributable to owners of the parent company	19,886	18,388	8.1
Earnings per share (SEK)	4.59	4.21	9.0
Operating income excluding non-recurring items <sup>3</sup>	28,570	29,889	-4.4
Margin (%)	27.2	28.5	
Return on equity (%)	19.8	17.1	
CAPEX-to-sales (%) <sup>4</sup>	15.0	16.6	
Free cash flow	23,740	9,415	152.2

<sup>1</sup> See section "Expenses" for details on addressable cost base

<sup>2</sup> 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

<sup>3</sup> See section "Non-recurring items" for details on non-recurring items

<sup>4</sup> Including license and spectrum fees

➤ Board of Directors' Report

**Restated financial information**

In this Report, prior periods have been restated to reflect (a) the change of accounting principle for joint ventures from the equity method to proportionate consolidation affecting business area Mobility Services, (b) the change to one-quarter lag reporting of the associated company OAO MegaFon within business area Eurasia, (c) correction of certain classification errors, referring to certain equipment sales within business area Mobility Services and (d) the transfer of the internal server operations from business area Broadband Services to reportable segment Other operations. For additional information, see Note C1 to the consolidated financial statements.

**Significant events**

In February, the first 4G smartphone from Samsung was launched. TeliaSonera currently has more than 400,000 4G dongle and smartphone users in the Nordic and Baltic countries. TeliaSonera estimates that in five years an average smartphone user will use more than 3 Gigabyte of data monthly, compared to around 0.5 Gigabyte today.

In June, TeliaSonera launched the first commercial 4G services in Azerbaijan and in November TeliaSonera launched the first commercial 4G services in Moldova. TeliaSonera was the first operator in the world to commercially launch 4G in 2009 and currently offers 4G services in 9 countries; Sweden, Finland, Norway, Denmark, Lithuania, Latvia, Estonia, Azerbaijan and Moldova. TeliaSonera has also made 4G live connections in Kazakhstan and Uzbekistan, and continues to roll out superfast mobile internet everywhere, to the benefit of its customers.

In July, TeliaSonera announced that it had engaged the Danish Institute for Human Rights to support and review its human rights impact assessment. Together, DIHR and TeliaSonera developed a tool tailored to TeliaSonera and the human rights risk profile of the telecom sector. It includes freedom of expression and privacy issues and is benchmarked on the United Nations' Guiding Principles on Business and Human Rights.

DIHR will also assess TeliaSonera's consequential mitigation plan in 2013. Other ongoing sustainability activities initiated in 2012 included, but were not limited to:

- TeliaSonera, a founding member of the 'Industry Dialogue', counting eleven leading telecom companies, active participant in defining common principles for respecting privacy and freedom of expression; and
- Strengthening of anti-corruption processes and supply chain management.

In September, TeliaSonera confirmed that the Swedish Prosecuting Authorities had initiated an investigation regarding TeliaSonera's investments in Uzbekistan and, in October, TeliaSonera assigned Mannheimer Swartling, one of Sweden's most respected law firms, to lead an external review of these investments. TeliaSonera's net exposure in Uzbekistan is approximately SEK 6 billion. Mannheimer Swartling presented its review report on February 1, 2013 (see section "Significant Events after Year-End 2012").

In the third quarter of 2012, TeliaSonera announced its intention to fundamentally change the business by simplifying the way of working. These efficiency measures, including personnel reductions net of 2,000 employees, will lower the cost base by SEK 2 billion net over the coming two years.

In November, the Swedish Parliament decided on a reduction of the corporate income tax in Sweden from 26.3 percent to 22.0 percent, which will have a positive effect on TeliaSonera's overall tax position. A one-time SEK 1,225 million net release of deferred tax liabilities was recognized in the fourth quarter of 2012, and the group's effective tax rate going forward will be reduced by approximately 1.5 percentage points to around 20 percent, based on current earnings distribution.

In November, Telia in Sweden was the first Nordic operator to include HBO in its TV offering. This means that Telia's close to 600,000 TV customers can watch new episodes of HBO's series, subtitled in Swedish, one day after world premiere. The service also includes all past seasons of classic HBO series and a selection of library movies and is available on multiple devices, on TV, also in HD quality, as well as computers, smartphones and tablets. In late December, the HBO service was also launched in Finland. The goal is to extend the offering also to Norway and Denmark.

In 2012, some notable business area milestones were reached:

- Mobility Services passed the 20 million subscription mark in the third quarter;
- Broadband Services' revenues from IP services surpassed revenues from traditional services during the year; and
- Eurasia passed the 40 million subscription mark in the third quarter.

In 2012, TeliaSonera made a number of targeted acquisitions and divestitures (see section "Acquisitions and Divestitures" for further information).

In 2012, TeliaSonera in line with its funding strategy of diversification and increasing the duration of the debt portfolio issued a number of bonds under its existing EUR 11 billion EMTN (Euro Medium Term Note) program:

- In February, a 12-year Eurobond of EUR 750 million with a coupon at 3.625 percent;
- In August, a 15-year Eurobond of EUR 500 million with a coupon at 3.000 percent; and
- In December, a 30-year Benchmark bond in the Sterling market of GBP 400 million with a coupon at 4.375 percent.

In 2012, the following changes in TeliaSonera Group Management were made:

- In April, Robert Andersson was appointed President and Chief Executive Officer of Sonera in Finland and member of TeliaSonera Group Management; and
- In September, Tero Kivisaari was appointed President of business area Mobility Services. In addition, he continued his position as President of business area Eurasia until February 6, 2013 (see section "Significant Events after Year-End 2012").

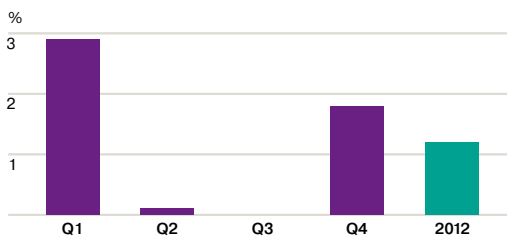
## &gt; Board of Directors' Report

Net sales SEK in millions	2012	2011	Change (SEK million)	Change (%), total	Change (%), of which		
					local organic <sup>1</sup>	M&A effects	FX effects <sup>2</sup>
Mobility Services	50,637	51,556	-919	-1.8	0.1	0.0	-1.9
Broadband Services	35,723	36,677	-954	-2.6	-1.7	0.2	-1.1
Eurasia	19,731	17,330	2,401	13.9	13.5	0.0	0.4
Other operations	3,799	3,992	-193	-4.8	-3.3	-0.8	-0.7
Elimination of internal sales	-4,992	-4,751	-241	5.1	n/a	n/a	n/a
<b>Group</b>	<b>104,898</b>	<b>104,804</b>	<b>94</b>	<b>0.1</b>	<b>1.2</b>	<b>0.0</b>	<b>-1.1</b>

<sup>1</sup> In local currencies and excluding acquisitions and divestitures (M&A effects)<sup>2</sup> Effects of exchange rate fluctuations**Net sales**

Net sales increased 0.1 percent to SEK 104,898 million (104,804). Net sales in local currencies and excluding acquisitions increased 1.2 percent (2.6). The negative effect of exchange rate fluctuations was 1.1 percent (4.2). Growth was driven by continuing positive development in Eurasia, while other positive contributions from Nordic and Baltic mobile equipment sales, Yoigo in Spain and the international carrier operations did not compensate for the slow-down in other areas.

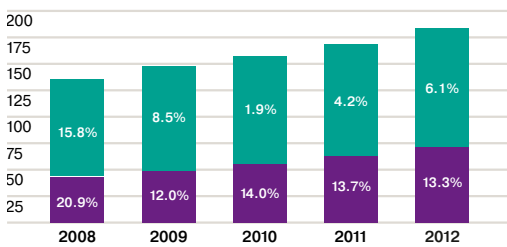
Over the year, the net sales growth rate, in local currencies and excluding acquisitions, was high in the first quarter, dropped in the second and third quarters and recovered in the fourth quarter.

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

The total number of subscriptions rose by 14.8 million to 183.0 million. In the consolidated operations, the number of subscriptions increased by 8.4 million to 71.2 million, of which Eurasia rose by 7.7 million to 42.5 million. In the associated companies, the number of subscriptions increased by 6.4 million to 111.8 million.

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

■ Associated companies ■ Subsidiaries

**Expenses**

Cost of goods and services sold (COGS) was SEK 39,590 million (38,284), a 3.4 percent rise compared to 2011, with the largest effect from higher equipment sales in Sweden and Spain, and the general net sales growth in Eurasia. COGS growth exceeded net sales growth, reducing the gross margin to 62.3 percent (63.5).

Expenses SEK in millions	2012	2011	Change (SEK million)	Change (%)
<b>COGS</b>	<b>-39,590</b>	<b>-38,284</b>	<b>-1,306</b>	<b>3.4</b>
Goods and sub-contracting services purchased	-17,690	-15,289	-2,401	15.7
Interconnect and roaming expenses	-12,671	-13,387	716	-5.3
Other network expenses	-5,821	-5,932	111	-1.9
Change in inventories	-3,408	-3,676	268	-7.3
Addressable cost base	-29,671	-30,113	442	-1.5
Personnel expenses	-12,550	-12,636	86	-0.7
Marketing expenses	-6,829	-7,554	725	-9.6
Other expenses	-10,292	-9,923	-369	3.7
<b>Total</b>	<b>-69,261</b>	<b>-68,397</b>	<b>-864</b>	<b>1.3</b>
Amortization, depreciation and impairment losses	-20,542	-13,263	-7,279	54.9
Other operating income and expenses, net <sup>1</sup>	-675	774	-1,449	
<b>Total expenses</b>	<b>-90,478</b>	<b>-80,886</b>	<b>-9,592</b>	<b>11.9</b>

<sup>1</sup> Including non-recurring other expenses and excluding amortization, depreciation and impairment losses

The addressable cost base, in local currencies and excluding acquisitions, decreased 0.3 percent compared to last year, with increases in Eurasia offset mainly by decreases in Mobility Services, but to some extent also by decreases in Broadband Services and Corporate functions.

Personnel expenses, in local currencies and excluding acquisitions, increased 0.3 percent compared to 2011. Despite increases in both Broadband Services and Mobility Services, the decrease in Corporate functions kept the overall level flattish with small increases in Eurasia.

Marketing expenses, in local currencies and excluding acquisitions, declined 8.4 percent, with the key driver being reduced equipment subsidies in Mobility Services. Other costs, such as facility costs, IT, travel and consultants, increased.

## &gt; Board of Directors' Report

Amortization, depreciation and impairment losses increased 54.9 percent to SEK 20,542 million (13,263), 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. Amortization and depreciation excluding non-recurring items decreased 1.7 percent to SEK 12,977 million (13,197). In local currencies and excluding acquisitions, the decrease was 0.6 percent.

Other operating income and expenses, net, was negative at SEK 675 million (positive 774).

**Non-recurring items**

Non-recurring items affecting operating income totaled SEK -282 million (-170), mainly related to the sale of shares in MegaFon which resulted in a net capital gain of SEK 8,391 million and to goodwill impairment charges in Mobility Services Norway and Lithuania of SEK -5,984 million and in Broadband Services Norway of SEK -1,550 million. Restructuring charges, mainly related to staff redundancy costs, amounted to SEK -917 million (-934).

The following table presents non-recurring items for 2012 and 2011. 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	2012	2011
<b>Within EBITDA</b>	<b>-1,097</b>	<b>-41</b>
Restructuring charges, synergy implementation costs, etc.:		
Mobility Services	-228	-221
Broadband Services	-633	-575
Eurasia	-287	-19
Other operations	-147	-177
of which TeliaSonera Holding	-48	28
Capital gains/losses	198	951
<b>Within Amortization, depreciation and impairment losses</b>	<b>-7,565</b>	<b>-66</b>
Impairment losses, accelerated depreciation:		
Mobility Services	-5,984	-
Broadband Services	-1,555	-66
Other operations	-26	-
<b>Within Income from associated companies</b>	<b>8,380</b>	<b>-63</b>
Impairment losses	-	-63
Capital gains/losses	8,380	-
<b>Within Financial net</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>-282</b>	<b>-170</b>

**Earnings**

EBITDA, excluding non-recurring items, decreased 3.1 percent to SEK 36,059 million (37,222). The decrease in local currencies and excluding acquisitions was 2.4 percent. The main reasons were loss of high-margin service revenue in Mobility Services and net sales volume decrease in Broadband Services, partly offset by the net sales increase in Eurasia. The EBITDA margin declined to 34.4 percent (35.5).

EBITDA excluding non-recurring items SEK in millions	2012	2011	Change (SEK million)	Change (%)
Mobility Services	14,689	16,053	-1,364	-8.5
Broadband Services	10,953	11,961	-1,008	-8.4
Eurasia	9,976	8,850	1,126	12.7
Other operations	451	397	54	13.6
Eliminations	-10	-39	29	-74.4
<b>Group</b>	<b>36,059</b>	<b>37,222</b>	<b>-1,163</b>	<b>-3.1</b>

Operating income, excluding non-recurring items, decreased 4.4 percent to SEK 28,570 million (29,889) mainly due to the EBITDA drop and lower income from associated companies which, excluding non-recurring items, decreased 6.4 percent to SEK 5,488 million (5,864). Income from associates was negatively impacted by currency fluctuations, while higher underlying results from operations in Turkcell compensated for the negative effects of a changed capital structure and lower effective ownership in MegaFon. The operating margin, excluding non-recurring items, decreased to 27.2 percent (28.5).

Operating income excluding non-recurring items SEK in millions	2012	2011	Change (SEK million)	Change (%)
Mobility Services	10,400	11,322	-922	-8.1
Broadband Services	6,191	7,168	-977	-13.6
Eurasia	12,340	11,842	498	4.2
Other operations	-351	-408	57	14.0
Eliminations	-10	-35	25	71.4
<b>Group</b>	<b>28,570</b>	<b>29,889</b>	<b>-1,319</b>	<b>-4.4</b>

**Financial net, taxes and non-controlling interests**

Financial items totaled SEK -3,806 million (-2,848). Net interest expenses increased to SEK -3,069 million (-2,419) due to higher average indebtedness. Financial items were also negatively impacted by exchange rate effects related to the operations in Eurasia.

Income taxes decreased to SEK 3,314 million (5,753). The effective tax rate was 13.6 percent (21.4). Following the Swedish Parliament decision in November 2012 to reduce the corporate income tax in Sweden from 26.3 percent to 22.0 percent, a one-time SEK 1,225 million net release of deferred tax liabilities was recorded in the fourth quarter of 2012. The effective tax rate going forward is expected to be around 20 percent.

## > Board of Directors' Report

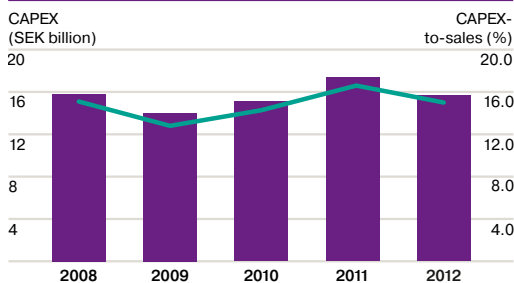
Mainly as a result of increased shareholdings in Kcell in Kazakhstan and TEO LT in Lithuania during the year, net income attributable to non-controlling interests in subsidiaries decreased to SEK 1,282 million (2,731) of which SEK 1,042 million (2,420) was related to the operations in Eurasia and SEK 197 million (262) to LMT and TEO.

Net income attributable to owners of the parent company increased 8.1 percent to SEK 19,886 million (18,388) and earnings per share to SEK 4.59 (4.21).

### CAPEX

CAPEX (capital expenditures) decreased to SEK 15,685 million (17,384) and the CAPEX-to-sales ratio to 15.0 percent (16.6). CAPEX included continued investments in network capacity, coverage and modernization, and increased investments in fiber roll-out, while investments in telecom and frequency licenses declined significantly. CAPEX, excluding license and spectrum fees, amounted to SEK 15,333 million (14,701) and the CAPEX-to-sales ratio was 14.6 percent (14.0).

### CAPEX AND CAPEX-TO-SALES

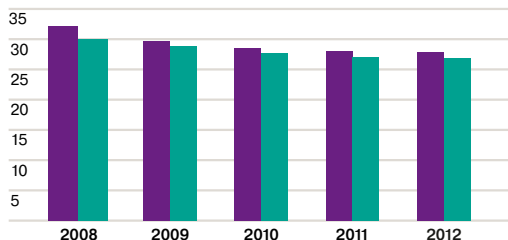


### Human resources

In 2012, the number of employees decreased 0.5 percent from 27,983 to 27,838 at year-end. Minor business combinations in 2012 added 41 employees.

### EMPLOYEES (THOUSANDS)

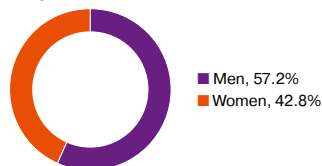
■ Headcount at year-end ■ FTEs (average)



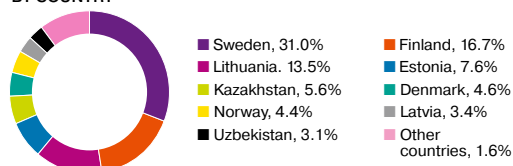
The average number of full-time employees in 2012 was 26,793 (27,005). In total, operations were conducted in 29 countries (30). See also Note C32 to the consolidated financial statements.

### 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](http://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	2012	2011	Change (SEK million)	Change (%)
Goodwill and other intangible assets	83,278	92,016	-8,738	-9.5
Property, plant and equipment	62,657	61,292	1,365	2.2
Financial assets	51,033	62,865	-11,832	-18.8
<b>Total non-current assets</b>	<b>196,968</b>	<b>216,173</b>	<b>-19,205</b>	<b>-8.9</b>
Current assets	27,568	24,079	3,489	14.5
Cash and cash equivalents	29,805	12,631	17,174	136.0
<b>Total current assets</b>	<b>57,373</b>	<b>36,710</b>	<b>20,663</b>	<b>56.3</b>
<b>Total assets</b>	<b>254,341</b>	<b>252,883</b>	<b>1,458</b>	<b>0.6</b>
Total equity	113,396	122,942	-9,546	-7.8
Borrowings	91,587	79,842	11,745	14.7
Provisions and other liabilities	49,358	50,099	-741	-1.5
<b>Total equity and liabilities</b>	<b>254,341</b>	<b>252,883</b>	<b>1,458</b>	<b>0.6</b>

Goodwill decreased by SEK 7.7 billion to SEK 69.2 billion, mainly due to impairment charges of SEK 7.5 billion related to the operations in Norway and Lithuania and negative exchange rate differences of SEK 2.1



## &gt; Board of Directors' Report

billion. Additional goodwill from business combinations was SEK 1.2 billion. Other intangible assets decreased by SEK 1.0 billion to SEK 14.1 billion. Capital expenditures (CAPEX) in other intangible assets were SEK 2.2 billion and amortization SEK 2.7 billion. Currency effects impacted negatively by SEK 0.5 billion.

Property, plant and equipment increased by SEK 1.4 billion through CAPEX of SEK 13.5 billion and decreased due to negative exchange rate differences of SEK 2.1 billion. Depreciation and impairment losses were SEK 10.3 billion.

Financial assets comprise investments in associated companies, deferred tax assets and other non-current assets. The carrying value of associated companies decreased to SEK 29.4 billion (46.3). Mainly as a result of the transactions related to OAO MegaFon in Russia, the value declined by dividends received, in total SEK 12.5 billion, and through the effects of lower effective shareholdings, totaling SEK 10.7 billion, partly offset by income from the companies of SEK 5.8 billion. Currency effects had a limited positive impact of SEK 0.4 billion.

Deferred tax assets decreased from utilization of tax losses and deferred tax liabilities (included in Provisions) declined as a result of the transactions related to MegaFon. The enacted Swedish corporate income tax rate cut as of 2013 resulted in a one-off net release of deferred tax liabilities of SEK 1.2 billion. All in all, the net deferred tax liability of SEK 5.3 billion in 2011 decreased to SEK 4.0 billion at year-end 2012.

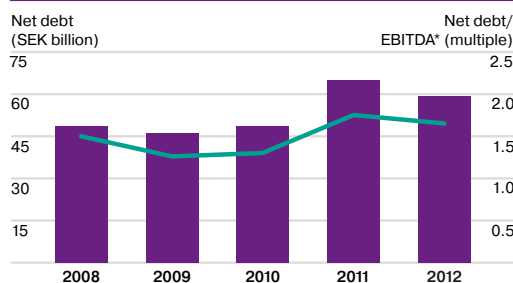
Other non-current assets include a SEK 5,675 million (0) receivable on AF Telecom, representing the not yet paid consideration for the sale of shares in the associated company OAO Telecominvest in Russia. The current portion of the not yet paid consideration was SEK 1,884 million (0).

Net working capital (inventories and non-interest-bearing receivables, less non-interest-bearing liabilities and excluding foreign exchange rate derivatives and accrued interest) was SEK 0.1 billion (-0.2).

Total equity declined 7.8 percent to SEK 113.4 billion (122.9). Shareholders' equity decreased to SEK 109.4 billion (115.6), positively impacted by net income of SEK 19.9 billion (18.3) and negatively by dividends of SEK 12.3 billion (12.3), the effects of transactions with other owners in subsidiaries and associated companies totaling SEK 11.0 billion (0) and negative exchange rate differences of SEK 2.6 billion (5.2). Equity attributable to non-controlling interests decreased to SEK 4.0 billion (7.4), impacted by the effects of increased shareholdings in Kcell in Kazakhstan and TEO LT in Lithuania. Dividends to non-controlling interests were SEK 3.1 billion (2.0).

Total gross borrowings increased, with a shift towards long-term borrowings totaling SEK 82.2 billion (68.1). Short-term borrowings were SEK 9.4 billion (11.7). Positively impacted by proceeds from the MegaFon-related transactions, cash and cash equivalents more than doubled, ending at SEK 29.8 billion. As a result, net debt decreased from SEK 65.0 billion to SEK 59.4 billion.

## NET DEBT AND NET DEBT/EBITDA



The equity/assets ratio, adjusted for the proposed dividend, decreased to 39.7 percent (43.7). The net debt/EBITDA rate decreased to 1.65 (1.75), at the low end of TeliaSonera's target range which is between 1.5 and 2.0. The net debt/equity ratio was unchanged at 58.8 percent.

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

## Pension obligations

As of 2013, TeliaSonera's accounting for pension obligations will change following the implementation of certain IFRS amendments (IAS 19). Among a number of changes impacting TeliaSonera, the most significant is the elimination of the "corridor approach." As a result, historical accumulated actuarial gains and losses will increase recognized pension liabilities and decrease shareholders' equity. Future re-measurements (including actuarial gains and losses) will not be deferred, but immediately impact shareholders' equity through other comprehensive income (OCI). Further, the expected return on plan assets affecting net income should not be assessed separately, but equal the rate used to discount pension obligations. As of 2013, TeliaSonera has chosen to classify these interest components as financial items in the statement of comprehensive income. In summary, the estimated impact of applying the provisions of the revised IAS 19 already in 2012 was as follows.

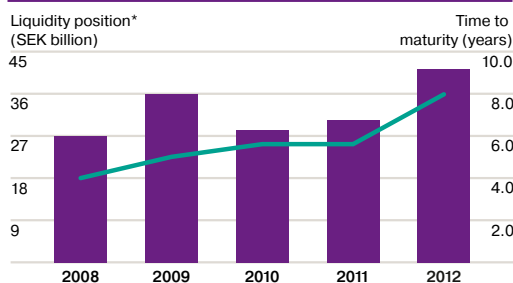
Consolidated Statements of Comprehensive Income SEK in millions	Change, Jan-Dec 2012
EBITDA excluding non-recurring items	112
Operating income	112
Income after financial items	0
Net income	0
Other comprehensive income	-1,274
Total comprehensive income	-1,274
Attributable to owners of the parent:	
Net income	0
Total comprehensive income	-1,274

## &gt; Board of Directors' Report

Consolidated Statements of Financial Position SEK in millions	Change, Dec 31, 2012
Non-current assets	-1,286
<b>Total assets</b>	<b>-1,286</b>
Total equity	-4,281
Attributable to owners of the parent	-4,281
Non-current liabilities	3,023
Current liabilities	-28
<b>Total equity and liabilities</b>	<b>-1,286</b>

**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 30.0 billion (12.7). 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 11.3 billion (17.7).

**LIQUIDITY POSITION AND TIME TO MATURITY OF THE DEBT PORTFOLIO**

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

TeliaSonera retained its good credit ratings. In the spring, Moody's Investors Service changed the outlook from negative back to stable for its credit rating on TeliaSonera AB of A3 for long-term borrowings and Prime-2 for short-term borrowings. Standard & Poor's Ratings Services confirmed its rating of A- for long-term borrowings and A2 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 C21 and C27 to the consolidated financial statements. In 2012, TeliaSonera AB issued some SEK 19.9 billion equivalent in the debt capital markets under its EMTN (Euro Medium Term Note) program. Most of the new funding was denominated in EUR and GBP and most of it was issued on a long-term basis. At year-end, the average time to maturity of TeliaSonera AB's overall debt portfolio was approximately 7.9 years.

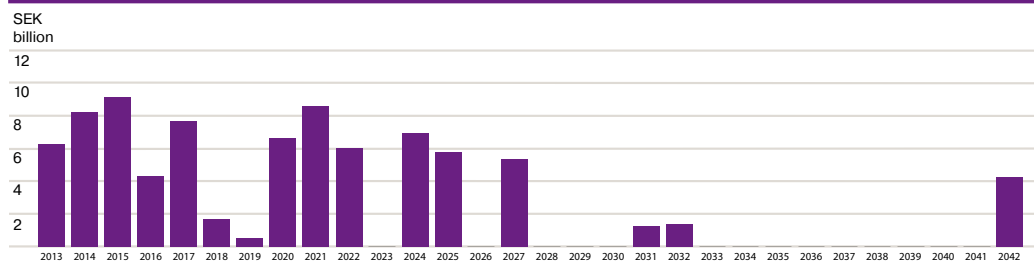
At the end of 2012, TeliaSonera AB had no Commercial Papers outstanding.

**Cash flow**

Transactions related to the associated company OAO MegaFon contributed to a more than doubled free cash flow generation in 2012 compared to the previous year.

Cash flow SEK in millions	2012	2011	Change (SEK million)	Change (%)
Cash flow from operating activities	38,879	26,950	11,929	44.3
Cash CAPEX	-15,139	-17,535	2,396	-13.7
<b>Free cash flow</b>	<b>23,740</b>	<b>9,415</b>	<b>14,325</b>	<b>152.2</b>
Cash flow from other investing activities	8,780	1,568	7,212	
<b>Cash flow before financing activities</b>	<b>32,520</b>	<b>10,983</b>	<b>21,537</b>	<b>196.1</b>
Cash flow from financing activities	-15,231	-13,295	-1,936	14.6
<b>Cash and cash equivalents, opening balance</b>	<b>12,631</b>	<b>15,369</b>	<b>-2,738</b>	<b>-17.8</b>
<b>Net cash flow for the period</b>	<b>17,289</b>	<b>-2,312</b>	<b>19,601</b>	
Exchange rate differences	-115	-426	311	-73.0
<b>Cash and cash equivalents, closing balance</b>	<b>29,805</b>	<b>12,631</b>	<b>17,174</b>	<b>136.0</b>

Cash flow from operating activities increased significantly to SEK 38.9 billion (27.0), primarily driven by dividends from associated companies increasing to SEK 12.5 billion (0.1), of which MegaFon contributing SEK 11.7 billion net of taxes (0). Lower cash inflow from underlying operations was compensated for mainly by lower tax payments and a positive impact from changes in working capital. However, cash flow from changes in working capital remained negative at SEK -1.2 billion (-1.8).

**DEBT PORTFOLIO MATURITY SCHEDULE – 2013 AND ONWARDS**



> Board of Directors' Report

Cash CAPEX (cash used in capital expenditures) decreased by SEK 2.4 billion or 13.7 percent, primarily due to lower investments in telecom and frequency licenses. As a result, free cash flow (cash flow from operating activities less capital expenditures) increased to a total of SEK 23.7 billion (9.4).

Cash flow from other investing activities, totaling SEK 8.8 billion (1.6), consists of acquisitions and divestments, changes in loans receivable and in short term investments, and repayments from or additional contributions to pension funds. The improvement in 2012 was mainly due to the MegaFon-related transactions, generating proceeds totaling SEK 9.2 billion from the divestment of the shares in OAO Telecominvest in April and from the reduction in ownership to 25.2 percent (35.6) in the November IPO. Cash paid for acquisitions was SEK 0.6 billion (0.3), and net cash used for granting loans was SEK 0.2 billion (0.5).

Cash outflow from financing activities in 2012, totaling SEK 15.2 billion (13.3), included dividends paid to shareholders of the parent company of SEK 12.3 billion (12.3) and to non-controlling interests of SEK 3.9 billion (2.5). Transactions with non-controlling interests in 2012 resulted in a net outflow of SEK 8.8 billion, of which the transactions related to Kcell in Kazakhstan, i.e. acquisition of 49 percent in January and divestment of 25 percent in the December IPO, and to TEO LT in Lithuania net totaled SEK 7.9 billion. Net inflow from new borrowings was SEK 11.9 billion (12.5). In 2011, payment for repurchased treasury shares had a negative impact of SEK 10.0 billion.

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

### Outlook for 2013

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

The EBITDA margin, excluding non-recurring items, is expected to increase slightly compared to last year (2012: 34.4 percent).

The CAPEX-to-sales ratio is expected to be approximately 14 percent, excluding license and spectrum fees (2012: 14.6 percent).

### Efficiency Measures

As announced in the third quarter of 2012, efficiency measures including personnel reductions net of 2,000 employees, will lower the cost base by SEK 2 billion net over the coming two years, of which approximately SEK 0.2 billion was recorded in the fourth quarter of 2012.

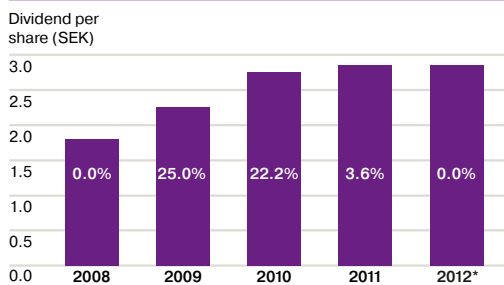
In 2013, the addressable cost base, excluding Mobility Services Spain, is expected to be reduced to SEK 26.3 billion in local currencies and excluding acquisitions (addressable cost base excluding Mobility Services Spain 2012: SEK 27.1 billion). In 2014, it will be lowered to SEK 25.3 billion.

During 2013, 1,800 employees in the Nordics and Baltics will be effected (total number of employees 2012: 27,838 of which 22,537 in the Nordics and Baltics). These efficiency measures will be completed by early 2014 at the latest. Total cost for these reductions in 2013 is estimated to SEK 1.7 billion. At the same time, TeliaSonera sees a need to recruit new competence.

### Ordinary Dividend to Shareholders

For 2012, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 2.85 (2.85) per share, totaling SEK 12,341 million (12,341), or 62 percent (68) of net income attributable to owners of the parent company.

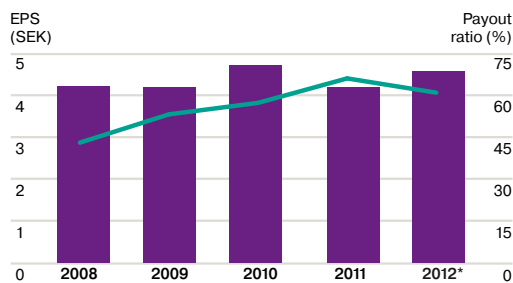
ORDINARY DIVIDEND PER SHARE AND  
CHANGE YEAR-ON-YEAR (%)



\* For 2012 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 3, 2013, and that the first day of trading in shares excluding rights to dividend be set for April 4, 2013. The recommended record date at Euroclear Sweden for the right to receive dividend will be April 8, 2013. If the AGM votes to approve the Board's proposals, the dividend is expected to be distributed by Euroclear Sweden on April 11, 2013.

## EARNINGS PER SHARE (EPS) AND PAY-OUT RATIO



\* Pay-out ratio for 2012 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 Chapter 18 Section 4 of the Swedish Companies Act, to assess whether the proposed dividend is justified. The Board of Directors assesses that:

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

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

AGM related documents are available at:  
[www.teliaSonera.com/AGM](http://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 TeliaSonera with an additional instrument to adjust the company's capital structure, the Board of Directors proposes that the Annual General Meeting resolve to authorize the Board of Directors to repurchase a maximum of 10 percent of the company's total number of outstanding shares, with the intention of cancelling repurchased shares.

## TeliaSonera Share

The TeliaSonera share is listed on NASDAQ OMX Stockholm and Helsinki. In 2012, the share price in Stockholm declined 5.8 percent, to SEK 44.06. During the same period, the OMX Stockholm 30 Index rose 11.8 percent and the STOXX 600 Telecommunications Index declined 10.7 percent.

At year-end 2012, TeliaSonera's market capitalization was SEK 190.8 billion. Besides NASDAQ OMX Stockholm and Helsinki, the share was traded at other platforms with the major trading volumes at BATS Chi-X CXE and Boat xoff.

Holdings outside Sweden and Finland increased from 18.2 percent to 22.4 percent and TeliaSonera had 553,631 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 11.7 percent.

## SHAREHOLDER STRUCTURE, DECEMBER 31, 2012

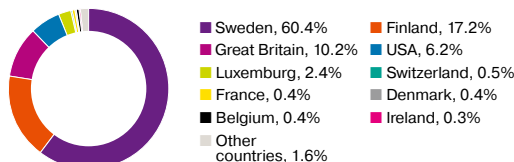
	Number of shareholders	Number of outstanding shares	Percent of outstanding shares/votes
1 – 500	469,342	84,165,974	1.94
501 – 1,000	34,467	27,049,872	0.62
1,001 – 5,000	40,247	89,905,319	2.08
5,001 – 10,000	5,002	37,015,995	0.85
10,001 – 15,000	1,398	17,363,896	0.40
15,001 – 20,000	752	13,661,566	0.32
20,001 –	2,423	4,060,922,159	93.78
<b>Total</b>	<b>553,631</b>	<b>4,330,084,781</b>	<b>100.00</b>

## MAJOR SHAREHOLDERS, DECEMBER 31, 2012

Shareholder	Number of outstanding shares	Percent of outstanding shares/votes
Swedish State	1,614,513,748	37.3
Finnish State	505,123,642	11.7
Capital Group Funds	153,876,977	3.6
Alecta	112,272,322	2.6
Swedbank Robur Funds	111,387,612	2.6
AMF Insurance & Funds	80,445,164	1.9
SHB Funds	53,624,855	1.2
SEB Funds	51,063,691	1.2
Fourth Swedish National Pension Fund	45,541,893	1.1
Bank of Norway Investment Management	33,957,410	0.8
Total other shareholders	1,568,277,487	36.0
<b>Total outstanding shares</b>	<b>4,330,084,781</b>	<b>100.0</b>

## &gt; Board of Directors' Report

## MAJOR SHAREHOLDER COUNTRIES BY NUMBER OF SHARES, DECEMBER 31, 2012



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

Share data	2012	2011
Paid at year-end (SEK)	44.06	46.77
Highest paid during the year (SEK)	49.33	55.70
Lowest paid during the year (SEK)	41.43	40.60
Number of shares at year-end (millions)	4,330.1	4,330.1
Number of shareholders at year-end	553,631	580,076
Earnings per share (SEK)	4.59	4.21
Dividend per share (SEK) <sup>1</sup>	2.85	2.85
Pay-out ratio (%) <sup>1</sup>	62	68
Equity per share (SEK)	25.27	26.69

<sup>1</sup> For 2012 as proposed by the Board of Directors  
Sources: Euroclear Sweden and SIS Ågarservice

As of December 31, 2012, 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, 2012, 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.

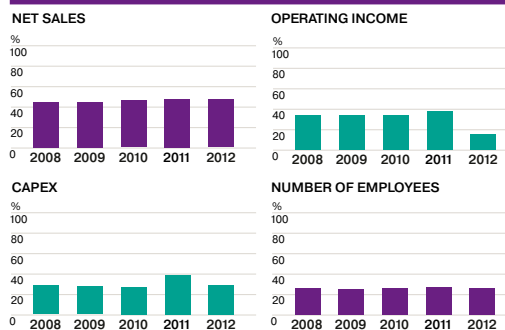
These clauses generally also contain other conditions including, for example, that the change of control has to cause a negative change in TeliaSonera's credit rating in order to be effective.

## Business Area Development in 2012

## Always being online drives increase of mobile data within Mobility Services

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

## SHARE OF GROUP TOTAL (%)



SEK in millions, except margins, operational data and changes	2012	2011	Change (%)
Net sales	50,637	51,556	-1.8
EBITDA excl. non-recurring items	14,689	16,053	-8.5
Margin (%)	29.0	31.1	
Operating income	4,200	11,122	-62.2
Operating income excl. non-recurring items	10,400	11,322	-8.1
CAPEX	4,496	6,742	-33.3
Subscriptions, period-end (thousands)	20,537	19,520	5.2
Employees, period-end	7,245	7,456	-2.8

Additional (unaudited) segment information available at [www.teliaSonera.com](http://www.teliaSonera.com); see also section "Group Development in 2012" for information on restated financial information

## Market development

The year was characterized by a continuous increase in data traffic. Customer demand for bandwidth appears to be unlimited. At the same time, the willingness to pay for voice traffic is decreasing and the whole industry is struggling with the challenge to capitalize from the increase in data traffic to compensate for lost voice revenue. During the year, 4G was established as one of the key enablers to allow data growth to continue

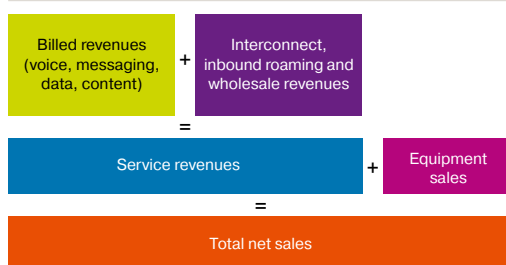
> Board of Directors' Report

while maintaining a pleasant customer experience with sufficient data speed. Price wars occurred in several markets during the year, putting pressure on margins.

After the successful launch of 4G tablets before Christmas 2011, the first 4G smartphone from Samsung was launched in February 2012. At the end of the year, in Sweden, 4G handsets represented around 10 percent of all handsets sold.

In the second quarter of 2012, TT-Netværket, the network-sharing joint venture with Telenor was established in Denmark and secured 800 MHz frequencies which will allow further roll-out of the 4G network.

### Net sales



Net sales in local currencies and excluding acquisitions were unchanged. In reported currency, net sales decreased 1.8 percent to SEK 50,637 million (51,556). The negative effect of exchange rate fluctuations was 1.9 percent. The number of subscriptions increased 5.2 percent and passed 20 million while prices generally declined, leaving billed revenues more or less flat (+0.5 percent). Also interconnect rate reductions contributed to the net sales decrease.

Only the operations in Sweden and Spain grew during the year. In Sweden, growth came from both service revenues and equipment sales. Data volume conversion to revenues was in decline during the year but stabilized towards the end of the year.

Strong net intake of 668,000 subscriptions, an increase in the subscriber base of 22.0 percent, generated growth in Spain. Market conditions in Denmark continued to be challenging and although the subscriber base increased, an ARPU decline caused falling net sales.

### Earnings

EBITDA, excluding non-recurring items, decreased 7.4 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, declined 8.5 percent to SEK 14,689 million (16,053). The EBITDA margin decreased to 29.0 percent (31.1).

The EBITDA decline was strongest in Finland and Norway, where both markets saw falling service revenue volumes. In Finland, the service margin was strengthened whereas in Norway, also the service mar-

gin declined however compensated for by decreasing addressable costs. Spain continued to improve both gross margin and EBITDA. Denmark had a challenging year with net sales losses which was compensated for by improved equipment margins and reduced addressable costs, but still the EBITDA development was negative.

Operating income, excluding non-recurring items, declined to SEK 10,400 million (11,322), mainly due to the negative EBITDA development. Amortization and depreciation was lower than previous year in Norway and the Baltic countries, as investment levels were adjusted to the deteriorating market conditions.

Non-recurring items amounted to SEK -6,200 million (-200), primarily comprising goodwill impairment charges in the Norwegian operations related to the substantial goodwill amount originating from the acquisition of NetCom ASA in 2000, and the current assessment of the achievable long-term return on investment. Towards the end of the year, non-recurring charges related to the cost savings program increased.

### CAPEX

CAPEX decreased to SEK 4,496 million (6,742) and the CAPEX-to-sales ratio to 8.9 percent (13.1). CAPEX, excluding licenses and spectrum fees, amounted to SEK 4,397 million (4,468) and the CAPEX-to-sales was flat at 8.7 percent (8.7). Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 10,193 million (9,311).

SEK in millions, except margins and changes	2012	2011	Change (%)
Net sales	50,637	51,556	-1.8
of which Sweden	17,297	16,695	3.6
of which Finland	8,173	8,885	-8.0
of which Norway	7,582	8,261	-8.2
of which Denmark	4,835	5,525	-12.5
of which Lithuania	1,277	1,451	-12.0
of which Latvia	1,608	1,722	-6.6
of which Estonia	1,515	1,608	-5.8
of which Spain	8,382	7,451	12.5
EBITDA excl. non-recurring items	14,689	16,053	-8.5
of which Sweden	7,367	7,545	-2.4
of which Finland	2,438	2,843	-14.2
of which Norway	2,409	2,891	-16.7
of which Denmark	549	744	-26.2
of which Lithuania	339	405	-16.3
of which Latvia	543	653	-16.8
of which Estonia	417	553	-24.6
of which Spain	627	420	49.3
Margin (%), total	29.0	31.1	
Margin (%), Sweden	42.6	45.2	
Margin (%), Finland	29.8	32.0	
Margin (%), Norway	31.8	35.0	
Margin (%), Denmark	11.4	13.5	
Margin (%), Lithuania	26.5	27.9	
Margin (%), Latvia	33.8	37.9	
Margin (%), Estonia	27.5	34.4	
Margin (%), Spain	7.5	5.6	

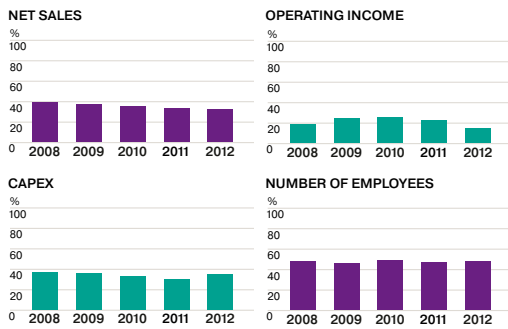
## &gt; Board of Directors' Report

Net sales in local currencies and excluding acquisitions	2012
Change (%), total	0.1
Change (%), Sweden	3.6
Change (%), Finland	-4.1
Change (%), Norway	-8.6
Change (%), Denmark	-9.2
Change (%), Lithuania	-8.6
Change (%), Latvia	-4.3
Change (%), Estonia	-2.1
Change (%), Spain	16.9

### Fiber roll-out is gaining momentum 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, Norway, Denmark, Lithuania, Latvia (49 percent), Estonia and international carrier operations.

#### SHARE OF GROUP TOTAL (%)



SEK in millions, except margins, operational data and changes	2012	2011	Change (%)
Net sales	35,723	36,677	-2.6
EBITDA excl. non-recurring items	10,953	11,961	-8.4
Margin (%)	30.7	32.6	
Operating income	4,003	6,582	-39.2
Operating income excl. non-recurring items	6,191	7,168	-13.6
CAPEX	5,445	5,263	3.5
Subscriptions, period-end (thousands)			
Broadband	2,532	2,481	2.1
Fixed voice and VoIP	4,269	4,805	-11.2
TV	1,332	1,177	13.2
Employees, period-end	13,277	13,071	1.6

Additional (unaudited) segment information available at [www.teliaSonera.com](http://www.teliaSonera.com); see also section "Group Development in 2012" for information on restated financial information.

### Market development

Customers continue to move from traditional to IP-based services and during the year, revenues from IP services surpassed traditional revenues. In Sweden, TV ARPU (average revenue per user) and broadband ARPU increased more than 5 percent in 2012.

In August, TeliaSonera and Samsung launched a Smart TV solution, unique in terms of easy to use and customer friendly, as it does not require any external set-top-box. The Smart TV solution was launched in Estonia in late 2012 and will be launched in Sweden and Finland during 2013. In 2012, TeliaSonera also signed an agreement with HBO Nordic enabling TeliaSonera's TV customers to see a number of the world's best TV series the day after the US premiere of each episode. At year-end, half of TeliaSonera's Swedish consumer broadband customers were also using the TV service.

TeliaSonera continues to invest in fiber network roll-out, and during the year almost 200,000 new homes were connected to the fiber network. In Sweden, four out of ten single-dwelling households being offered TeliaSonera's services sign up for them. Roll-out will be selective to ensure a good return on investment. By the end of 2014, TeliaSonera aims to expand the coverage by fiber to 2.3 million connected homes in the Nordic and Baltic countries, of which almost 1 million in Sweden. Currently, the average TeliaSonera fiber customer in Sweden uses two services.

In December, TeliaSonera decided that its subsidiary in Norway, NextGenTel, did not constitute the appropriate platform to compete successfully in the Norwegian broadband market and that other parts of the business would be prioritized. As a result of the divestment, TeliaSonera recognized a goodwill write-down of SEK 1.6 billion in the fourth quarter of 2012.

### Net sales

Net sales in local currencies and excluding acquisitions decreased 1.7 percent. In reported currency, net sales decreased 2.6 percent to SEK 35,723 million (36,677). The negative effect of exchange rate fluctuations was 1.1 percent and the positive effect of acquisitions and disposals was 0.2 percent.

The number of broadband subscriptions rose above 2.5 million, an increase of 51,000 during the year. The change in mix from traditional services to IP based services results in both net sales and margin pressure. Sweden and Finland stand for the largest part of the decline. The number of TV subscriptions increased by 155,000 to 1.3 million, of which 0.6 million in Sweden. Total fixed-voice subscriptions decreased by 673,000 to 3.6 million, offset by an increase of VoIP subscriptions of 137,000, to 0.7 million.

## &gt; Board of Directors' Report

**Earnings**

EBITDA, excluding non-recurring items, decreased 7.8 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, declined 8.4 percent to SEK 10,953 million (11,961). The EBITDA margin decreased to 30.7 percent (32.6).

The EBITDA decline was strongest in Sweden, down by 8.9 percent, as the net sales and gross margin decrease following the unfavorable product mix shift could not be met by lower addressable costs. In local currency excluding acquisitions, Norway, Denmark, Lithuania and International Carrier managed to improve EBITDA. Finland lost 14.3 percent of the 2011 EBITDA as a consequence of both lower net sales and lower gross margins.

Operating income decreased to SEK 4,003 million (6,582). A large part of the decline was caused by the write-down of goodwill related to NextGenTel. Operating income, excluding non-recurring items, was SEK 6,191 million (7,168), in line with the EBITDA decline. Due to the fiber investments, amortization and depreciation was slightly higher than previous year.

**CAPEX**

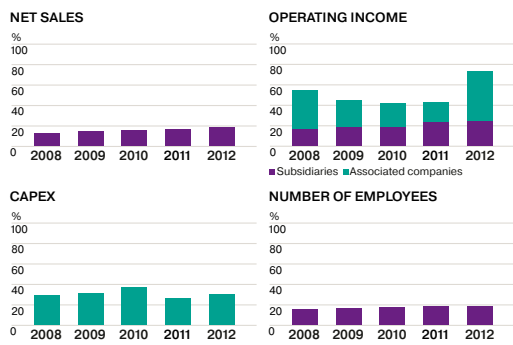
CAPEX increased to SEK 5,445 million (5,263) and the CAPEX-to-sales ratio increased to 15.2 percent (14.3). About SEK 1.7 billion was spent on fiber investments. Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, decreased to SEK 5,508 million (6,698).

SEK in millions, except margins and changes	2012	2011	Change (%)
Net sales	35,723	36,677	-2.6
of which Sweden	20,043	20,767	-3.5
of which Finland	5,584	6,055	-7.8
of which Norway	1,083	1,063	1.9
of which Denmark	1,092	1,150	-5.0
of which Lithuania	1,915	1,962	-2.4
of which Estonia	1,761	1,903	-7.5
of which International Carrier	5,388	5,036	7.0
EBITDA excl. non-recurring items	10,953	11,961	-8.4
of which Sweden	7,715	8,473	-8.9
of which Finland	1,336	1,608	-16.9
of which Norway	183	174	5.2
of which Denmark	125	83	50.6
of which Lithuania	774	791	-2.1
of which Estonia	463	539	-14.1
of which International Carrier	357	293	21.8
Margin (%), total	30.7	32.6	
Margin (%), Sweden	38.5	40.8	
Margin (%), Finland	23.9	26.6	
Margin (%), Norway	16.9	16.4	
Margin (%), Denmark	11.4	7.2	
Margin (%), Lithuania	40.4	40.3	
Margin (%), Estonia	26.3	28.3	
Margin (%), International Carrier	6.6	5.8	

Net sales in local currencies and excluding acquisitions	2012
Change (%), total	-1.7
Change (%), Sweden	-3.7
Change (%), Finland	-4.4
Change (%), Norway	1.5
Change (%), Denmark	-1.4
Change (%), Lithuania	1.4
Change (%), Estonia	-3.9
Change (%), International Carrier	6.8

**All countries delivering positive growth within Eurasia**

**Business area Eurasia** comprises mobile operations in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova and Nepal. The business area is also responsible for developing TeliaSonera's shareholding in Russian MegaFon (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	2012	2011	Change (%)
Net sales	19,731	17,330	13.9
EBITDA excl. non-recurring items	9,976	8,850	12.7
Margin (%)	50.6	51.1	
Income from associated companies	13,815	5,828	137.0
Russia	11,542	4,504	156.3
Turkey	2,280	1,331	71.3
Operating income	20,629	12,593	63.8
Operating income excl. non-recurring items	12,340	11,842	4.2
CAPEX	4,739	4,538	4.4
Subscriptions, period-end (thousands)			
Subsidiaries	42,535	34,840	22.1
Associated companies	110,700	104,325	6.1
Employees, period-end	4,980	4,994	-0.3

Additional (unaudited) segment information available at [www.teliaSonera.com](http://www.teliaSonera.com); see also section "Group Development in 2012" for information on restated financial information.



**Market development**

The number of subscriptions in the consolidated operations reached 40 million during the third quarter 2012. All markets grew in local currencies.

In order to meet the increasing demand for mobile data services in Kazakhstan, TeliaSonera signed an agreement to acquire valuable frequencies in the 2.5/2.6 GHz band, which are compatible for use with WiMax and other mobile data transmission technologies, during the fourth quarter. In addition, TeliaSonera agreed to make an indirect minority investment in KazTransCom, a listed company that owns, among other businesses, a fiber optics network in Kazakhstan.

The market conditions in Uzbekistan changed significantly during the second half of the year. The competitor MTS lost its license which caused a massive inflow of former MTS customers, both to Ucell and to the other remaining player. It is unclear for how long these market conditions will be maintained.

As expected, mobile data growth has continued at a high rate. During the year, data revenues increased 46 percent and data volumes by some 300 percent.

**Net sales**

Net sales in local currencies and excluding acquisitions increased 13.5 percent. In reported currency, net sales increased 13.9 percent to SEK 19,731 million (17,330). The positive effect of exchange rate fluctuations was 0.4 percent.

In Kazakhstan, the largest market in the business area, sales increased by 1.8 percent in local currency. Growth was generated by continued strong increase in the subscriber base by 2.6 million to 13.5 million and increased usage. The reduction in average revenue per user as a result of price pressure on voice and data services was compensated for by the increase in subscriptions and a 38 percent growth in minutes of use. The main three mobile operators in Kazakhstan have agreed on a 15 percent annual reduction in interconnect prices for the coming three years.

In Azerbaijan, net sales increased 9.4 percent in local currency despite relatively small growth in the customer base as minutes of use increased 36 percent. Azericell has successfully launched several new offers to promote and increase mobile data penetration and data revenues represented 9 percent of total revenues in the fourth quarter.

In Uzbekistan, the new market situation where the competitor MTS lost its license resulted in high inflow of new customers during the second half of the year. Revenue grew 44.1 percent in local currency, as customer growth was 23 percent and average revenue per user increased at the same time.

In Nepal, net sales in local currency increased 51.3 percent to the equivalent of SEK 2,716 million (1,916) as a result of the higher subscription base which increased 32 percent and an increase in average revenue per user.

**Earnings**

EBITDA, excluding non-recurring items, increased 12.7 percent in local currencies and excluding acquisitions. In reported currency, EBITDA, excluding non-recurring items, increased 12.7 percent to SEK 9,976 million (8,850). The EBITDA margin was 50.6 percent (51.1). The growth in EBITDA, in local currencies, was mainly driven by increased net sales in Azerbaijan, Uzbekistan and Nepal. In Kazakhstan, gross margin was under pressure due to high interconnect costs. Uzbekistan and Nepal were negatively impacted by taxes and fees introduced during the year.

Operating income, excluding non-recurring items, increased to SEK 12,340 million (11,842). The EBITDA improvement was offset by increased amortization and depreciation, mainly in Azerbaijan and Uzbekistan. Income from associates decreased, mainly due to lower income from MegaFon as a consequence of the changed capital structure of the company and currency effects, in combination with reduced ownership. Turkcell showed steady improvement.

Non-recurring items totaled SEK 8,289 million (750), of which SEK 8,391 million related to the MegaFon transactions during the year.

**CAPEX**

CAPEX increased to SEK 4,739 million (4,538) and the CAPEX-to-sales ratio decreased to 24.0 percent (26.2). CAPEX, excluding licenses and spectrum fees, was SEK 4,486 million (4,129) and the CAPEX-to-sales ratio 22.7 percent (23.8). CAPEX was used to improve capacity and coverage, and particularly to support the rapid growth in Uzbekistan and Nepal. Cash flow, measured as EBITDA, excluding non-recurring items, minus CAPEX, increased to SEK 5,237 million (4,312).

SEK in millions, except margins and changes	2012	2011	Change (%)
Net sales	19,731	17,330	13.9
of which Kazakhstan	8,256	7,913	4.3
of which Azerbaijan	3,934	3,449	14.1
of which Uzbekistan	2,369	1,738	36.3
of which Tajikistan	927	834	11.2
of which Georgia	1,011	926	9.2
of which Moldova	536	518	3.5
of which Nepal	2,716	1,960	38.6
EBITDA excl. non-recurring items	9,976	8,850	12.7
of which Kazakhstan	4,602	4,687	-1.8
of which Azerbaijan	1,964	1,682	16.8
of which Uzbekistan	904	688	31.4
of which Tajikistan	470	384	22.4
of which Georgia	397	362	9.7
of which Moldova	193	179	7.8
of which Nepal	1,614	1,084	48.9
Margin (%), total	50.6	51.1	
Margin (%), Kazakhstan	55.7	59.2	
Margin (%), Azerbaijan	49.9	48.8	
Margin (%), Uzbekistan	38.2	39.6	
Margin (%), Tajikistan	50.7	46.0	
Margin (%), Georgia	39.3	39.1	
Margin (%), Moldova	36.0	34.6	
Margin (%), Nepal	59.4	55.3	

## &gt; Board of Directors' Report

Net sales in local currencies and excluding acquisitions	2012
Change (%), total	13.5
Change (%), Kazakhstan	1.8
Change (%), Azerbaijan	9.4
Change (%), Uzbekistan	44.1
Change (%), Tajikistan	8.8
Change (%), Georgia	3.0
Change (%), Moldova	2.9
Change (%), Nepal	51.3

**Associated companies – Russia**

MegaFon (associated company, in which TeliaSonera holds 25.2 percent and consolidates 27.6 percent, reported with a one-quarter lag since the fourth quarter of 2012; historical figures have been restated) in Russia reported a subscription base of 64.8 million, an increase of 4.2 million.

TeliaSonera's income from Russia increased to SEK 11,542 million (4,504), including net capital gains of SEK 8,391 million. Excluding capital gains, TeliaSonera's income from Russia decreased to SEK 3,151 million (4,504), negatively affected by a changed capital structure and lower effective ownership. The Russian ruble depreciated 2.7 percent against the Swedish krona, which had a negative impact of SEK 85 million.

**Associated companies – Turkey**

Turkcell (associated company, in which TeliaSonera holds 38.0 percent, reported with a one-quarter lag) in Turkey reported a subscription base of 35.2 million, an increase of 0.8 million. In Ukraine, the number of subscriptions increased by 1.4 million to 10.7 million.

TeliaSonera's income from Turkey increased to SEK 2,280 million (1,331). The Turkish lira depreciated 9.1 percent against the Swedish krona, which had a negative impact of SEK 209 million.

As in the previous year, no dividend from Turkcell was decided and paid in 2012.

**Other operations**

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

SEK in millions, except changes	2012	2011	Change (%)
Net sales	3,799	3,992	-4.8
EBITDA excl. non-recurring items	451	397	13.6
Income from associated companies	-50	-114	56.1
Operating income	-534	-541	1.3
Operating income excl. non-recurring items	-351	-408	14.0
CAPEX	1,014	842	20.4

Additional (unaudited) segment information available at [www.teliaSonera.com](http://www.teliaSonera.com); see also section "Group Development in 2012" for information on restated financial information

Net sales in local currencies and excluding acquisitions and divestments decreased 3.3 percent, mainly as a result of winding-up the retail chain Veikon Kone. In reported currency, net sales decreased to SEK 3,799 million (3,992).

EBITDA, excluding non-recurring items increased to SEK 451 million (397) mainly driven by improvements in the customer financing operation TeliaSonera Finans.

Income from associated companies increased to SEK -50 million (-114). 2011 was impacted by a SEK 63 million impairment charge.

Operating income was SEK -534 million (-541). The improvement in EBITDA excluding non-recurring items was neutralized by restructuring charges and write-downs in connection with winding-up Veikon Kone.

**Acquisitions and Divestitures**

Date	Country	Comments
February/- December 2012	Kazakhstan	On February 1, TeliaSonera completed the first phase of its previously announced transaction to increase its ownership in Kcell (then TOO GSM Kazakhstan, later converted to AO Kcell), by acquiring a 49 percent stake in the company from Kazakhtelecom at a purchase price of USD 1,519 million (approximately SEK 10.5 billion). TeliaSonera further agreed to sell 25 percent of the shares in Kcell in an Initial Public Offering (IPO). On December 12, TeliaSonera confirmed the IPO of Kcell and received USD 525 million (approximately SEK 3.5 billion) in proceeds from the offering. TeliaSonera now holds a direct and indirect interest of 61.9 percent (37.9) in Kcell.
February 29, 2012	Sweden	TeliaSonera acquired all shares in Svenska Stadsnät AB, a company providing fiber capacity to municipalities, companies and households.
April 5, 2012	Cambodia/ Nepal	TeliaSonera announced that it had sold its 18.6 percent stake in Smart Mobile (Latelz Co. Ltd.) in Cambodia, and entered into an agreement in order to further increase its ownership in Ncell Pvt. Ltd. in Nepal.
April/ November 2012	Russia	On April 24, TeliaSonera announced that OAO MegaFon's shareholders, TeliaSonera, AF Telecom and Altimo had resolved the governance disputes in Russia's second largest mobile operator and agreed that the company would pay a dividend of USD 5.15 billion and pursue an Initial Public Offering (IPO). In the second quarter of 2012, TeliaSonera recognized a net capital gain of SEK 3,013 million and received a one-time dividend of SEK 12,366 million. On November 28, 2012, TeliaSonera confirmed the IPO of MegaFon and recognized a net capital gain of SEK 5,378 million from the offering. TeliaSonera now owns 25.2 percent in MegaFon (35.6).



➤ Board of Directors' Report

April 26, 2012	Nepal	TeliaSonera, through its 75.45 percent owned Dutch subsidiary TeliaSonera Asia Holding B.V., acquired the remaining 49 percent of the shares and votes in the Cypriot holding company Airbell Services Ltd., which in conjunction increased its ownership from 50 to 75 percent of the shares in the Nepalese regional mobile operator Nepal Satellite Telecom Pvt. Ltd. According to the agreement, the purchase price was partly paid in cash, while the remaining consideration was contingent on the fulfillment of certain conditions. All conditions are not yet fulfilled. Further, after signing the agreement, new provisions in Nepal regarding telecom company crossholdings have been announced. TeliaSonera is also a shareholder in Ncell Pvt. Ltd., which means that a formal approval of the transaction by the Nepalese authorities is needed. This approval has not yet been received but discussions and negotiations with the authorities are currently ongoing. For further information on the preliminary purchase price allocation, see Note C34 to the consolidated financial statements.
May-July 2012	Lithuania	On May 10, TeliaSonera announced the agreement to acquire 7.87 percent of the shares in TEO LT, AB from East Capital for EUR 0.637 (LTL 2.20) per share and the transaction was completed on May 10. Since May 8, TeliaSonera also acquired an additional 6.55 percent of the outstanding shares in TEO through open market purchases at the same price. On June 5, TeliaSonera launched a voluntary takeover bid to acquire the outstanding shares in TEO for the price of EUR 0.637 per share in cash. Following the completion of the takeover bid and including open market transactions, TeliaSonera since July 4 holds 88.15 percent of TEO. The total value of the share purchases amounted to SEK 875 million.
August 31, 2012	Sweden	TeliaSonera, through its subsidiary Cygate Group AB, acquired Information Infrastructure Management Nordic AB, a Swedish system integrator specialized in the datacenter market.
December 20, 2012	Norway	TeliaSonera announced the signing of an agreement to divest its subsidiary NextGen-Tel AS to Telio Holding, a company listed on the Oslo Stock Exchange. The sales price was NOK 601 million (approximately SEK 700 million) on a cash and debt free basis (enterprise value). The transaction was closed on January 31, 2013.
December 28, 2012	Kazakhstan	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, mainly after net debt adjustments, was USD 106 million for the WiMax operations, TOO KazNet Media, which also received a USD 64 million shareholder contribution from TeliaSonera, and USD 22 million for the indirect holding in KazTransCom.

## 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 C30 to the consolidated financial statements.

## Innovation, Research and Development

Innovation, research and development (R&D) activities are performed to ensure TeliaSonera's pioneering position in the telecom industry as well as support future profitable growth and cost efficiency. 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.

A key tool for innovation is partnership with external actors. The possibility to leverage such a partnership by investing in the partner was re-introduced in 2012 and two investments were made. The innovation and R&D activities strive to develop high-quality and innovative services, products and systems that offer a world-class user experience. Customer focus, cooperation with partners and innovation clusters, open standards, integration of third party solutions, holistic approach and business models are specifically considered in the innovation and R&D work.

The key focus for innovation and R&D during 2012 has been world-class network quality in mobile and fiber, mobile data development, substantially improved business support systems and to strengthen TeliaSonera's market leadership. OTT (over-the-top) communication and video solutions in combination with the ever-growing use of data has increased the attention on new solutions and business models to rebalance the revenues from voice to data. The consumer portfolio is developed with new functionality and services regarding digital home, IPTV, media and applications. The business portfolio is being further developed with emphasis on cloud-based services, applications and net-based communication solutions, where TeliaSonera intends to continue to explore opportunities to work closely with partners. TeliaSonera is also working with partners to develop the M2M (machine-to-machine) area to facilitate new useful services.

As of December 31, 2012, TeliaSonera had 446 patent "families" and 2,628 patents and patent applications, none of which, individually, is material to its business. TeliaSonera has increased the efforts regarding commercialization of the patent portfolio.

In 2012, TeliaSonera incurred R&D expenses of SEK 385 million (508).

## 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](http://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<sub>2</sub>) emissions by 20 percent per subscription equivalent by 2020; and
- To 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.

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<sub>2</sub> 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 policy for executive management 2013

The Board of Directors' proposal for the remuneration policy for executive management, to be adopted at the Annual General Meeting on April 3, 2013, is as follows.

#### Remuneration principles

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

1. Base salary
2. Pension
3. Other benefits

#### Remuneration structure

##### Base salary

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

##### Pension

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

##### Other benefits

The termination period may be up to six months when given by the executive and up to 12 months when given by the employer (in relation to the CEO six months). In case of termination given by the employer, the executive may be entitled to a severance payment of up to 12 months (in relation to the CEO 24 months). The severance payment shall not constitute a basis for calculation of vacation pay or pension benefits and shall be reduced should the executive be entitled to pay from a new employment or from conducting his own business during the period under which the severance is payable to the executive.

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

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

**Long-term variable pay program**

The Annual General Meeting held on April 3, 2012, decided to launch a long-term variable pay program which includes approximately 100 key employees. This program is not available for the members of Group Management. A long-term variable pay program should ensure long-term sustainability of the company, secure a joint interest in increased shareholder value and provide an alignment between key employees and the shareholders by sharing risks and rewards of the TeliaSonera share price.

The program rewards performance measured over a minimum of a three year period, is capped to a maximum of 37.5 percent of the annual base salary and is equity based (invested and delivered in TeliaSonera shares with the ambition that the 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. In 2011, an equal program was launched for approximately 90 key employees. The prevalence of a long-term variable pay program is subject to the approval of the Annual General Meeting. For more information, see Note C32 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 increased to SEK 61 million (30), of which SEK 58 million (30) was billed to subsidiaries. Income after financial items ended at SEK 13,414 million (11,034), due to lower other operating expenses and improved financial net. Income before taxes was SEK 13,954 million (10,972) and net income was SEK 12,327 million (9,691).

Total investments were SEK 21,723 million (4,042), of which SEK 20,695 million referred to shareholder contributions to subsidiaries. Cash and cash equivalents totaled SEK 26,803 million (8,847) at year-end. The balance sheet total increased to SEK 265,965 million (221,309). Shareholders' equity was SEK 81,871 million (81,848), of which non-restricted equity SEK 66,160 million (66,137). The equity/assets ratio was 29.9 percent (35.8). Net debt amounted to SEK 140,152 million (112,574).

As of December 31, 2012, the number of employees was 241 (249).

**Significant Events after Year-End 2012**

- On February 1, 2013, Mannheimer Swartling (MSA), finalizing the assignment given by TeliaSonera in October 2012, presented its review of TeliaSonera's investments in Uzbekistan. MSA did not find any substance to the allegations that TeliaSonera committed bribery or participated in money laundering in connection with these investments but directed serious criticism at TeliaSonera for shortcomings in the investment process and that the internal controls were not sufficient.

On the same day, TeliaSonera's 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. The Board also stated that it wants to increase its efforts in developing principles and processes that respect human rights and protect the company from corruption. The goal is to ensure that TeliaSonera's anti-corruption efforts attain high standards and stand up to a stringent international comparison.

The full statement of the Board of Directors is available at:  
<http://bit.ly/11qVjx4>  
 (Information on the TeliaSonera website does not form part of this Report)

- On February 1, 2013, Lars Nyberg resigned from his position as President and CEO of TeliaSonera AB and Per-Arne Blomquist, Executive Vice President and CFO, was appointed acting President and CEO.
- On February 6, 2013, Veysel Aral, CEO of AO Kcell and Regional Head of Central Asia, was appointed President of Business area Eurasia. Veysel Aral will keep his role as CEO of Kcell.
- On February 6, 2013, Christian Luiga, Head of Corporate Control, was appointed acting CFO of TeliaSonera.

# Corporate Governance Statement

## Introduction and Compliance

This Corporate Governance Statement has been adopted by the Board of Directors at its meeting on March 6, 2013. It presents an overview of TeliaSonera's corporate governance model and includes the Board's description of the internal control environment and risk management regarding financial reporting.

The 2012 Corporate Governance Statement has been prepared according to the Swedish Corporate Governance Code and the Swedish Annual Reports Act and has been audited by the external auditors.

It is the opinion of the Board of Directors that TeliaSonera has complied with the Swedish Corporate Governance Code during 2012. However, with respect to Section 8.1 of the Code, the annual evaluation of the work of the Board of Directors was performed by the Nomination Committee and not the Board itself. Further, there has been 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.

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 for corruption and human rights abuses can therefore not be underestimated. In 2012, a large part of the work of the Board of Directors and Group Management was devoted to sharpening the focus on these sustainability risk issues and significant new measures were implemented and announced.

In addition, development work in corporate governance during 2012 primarily focused on risk management related to IT risks and on improved financial reporting processes, in particular as regards process harmonization and cash-flow reporting.

**Updated information** required by the Swedish Corporate Governance Code is available at:  
[www.teliaSonera.com/Corporate-Governance](http://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



## 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.

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## For further information regarding:

- Swedish Companies Act (2005:551), Annual Reports Act (1995:1554), Securities Market Act (2007:528): [www.riksdagen.se/en](http://www.riksdagen.se/en), [www.government.se](http://www.government.se)
- NASDAQ OMX Stockholm (issuer rules and surveillance): [www.nasdaqomx.com](http://www.nasdaqomx.com)
- Swedish Corporate Governance Code and specific features of Swedish corporate governance: [www.corporategovernanceboard.se](http://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 2012, TeliaSonera had 553,631 shareholders. For more information on the shareholder structure, see the Board of Directors' Report.

The Annual General Meeting 2012 was held in Stockholm on April 3, 2012. Among other issues, the Annual General Meeting 2012 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](http://www.teliaSonera.com/Corporate-Governance), and **AGM minutes and related documents** at: [www.teliaSonera.com/AGM](http://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 Chairman of the Board of Directors. The Nomination Committee presently consists of:

- Kristina Ekengren, Chairman (the Swedish State)
- Kari Järvinen (the Finnish State through Solidium Oy)
- Per Frennberg (Alecta)
- Jan Andersson (Swedbank Robur Fonder)
- Anders Narvinger, Chairman of the Board

The Nomination Committee shall in accordance with its instruction:

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

The Nomination Committee receives information from the Chairman of the Board and the CEO on TeliaSonera's position and strategic direction. Based on that information, the committee assesses the competences needed in the Board of Directors as a whole and evaluates the competences of the present Board members. Taking into account the competences needed in the future, the competences of present Board members and the present Board members availability for re-election, the committee nominates Board members to the General Meeting. The Nomination Committee has reported 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](mailto: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-wide policies
- The overall organization of the group
- The internal control 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 Chairman 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. Anders Narvinger is Chairman of the Board. The other members of the Board, elected by the Annual General Meeting, are Timo Peltola (Vice-Chairman), Maija-Liisa Friman, Ingrid Jonasson Blank, Olli-Pekka Kallasvuo, Lars Renström, Jon Risfelt and Per-Arne Sandström.

In accordance with the guidelines of the Swedish Corporate Governance Code, all members elected by the Annual General Meeting 2012 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 at the end of this Statement.

### Meeting structure for strategic planning and external reporting

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.

#### Statutory meeting

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

#### Q1 report meeting

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

#### 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. This meeting is also combined with Board training activities, such as visiting specific sites, etc.

#### 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.

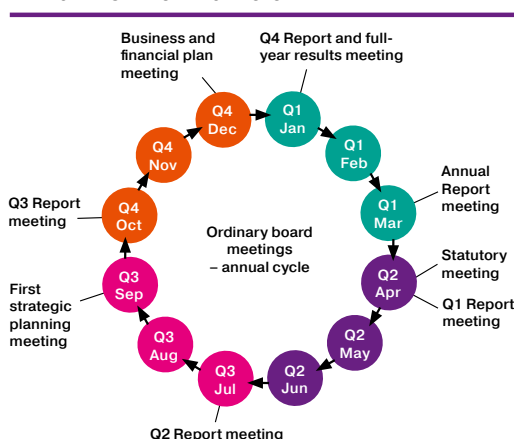
### Q4 report and full-year financial results meeting

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



As the Board is responsible for financial oversight, financials are presented and evaluated at each Board meeting. Furthermore, each Board meeting generally includes reports on Committee work by the respective Committee Chairman. At each Board meeting, the President and CEO reports on business and market developments as well as on the financial performance. The Board is regularly informed of any whistle-blower cases and developments in significant legal and regulatory matters.

### Organization

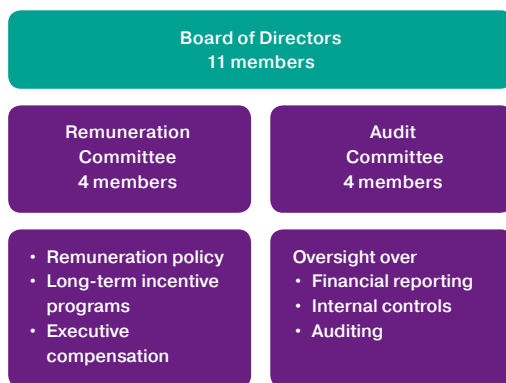
To improve board work efficiency, the Board of Directors has appointed a Remuneration Committee and an Audit Committee. The committees prepare recommen-



## &gt; Corporate Governance Statement

dations for the Board. The Remuneration Committee handles issues regarding salary and other remuneration to the CEO and Group Management and incentive programs that target a broader group of employees. The Remuneration Committee has the authority to approve remuneration to persons in TeliaSonera's Group Management, except for the CEO. The Audit Committee reviews for example financial 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 auditors.

## ORGANIZATION OF THE BOARD WORK



## Board work during 2012

In 2012, the Board of Directors held 8 ordinary meetings as well as 9 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 an updated mergers and acquisitions (M&A) process, a new compliance function and updated policies and guidelines
- Close follow-up and attention to the severe corruption and money-laundering allegations related to the investments in Uzbekistan, including initiating an external review by a well-renowned law firm
- Reviewing efficiency programs aiming at a cost reduction of some SEK 2 billion net over the coming two years
- Regulatory developments in the telecom industry
- Structure for target model and financial targets
- Potential acquisitions and increase of ownership in subsidiaries

- Follow-up of the initial public offerings (IPOs) of Kcell and MegaFon
- Investments in frequencies, in particular in Finland, Denmark and Norway
- Follow-up of CAPEX, in particular related to network investments
- Development in associated companies in Turkey and Russia
- Development and governance of IT projects in the group
- Funding and debt structure
- Organizational issues
- Human Resources issues, in particular succession planning and performance management
- Follow-up of the compliance with the OECD Guidelines for Multinational Enterprises
- Sustainability Priority action plan approval and regular follow-up
- Reviewing the TeliaSonera Sustainability Report
- Continuous evaluation of the performance of the CEO

According to Section 8.1 of the Swedish Corporate Governance Code, the Board of Directors is to evaluate its work annually, using a systematic and structured process, and make the results of the evaluation available to the Nomination Committee where relevant. In TeliaSonera, the Nomination Committee itself initiates and performs such an evaluation of the Board work.

## Remuneration Committee

Anders Narvinger is Chairman of the Remuneration Committee. In 2012, the Committee handled, amongst others, the following issues:

- Initiating and pursuing the recruitment process for a new CEO, as the contract with the then CEO was to expire in December 2013
- Structure for target model and financial targets
- Succession planning
- Performance management
- Remuneration to the CEO and Group Management

In 2012, the Remuneration Committee held 7 minuted meetings and 2 extra meetings devoted to the CEO recruitment. In addition, the Committee members were engaged in interviews with a number of CEO candidates.



### Audit Committee

Maija-Liisa Friman is Chairman of the Audit Committee. In 2012, the Committee held 6 meetings. At each following Board meeting, the Chairman of the Audit Committee reports 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. For 2012, five focus areas were identified by the Committee for monitoring and assessment:

- Financial reporting and process, with specific focus on risk identification and the internal controls process
- Large projects
- Mergers and acquisitions, with special attention to the Kcell and MegaFon initial public offerings (IPOs)
- Financial and operational risks in Eurasia, including developments in the associated companies
- Impact of revised international pension accounting standards and potentially sharpened capital ratio requirements for the Swedish pension fund

Work in 2012 included, amongst others, the following issues:

- Increased focus on sustainability from a control and risk perspective
- Assessment of the environment of internal controls over financial reporting as well as over business operations, including the whistle-blower process
- Assessment of the quality and integrity of the enterprise risk reporting
- Reviews of the company's external financial reporting
- Reviews of the reports issued by the external auditors
- Review and follow-up of whistle-blower cases
- Overseeing developments in large operational risk areas such as the Eurasian operations, procurement and large projects
- Reviews of head office functions, e.g. Financial Shared Services, Group Treasury and Group Procurement

- Overseeing improvements of financial reporting processes
- Reviews of accounting principles of importance to the company
- Reviews of corporate policies as preparation for Board approval
- Assessment of the group's capital structure
- Assessment and approval of the audit plans of external and internal auditors
- Assessment of the independence of external auditors

In 2012, follow-up of the main large projects and sustainability risk management were added as permanent topics to the agenda of the 2013 Audit Committee meetings.

In 2012, the Committee attended an internal special training session focused on the accounting for financial and hedging transactions, and transactions related to mergers and acquisitions. The Committee was also updated on IFRS developments by the group finance function and the external auditors.

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

### 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 consists of eleven members: the CEO, CFO, General Counsel, Head of Group Human Resources, Head of Group Communications, 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 at the end of this Statement.

### Group-wide Governance Framework

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**

- Mission
- Vision
- Strategy
- Operational and financial targets

**Setting the boundaries for how we act**

- Shared values
- Sustainability
- Group policies
- Organization
- Delegation of obligations and authority

**Follow-up of our performance**

- Business reviews
- Performance management

**Deciding what we shall achieve**

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.

**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 world-class 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 – a world class customer experience**

Today communication services are an integral part of people's daily lives. Since the arrival of smartphones and tablets, we rely increasingly on digital communication for social and business interaction. A trend which will only grow stronger in the coming years. Communication services have moved from being expensive and exclusive to being available, affordable and personal. Our ambition is to translate our strategy to provide a world-class customer experience, industry leading network quality and to have a competitive cost structure.

**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**

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 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**

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 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, protecting children online, and supporting research related to exposure to electromagnetic fields.

Managing sustainability opportunities and risks is an integral part of TeliaSonera's operations and one of the main risk areas within the enterprise risk management framework. Since 2012, compliance with sustainability-related requirements, as well as sustainability risk management is a permanent item on the Audit Committee agenda. 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.

**Code of ethics and conduct**

Sustainability work is guided by the TeliaSonera Code of Ethics and Conduct, which serves as an overall policy document. 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.

In order to continue the implementation efforts which started in 2011 and to further ensure full compliance with the Code, a related e-learning tool has been created and the roll-out will start in 2013. The training tool focuses on anti-corruption and human rights.

The **TeliaSonera Code of Ethics and Conduct** is available at:  
[www.teliaSonera.com/Code-of-Ethics](http://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, and prioritizes anti-corruption work. In 2012, TeliaSonera prepared a new group policy on anti-corruption, which is due to be finalized by early 2013. In order to further develop anti-corruption practices, cooperation with Transparency International was initiated, with the aim of reaching a best-practice international standard.

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.

The **TeliaSonera Supplier Code** is available at:  
[www.teliaSonera.com/Supplier-Code](http://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. As of 2012, the external auditors submitted 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](http://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 to anonymously report violations in accounting, reporting or internal controls, as well as non-compliance with the TeliaSonera Code of Ethics and Conduct, a so called whistle-blower process. The employees' whistle-blower tool is based on an intranet solution.

To the reader: 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: Jan Henrik Ahnells, Secretary of the Board  
 SE- 106 63 Stockholm, Sweden

**Group policies**

The heads of head office functions shall secure that necessary group policies, instructions and guidelines are issued within their respective area of responsibility. Group policies are decided by the Board of Directors and 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**

■ <b>Financial management</b>	To set the rules for credit ratings and how financial risks shall be managed
■ <b>Risk management</b>	To describe the enterprise risk management framework
■ <b>Sourcing</b>	To minimize the total cost of purchased goods and services by setting rules for how to use the purchasing power of the group
■ <b>Insurance</b>	To have an insurance cover for management, employees and business activities in line with peers within the telecom industry
■ <b>Privacy</b>	To respect and safeguard customer privacy by setting high and consistent standards
■ <b>Security</b>	To describe the governance as well as control, facilitation and implementation of security measures
■ <b>Communication</b>	To ensure that all communication of the group is accurate and provided in a professional and timely manner
■ <b>Remuneration</b>	To set the strategic direction and clarify the approach on designing and implementing remuneration practices for employees at all levels
■ <b>Recruitment</b>	To ensure that recruitment is used as an enabler for continued business success
■ <b>Pensions</b>	To assist in providing pension benefits by clarifying the structure, design and management of pension plans
■ <b>Anti-corruption</b>	To set the standards for ethical business practices throughout the operations
■ <b>Insider trading</b>	To ensure a high standard of ethical behavior towards the capital markets by defining trading and reporting rules
■ <b>Patents</b>	To protect the investments in research and development and to utilize the patent portfolio effectively

**Organization**

TeliaSonera's largest businesses are Mobility Services, Broadband Services and the holdings of TeliaSonera in Eurasia, Russia and Turkey. 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.

**Business area Mobility Services**

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

**Business area Broadband Services**

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

**Business area Eurasia**

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

**Head office functions**

The head office 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, 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 corporate functions, and within which limits they may make decisions.

**Follow-up of our performance**

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 particular operations. The planning of the business is documented in annual operating plans and the follow-up is conducted on a monthly basis, complemented with forecasts and quarterly business review meetings on business unit and business area levels. The business review meetings are held as physical meetings and include financial and business reviews for the reporting period and forecast period, risks and operations performance metrics on network quality and customer

service levels. At the business area review meetings, the CEO, CFO, Group Controller and selected members of Group Management attend in addition to the 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

In order to outperform competition and reach challenging goals, TeliaSonera is developing a high performance company culture. Setting individual objectives linked to strategic business goals and providing frequent feedback are crucial activities for managers at all levels. TeliaSonera has established a group-wide performance management model currently valid for the 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 you achieve but also how you achieve your objectives, i.e. what kind of competences and behaviors the employee applies in order to reach results. A group-wide competency 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.

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

## Enterprise Risk Management

### Integrated risk management and governance

Risk management is 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 measures are implemented to mitigate and monitor the identified risks. The aim is not only to focus on negative risks, but also to acknowledge that successful risk management is essential for grasping business opportunities and growth.

#### ENTERPRISE RISK MANAGEMENT – LINES OF DEFENSE

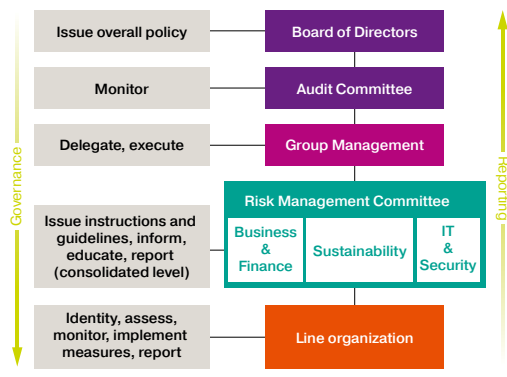


The roles and responsibilities for operational risk management, monitoring and compliance as well as assurance activities are as follows:

- The line organization has the ownership, responsibility and accountability for assessing, controlling and mitigating risks
- The Risk Management Committee facilitates and monitors the implementation of effective risk management practices within the operations as well as sets the reporting requirements and coordinates compliance assessments throughout the group
- The group internal audit function provides independent assurance on effective corporate governance, internal controls and risk management procedures
- 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

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. Line management is responsible for implementing risk management in the ordinary line organization. To support line management, and enable a consistent risk view throughout the group, the risk management work has been divided into three function-based risk areas which are:

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

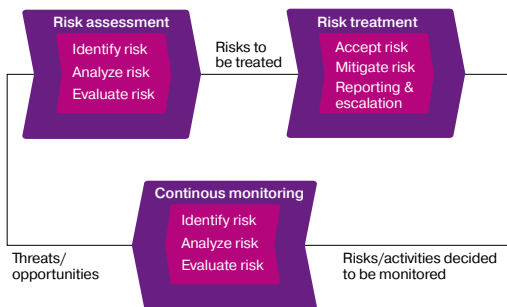
**RISK MANAGEMENT – REPORTING AND GOVERNANCE**

The function-based risk areas are responsible for deciding on how to manage risks, i.e. issuing guidelines regarding identification, mitigation, execution and reporting. The risk areas are also responsible for monitoring risks as well as monitoring compliance assessments and reporting to the Chief Risk Officer (CRO).

The CRO is responsible for coordinating and monitoring the risk management processes in the group, monitoring the compliance with the group policy for risk management and reporting to Group Management and the Board of Directors. The CRO coordinates the work through the Risk Management Committee with members from Group Legal Affairs, Corporate Security, Sustainability and Group Internal Audit.

**Risk management process**

The main components of the risk management process are risk assessment, risk treatment and continuous monitoring. Formal procedures and processes are established within each function-based risk area and line management is responsible for follow-up on the agreed upon and reported risk treatment activities.

**RISK MANAGEMENT – PROCESS FLOW**

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.

In 2012, the function-based risk areas and the Risk Management Committee amongst others:

- Conducted group-wide risk assessments to establish a baseline for further compliance work, e.g. Human Rights Impact Assessments
- Initiated work to strengthen the compliance efforts, e.g. deciding on coordination of vendor audits and assessments

The objective of the continuous risk management process is to regularly assess, treat and monitor business/finance, sustainability and IT/security risks that may harm the achievement of TeliaSonera's objectives. The line organization is responsible for assessing, mitigating and reporting risks. The reporting and follow-up is facilitated by each risk area. Quarterly, the CRO consolidates risk reporting to Group Management and the Board of Directors. The consolidated report is divided into Financial, Business, Country, Legal and Regulatory, and Sustainability risks.

**Business & Finance**

A process exists to regularly identify business and financial risks that could lead to material misstatements of financial information. The risks are reported by each subentity and presented in quarterly business review meetings.

**Sustainability**

The Board of Directors has the overall responsibility for sustainability issues and the TeliaSonera Code of Ethics and Conduct. In operational terms, management at all levels is responsible for putting the Code into practice. At TeliaSonera group level, sustainability issues are the responsibility of the Head of Group Communications, who is a member of TeliaSonera Group Management. Function-related activities are managed by the Head of Sustainability, who reports to the Head of Group Communications.

Sustainability risk management is integrated with the line organization. A sustainability risk is an event, uncertainty or threat scenario that might harm TeliaSonera's goal to be economically, environmentally and socially responsible throughout the business operations. The risks are related to failing to e.g. respect human rights, apply ethical business behavior, take care of the well-being of the employees, ensure customer privacy and freedom of expression as well as protect children online.

Issues related to human rights, such as lawful interception, network shutdowns, content-blocking, personal data-storing, government relations and license agreements, pose a high risk to the telecom industry. TeliaSonera is one of the initiators of an industry dialogue established among telecoms companies for the purpose of developing guiding principles for actions to be taken when their operations might be used for violations of freedom of expression and privacy.

Risks may also arise from merger and acquisition (M&A) activities and the supply chain. To mitigate risks arising from M&A activities, TeliaSonera has developed sustainability-related due diligence work, e.g. by improving risk assessments in relation to countries and potential business partners. The TeliaSonera Supplier Code governs sustainability work and acting in the supply chain. To improve quality and efficiency of assuring adherence to the Code, TeliaSonera in 2012 engaged in the Joint Audit Cooperation (JAC) scheme for the ICT sector.

Sustainability risk management is prioritized within three sub-risk areas: Privacy and Freedom of Expression, Anti-corruption and Supply Chain. In 2013, the risk and compliance work will focus on improvements within all three areas.

#### **IT & Security**

Within IT and security, potential risks and threats are continuously identified and mitigated to ensure that TeliaSonera's business strategies and objectives are not jeopardized due to security and IT risks.

The risk and security work aims to control, facilitate and implement well-balanced security measures throughout the operations. In TeliaSonera, security measures are characterized by appropriate security and risk awareness, prevention, preparedness, and the ability to respond to, and recover from, incidents and changes in the environment. Products, services, and key strategic and operational processes must continuously, throughout their life cycles, undergo thorough analysis to identify risks and threats affecting the business. The analysis aims to guide decision making and ensure proper implementation of measures to meet compliance and balance risk exposure.

#### **Details about risks and uncertainties**

Risks and uncertainties related to business, sustainability and shareholder issues are further described in Note C35 and financial risks in Note C27 to the consolidated financial statements.

### **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 COSO framework for internal controls. It consists of interrelated areas, which are control environment, risk assessment, control activities, information and communication, and monitoring.

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 obligation and authority, financial policies and the reporting framework.

Management at each business unit or corporate function is responsible for ensuring that:

- Monthly and quarterly financial statements comply with TeliaSonera's accounting policies
- Financial reports are delivered on time
- Sufficient internal controls exist and are performed
- Required reconciliations are properly done
- 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," the management of risks relating to the financial reporting is incorporated in the risk management framework, risk area Business & Finance. As such, assessment and management of risks that may result in inaccurate financial reporting is a natural part of the daily work. Risk assessments are performed both from a top-down and bottom-up perspective.



### 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. 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.

Business operations performance metrics are reported monthly and the results for all entities are shared with all business unit managers and their management teams. The sharing gives a good opportunity for benchmark and learning within the group.

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

### Monitoring of control activities

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

The results of the monitoring and testing activities are communicated to all relevant business units 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.

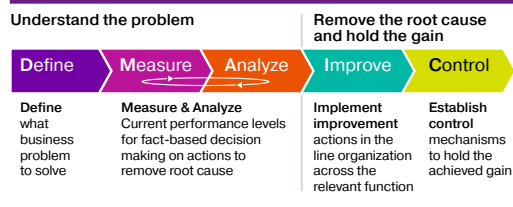
### Control Activities in Business Operations

The purpose of internal controls over business operations is to monitor and support the development within TeliaSonera's corporate strategic focus areas. The monitoring of business operations performance is supported by defined metrics measurements; the Six Sigma framework. The metrics measure, amongst others, performance in networks and customers' experience with TeliaSonera.

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 2012, TeliaSonera had altogether more than 60 certified Six Sigma black belts and 370 green belts. During 2012, 13 green belt courses and 1 black belt course were arranged and as a result 93 new green belts and 4 new black belts were certified.

#### SIX SIGMA



### IT Governance Approach

The TeliaSonera IT strategy was further developed during 2012. 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 strategic focus areas, as follows:

- Improve customer experience
- Provide agile and speedy IT services
- Improve operational efficiency
- 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
Business IT Board	IT Strategy, IT Roadmap, IT Strategic Financial Plans
Chief Information Officer	Validates IT Roadmaps and Financial plans
Common area Steering Groups, Business area Steering Groups	Common Projects managed in line with IT Roadmaps

The Business IT Board consists of the members of Group Management. There are common area steering groups for the areas Enterprise, Customer and Common IT. One of these, the Enterprise Area Steering Group, which is chaired by the CFO, shall focus on the overall process governance and development roadmap. Two of the business area steering groups are the Mobility Product Steering Committee and the Broadband Development Steering Committee. As an example, the Mobility Product Steering Committee shall monitor and manage the business area's all global and local product/offering- and process projects.

## Group Internal Audit

The internal audit function reviews the group operations and makes proposals aiming at improving internal control environments 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 Eurasian operations are an important part of the audit scope, including on-site reviews with focus on revenue assurance, processes and governance.

The work of group internal audit is defined in the annual audit scope. The audit scope determines the priorities and is also aligned with the business plan and strategy in order to consider the overall business objectives and risks. The audit scope is approved by the Audit Committee and presented to the external auditors on an annual basis. The detailed internal audit assignments, within the audit scope, 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 Head of Group Internal Audit reports administratively to the CEO and CFO, and in addition, function-based also to the Audit Committee on a quarterly basis. 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.

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 submit a report to the Audit Committee and Group Management on TeliaSonera's quarterly 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 2012, PricewaterhouseCoopers AB was re-elected as auditor until the end of the Annual General Meeting 2013. 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 AarhusKarlshamn AB, AB Electrolux, Husqvarna AB, Melker Schörling AB 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 C33 to the consolidated financial statements.



## Board of Directors



### Anders Narvinger

(Born 1948)  
Chairman of the Board of Directors. Elected to the Board in 2010. He is Chairman of the Remuneration Committee of TeliaSonera and a member of the Audit Committee. Mr. Narvinger has been CEO of Association of Swedish Engineering Companies and he has previously also served as President and CEO of ABB AB and is Chairman of the Boards in Trelleborg AB, Alfa Laval AB, Coor Service Management AB and Capio AB. He is also a board member of JM AB, Pernod Ricard S.A. and ÅF AB. Mr. Narvinger holds a Master of Science in Engineering and a Bachelor of Science in Business and Economics.  
Shares in TeliaSonera: 20,000.



### Timo Peltola

(Born 1946)  
Vice-Chairman of the Board of Directors. Elected to the Board in 2004. He is a member of the Remuneration Committee of TeliaSonera. In addition, Mr. Peltola is a board member of SAS AB, AW-Energy Oy and Securities Market Association. He is also a member of the Advisory Boards of CVC Capital Partners Svenska AB and Citigroup Nordic. Mr. Peltola served as President and CEO of Huhtamäki Oy between 1989 and 2004. Mr. Peltola holds a Doctor degree in Economics hc.  
Shares in TeliaSonera: 7,140.



### Maija-Liisa Friman

(Born 1952)  
Elected to the Board of Directors in 2007. She is Chairman of the Audit Committee of TeliaSonera. Ms. Friman is Chairman of the Boards of Ekokem and Helsinki Deaconess Institute and Vice-Chairman in Neste Oil Oy. In addition, she has board assignments in Finnair Oy and LKAB. She is also a board member and partner of Boardman Oy. Previously Ms. Friman was CEO of Aspocomp Group Oy. Ms. Friman holds a Master of Science in Chemical Engineering.  
Shares in TeliaSonera: 5,597.



### Ingrid Jonasson Blank

(Born 1962)  
Elected to the Board of Directors in 2010. She is a member of the Audit Committee of TeliaSonera. Ms. Jonasson Blank has been Executive Vice President of ICA Sverige AB and has held a number of managerial positions in the ICA Group. She is also a board member of Bilja AB, Fiskars Oy, ZetaDisplay AB, Forex Bank AB, TravelSupport AB, Ambea Group and Hellefors Bryggeri AB. Ms. Jonasson Blank holds a Bachelor of Science in Business Administration and Economics.  
Shares in TeliaSonera: 1,000.



### Olli-Pekka Kallasvuo

(Born 1953)  
Elected to the Board of Directors in 2012. Mr. Kallasvuo was CEO and board member of Nokia Oy from 2006 to 2010. Previously, he held various executive positions at Nokia, including the positions of COO, CFO, Head of Mobile Phones Division and Head of Nokia Americas. Mr. Kallasvuo is today Vice-Chairman of SRV Group Plc. and he is also a board member of Aperios Group, Zenterio AB and Foundation for Economic Education. Mr. Kallasvuo holds a Master of Law and an honorary doctorate.  
Shares in TeliaSonera: 35,896.



### Lars Renström

(Born 1951)  
Elected to the Board of Directors in 2009. He is a member of the Remuneration Committee of TeliaSonera. Mr. Renström is since 2004 President and CEO of Alfa Laval AB. He has previously served as President and CEO of Seco Tools AB and has held several senior managerial positions within Atlas Copco AB, Telefonaktiebolaget L M Ericsson and ABB AB. Mr. Renström is the Chairman of the Board of ASSA ABLOY AB and a board member of Alfa Laval AB. Mr. Renström holds a Master of Science in Engineering and a Bachelor of Science in Business and Economics.  
Shares in TeliaSonera: 10,000.



### Jon Risfelt

(Born 1961)  
Elected to the Board of Directors in 2007. He is a member of the Audit Committee of TeliaSonera. In addition, Mr. Risfelt holds board assignments in Ortivus AB, Bilja AB, Braganza AS, including Chairman in its subsidiary Ticket Business Travel AB, and Vanna AB. He has earlier served as CEO of Europolitan AB, Nyman & Schultz AB and Gambro Renal. He has held various managerial positions within the American Express Group, Scandinavian Airlines and Ericsson. Mr. Risfelt holds a Master of Science in Chemical Engineering.  
Shares in TeliaSonera: 10,000.



### Per-Arne Sandström

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

## Board of Directors



**Agneta Ahlström**

(Born 1960)

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

Shares in TeliaSonera: 200.



**Magnus Brattström**

(Born 1953)

Employee representative, appointed by the trade union to the Board of Directors in 2009. Mr. Brattström is Chairman of Union of Service and Communication Employees within TeliaSonera, SEKO klubb TeliaSonera, and a member of the European Work Council at TeliaSonera. He is also a board member of Telia Pension Fund.

Shares in TeliaSonera: 20.



**Stefan Carlsson**

(Born 1956)

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

Shares in TeliaSonera: 650.

### Deputy employee representatives

Marianne Johansson (born 1957), Unionen-Tele. Shares in TeliaSonera: 1,500.

Arja Kivin (born 1964), Unionen-Tele. Shares in TeliaSonera: 0.

Peter Wiklund (born 1968), SEKO klubb TeliaSonera. Shares in TeliaSonera: 0.

Information on the members of the Board of Directors is also available at [www.teliasonera.com/Corporate-Governance](http://www.teliasonera.com/Corporate-Governance)

Shares in TeliaSonera include shareholdings by spouse and/or affiliated persons when appropriate. Holdings as of the publication date of this Annual Report.

The information is regularly updated at [www.teliasonera.com/Insiders](http://www.teliasonera.com/Insiders)

## Remuneration and other benefits during 2012, attendance and number of shares

Name	Elected year	Independent <sup>1</sup>	Position	Presence board meetings	Committee	Presence committee meetings	remuneration and benefits (SEK)	Shares in TeliaSonera
Anders Narvinger	2010	Yes	Chairman of the Board and Chairman of the Remuneration Committee	17/17	Remuneration Audit	9/9 6/6	1,255,020	20,000
Timo Peltola	2004	Yes	Vice-Chairman of the Board	17/17	Remuneration	9/9	485,004	7,140
Maija-Liisa Friman	2007	Yes	Director and Chairman of the Audit Committee	17/17	Audit	6/6	600,000	5,597
Ingrid Jonasson Blank	2010	Yes	Director	17/17	Audit	4/4	525,006	1,000
Olli-Pekka Kallasvuo <sup>2</sup>	2012	Yes	Director	12/13			334,650	35,896
Conny Karlsson <sup>3</sup>	2007	Yes	Director	3/4	Audit	2/2	142,040	–
Lars Renström	2009	Yes	Director	15/17	Remuneration	9/9	485,004	10,000
Jon Risfelt	2007	Yes	Director	17/17	Audit	6/6	550,008	10,000
Per-Arne Sandström	2010	Yes	Director	15/17	Remuneration	9/9	485,004	400
Agneta Ahlström	2007	–	Employee Representative	17/17				200
Magnus Brattström	2009	–	Employee Representative	13/17				20
Stefan Carlsson	2009	–	Employee Representative	15/17				650

<sup>1</sup> Independent in relation to the company, the administration of the company and to major shareholders.

<sup>2</sup> Member of the Board of Directors since April 3, 2012.

<sup>3</sup> Member of the Board of Directors until April 3, 2012.

See also Note C32 to the consolidated financial statements.

Information on the members of the Board of Directors is also available at [www.teliasonera.com/Corporate-Governance](http://www.teliasonera.com/Corporate-Governance)

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## Group Management



### Lars Nyberg

(Born 1951)  
President and Chief Executive Officer since 2007. Mr. Nyberg is also Chairman of DataCard Corp. and Autoliv Inc. and a board member of OAO MegaFon<sup>1</sup>, GSMA and the University of Stockholm. Between 1995 and 2003 he was Chairman and CEO of NCR Corp, where he continued as Chairman until 2005. Previously, Mr. Nyberg held several managerial positions in Philips, and was a member of Philips Group Management Committee. Mr. Nyberg holds a Bachelor of Science in Business Administration.  
Shares in TeliaSonera: 50,000<sup>2</sup>.

*Mr. Nyberg resigned from his position as President & CEO on February 1, 2013.*



### Per-Arne Blomquist

(Born 1962)  
Executive Vice President and Chief Financial Officer of TeliaSonera since September 2008. Prior to joining TeliaSonera, Mr. Blomquist was Executive Vice President and CFO of SEB, from 2006, and Head of Group Finance of SEB between 2001 and 2006. Between 1997 and 2000 he held various positions at Telia, e.g. as managing director of Telia Företag. Mr. Blomquist started his career at Alfa Laval AB in 1989. He is a board member of Lernia AB and Djurgården Hockey AB. Mr. Blomquist holds a Bachelor of Science in Business Administration and Economics.  
Shares in TeliaSonera: 50,300.

*Mr. Blomquist was appointed acting President & CEO on February 1, 2013. Mr. Christian Luiga, Head of Corporate Control, was appointed acting CFO and member of Group Management on February 6, 2013.*



### Jan Henrik Ahnne

(Born 1959)  
Senior Vice President, General Counsel and Head of Group Legal Affairs since 1999. He has been employed by TeliaSonera since 1989. Prior to serving as General Counsel, Mr. Ahnne was the head of various legal departments within the TeliaSonera Group and served as corporate counsel in various TeliaSonera companies. He is a board member of Swedish IT & Telecom Industries. Mr. Ahnne holds a Master of Law.  
Shares in TeliaSonera: 12,000.



### Robert Andersson

(Born 1960)  
President and Chief Executive Officer of Sonera in Finland since May 2012. Prior to joining TeliaSonera, Mr. Andersson held several managerial positions within Nokia in different international business and support roles, including Executive Vice President of Customer and Market Operations, Executive Vice President, Devices Finance, Strategy and Sourcing and Senior Vice President Corporate Alliances and Business Development. He is a board member of Enea AB. Mr. Andersson holds a Master of Science in Economics and a Master in Business Administration.  
Shares in TeliaSonera: 10,000.



### Cecilia Edström

(Born 1966)  
Senior Vice President and Head of Group Communications since May 2008. Previously, Ms. Edström was Senior Vice President and Head of Corporate Relations at Scania AB, where she held a number of senior positions since 1995. Ms. Edström started her career in corporate finance at SEB in 1989. She is a board member of OAO MegaFon and BE Group AB. Ms. Edström holds a Bachelor of Science in Finance and Business Administration.  
Shares in TeliaSonera: 2,800<sup>3</sup>.



### Karin Eliasson

(Born 1961)  
Senior Vice President and Head of Group Human Resources since 2008. Prior to joining TeliaSonera, Ms. Eliasson was Senior Vice President Human Resources at Svenska Cellulosa Aktiebolaget, SCA and before that CEO of Novare Human Capital AB and Vice President Organizational Development at Stora Enso AB. She is a board member of Turkcell İletişim Hizmetleri A.Ş. Ms. Eliasson holds a Bachelor of Science in Human Resource.  
Shares in TeliaSonera: 2,100.



### Malin Frenning

(Born 1967)  
President of business area Broadband Services since January 2011 and previously deputy since February 2010. Ms. Frenning has more than ten years of experience from senior managerial positions in TeliaSonera with specific focus on the carrier business, international business strategy and product management. Ms. Frenning holds a Master of Science in Mechanical Engineering and is Honorary Doctor of Technology at Luleå University of Technology.  
Shares in TeliaSonera: 400.



### Sverker Hannervall

(Born 1960)  
Senior Vice President and Head of sales division Business Services in Sweden and Finland since 2008. Between 2004 and 2008 he was General Manager of Cisco Systems in Sweden. Previously, Mr. Hannervall was President and CEO of Trio AB and prior to that Executive Vice President of Telegic AB. Between 1984 and 1997 he held various managerial positions at IBM. Mr. Hannervall holds a Master of Science in Engineering.  
Shares in TeliaSonera: 0.

## Group Management



### Tero Kivisaari

(Born 1972)

President of business areas Mobility Services (since 2012) and Eurasia (since 2007). Mr. Kivisaari was previously Chief Financial Officer and Vice President of business area Eurasia. Mr. Kivisaari has also been CFO of SmartTrust AB. Before that he held the position of Vice President of Sonera Oyj's International Operations. He is a board member of Turkcell İletişim Hizmetleri A.Ş., Fintur Holdings B.V. and Nurminen Logistics Oyj. Mr. Kivisaari holds Master Degrees in Science and Economics.

Shares in TeliaSonera: 0..



### Åke Södermark

(Born 1954)

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

Shares in TeliaSonera: 6,000.

*Mr. Veysel Aral, CEO of AO Kcell and Regional Head of Central Asia, was appointed President of business area Eurasia and member of Group Management on February 6, 2013.*

<sup>1</sup> As of December 31, 2012, Mr. Nyberg held 100,000 shares in OAO MegaFon

<sup>2</sup> By way of pension insurance

<sup>3</sup> Partly by way of pension insurance

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## Remuneration and other benefits during 2012, capital value of pension commitments

SEK	Base salary	Other remuneration	Other benefits	Pension expense	Total remuneration and benefits	Capital value of pension commitment
Lars Nyberg, CEO	10,504,008	3,064,776	81,727	9,046,776	22,697,287	–
Per-Arne Blomquist, EVP	5,278,524	2,247,356	86,195	2,006,984	9,619,059	–
Other members of Group Management (8 individuals)	25,254,661	8,496,848	678,360	10,291,669	44,721,538	16,355,779

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