Dear Shareholder,

When TeliaSonera was founded ten years ago there were no tablets. No one had tweeted or clicked "Like" on Facebook. We used our phones to call and text people and we watched television according to fixed schedules. The connected society and centre of information technology were to be found in Japan and the West. As we all know, it all looks completely different today.

At the beginning of 2003 almost 500 million people used the internet. Today, there are five times more, 2.5 billion users, and more than 5 billion mobile subscriptions. This means that in just 10 years the mobile communication society has become a global community. Today, people worldwide use telecommunications to learn, develop, conduct business, cooperate and express opinions. Telecommunications help build relationships, strengthen economies and further democracy as well as improve living conditions for people in almost all countries.

This is a fantastic development. It is not without a certain pride that we can claim that the telecommunications companies that made this possible have their roots in the Nordic region – and that it was those companies that later formed TeliaSonera.

We have a history of success when it comes to telecommunications. We learned at an early stage how to apply new technology and develop new services. For many years we have been ranked the best in the world when it comes to developing and using information and communications technology. There are historical explanations for this. Modern mobile communication technology was developed in the Nordic region. We understood how to use regular networks to transmit text, sound and moving pictures. Most importantly we insisted that everyone should be able to purchase our services at a reasonable price. Our innovations are today found all over the world and have changed it for the better.

We contribute to giving millions of people better futures by doing what we do best; providing people with access to the internet and mobile communication at a reasonable price. This is particularly true of our business in Eurasia.

In Nepal, one of the most mountainous countries in the world, six out of ten people now use a mobile phone for their daily communication. This represents a dramatic increase since we started doing business in the country. But we do more than just provide telecommunication services. We provide training in how to use the internet and we also help educational institutions develop. We employ and train staff, participate in social projects and support the inclusion of children, the elderly and the disabled in society. We invest in important infrastructure and also contribute large tax revenues. In short, we contribute to a sustainable development of society.

TeliaSonera is a healthy company with sound values. We have a unique combination of market presence, financial strength, knowhow and a long term perspective. We employ competent and conscientious staff and maintain a long pioneering tradition. We are one of Europe’s largest telecommunications operators and we want to continue to grow. I am proud of what we accomplish each and every day. I hope you are too.

Yours faithfully,

Per-Arne Blomquist
CEO
From state owned monopolies to the stock exchange

It is easy to forget where Telia and Sonera came from. This is especially true when markets, technologies and politics are changing ever faster. Let us take a quick look back at the past 10 years to put the company’s development in perspective.

In December 2002 Sweden’s Telia and Finland’s Sonera merged to become TeliaSonera. The newly-formed group was listed on the Stockholm Stock Exchange, the Helsinki Stock Exchange and Nasdaq in New York. This meant that two former national telecom agencies, later companies, had formed the largest telecom operator in the Nordic and Baltic Region, and one of the largest in Europe.

Both made important contributions to building their respective countries’ telephone networks during the 20th century. During the 1990’s they were also state companies that met the competition on the newly liberalised telecom market in Europe. In the aftermath of the dot.com era at the beginning of the 21st century, they merged into one very successful company.

Initially, the Swedish state owned 46 per cent of the shares, with 19 per cent owned by the Finnish state and the remainder by close to 900,000 shareholders, making the company’s shares one of the widest held in Sweden at the time. In 2007, the Swedish state sold part of its holding and today the Swedish state owns 37.3 per cent and the Finnish state 11.7 per cent. At the end of 2012 the company had more than 434,000 share holders and is traded on the Stockholm and Helsinki Stock Exchanges.

To look back at the past 10 years to put the company’s development in perspective.

### TELIA

**1850’s**
- Kungliga Elektriska Telegrafverket was founded.

**1870’s**
- Telephones are introduced in Sweden and Finland.
- Telephone traffic is opened to north Germany.
- Introduction of ship telegraphy.

**1890’s**
- Telegrafverket was founded.
- Telephone station Skanstull, Stockholm, 1890
- Bakelite telephone, 1933

**1900’s**
- Telephone traffic is opened to north Germany.
- Introduction of ship telegraphy.
- Telephone station Helsinki, 1900

**1910’s**
- After buying its competitors, Televerket achieved monopoly status.
- First steps towards automation of connecting calls.
- Radio telephony with the USA.

**1920’s**
- After buying its competitors, Televerket achieved monopoly status.
- First steps towards automation of connecting calls.
- Introduction of long distance traffic.

**1930’s**
- Private phone companies establish Telefonirsättningsförbund in 1921.
- Telegrafverket merges with the Post and becomes Post- och Televerket.
- The last part of the long distance traffic is nationalised in 1935. Post- och Televerket retains the monopoly until 1992.
- Local calls are handled by private operators, up to 850 companies.

**1940’s**
- Telex and teletex were introduced.

**1950’s**
- The telecom network is fully automated.
- First data network Datex was specified.

**1960’s**
- First mobile generation 1G was introduced.
- Transmission is fully digitalized in 1987.
- Data communication in different forms was introduced.

**1970’s**
- The monopolies crumble thanks to the introduction of GSM standard, mobile 2G across Europe.
- Telia AB was founded in 1993.
- Internet and broadband were introduced.
- Connection of calls was 100 percent digital in 1998.
- Telia establishes in Brazil.
- Telia and Sonera establish operations in the Baltic region and cooperate.
- A failed merger with Telenor in 1999.

**1980’s**
- First mobile generation 1G was introduced.
- Connection of calls was 100 percent digital in 1998.
- Internet and broadband were introduced.
- Data communication in different forms was introduced.

**1990’s**
- The monopolies crumble thanks to the introduction of GSM standard, mobile 2G across Europe.
- Telia AB was founded in 1993.
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- A failed merger with Telenor in 1999.

**2000’s**
- Telia was listed on the stock exchange.
- The dot.com bubble bursts, causing turmoil on the stock exchange.

**2001**
- Televerket establishes operations in the Baltic region and cooperate.
- Sonera sets up businesses in Azerbaijan, Georgia, Kazakhstan and Moldova.

**2002**
- Telia and Sonera become TeliaSonera.
- The Swedish state and the Finnish state are main shareholders with 46 per cent and 19 per cent respectively.
From 20 million to 71 million subscriptions

TeliaSonera: Ten years on the stock market

When Sweden’s Telia and Finland’s Sonera merged in 2002, the newly created company had more than 20 million customers, of which 11 million in mobile communication. The majority of the customers were to be found in Finland and Sweden. Today, TeliaSonera operates in 15 countries, from Norway in the west to Nepal in the east and has 71 million subscriptions, of which 63 million are mobile subscriptions.

TeliaSonera has now launched 4G in all markets in the Nordic and Baltic countries and Eurasia. During 2013 the expansion of the 4G networks will continue.

We continue to pioneer the market for our clients in Eurasia, providing better coverage, adapted services and contributions to economic growth by contracting local suppliers and creating new jobs.

We continue to develop new applications and services together with market leaders such as TV channel HBO and electronics company Samsung.

We continue to pioneer the market for our clients in Eurasia, providing better coverage, adapted services and contributions to economic growth by contracting local suppliers and creating new jobs.

During 2002–2012 TeliaSonera has paid out more than 117 billion in dividends to its shareholders.

An investment of 100 SEK in TeliaSonera at the time of the merger is today worth SEK 147.60. Furthermore it has given a return of SEK 80.04 during the past ten years.

We continue to pioneer the market for our clients in Eurasia, providing better coverage, adapted services and contributions to economic growth by contracting local suppliers and creating new jobs.

The TV schedule is replaced by watching TV and film wherever and whenever we want via broadband connections, mobile and fixed.

### Shareholders

- **Swedish state**: 37.3%
- **Finnish state**: 11.7%
- **Others**: 51%

### Number of employees

- **2002**: 29,200
- **2012**: 27,800

### Turnover

- **2002**: SEK 59 billion
- **2012**: SEK 105 billion

### EBITDA

- **2002**: -8 billion
- **2012**: 19.9 billion

### Investments

- **2002**: SEK 54.4 billion
- **2012**: SEK 51.6 billion

### Key Events

- **2002**: TeliaSonera divests the business in Brazil.
- **2003**: 3G is introduced in Sweden.
- **2004**: Focus on growing the business in the Nordic countries and Central Asia.
- **2005**: IP TV is introduced. Strong growth and record-breaking results.
- **2006**: Expansion into Norway. TeliaSonera re-organises and divides the group into three business areas: Mobile Services, Broadband Services and Eurasia.
- **2007**: Establishes operations in Uzbekistan and Tajikistan.
- **2008**: Establishes operations in Nepal.
- **2009**: 4G introduced in Sweden.
- **2010**: Introducing 3G to the Himalayas, Nepal, the world’s highest situated 3G network.
- **2011**: Crown Princess Victoria’s wedding procession broadcast live with 4G mobile TV.
- **2012**: 4G introduced in the Baltic countries.
- **2013**: TeliaSonera buys frequencies in Sweden for SEK 920 million.
- **2013**: The TV schedule is replaced by watching TV and film wherever and whenever we want via broadband connections, mobile and fixed.
TeliaSonera brings competence to new markets

When TeliaSonera was founded, Sweden and Finland had the highest mobile phone penetration in the world. This was primarily due to TeliaSonera and its predecessors possessing world leading knowhow on how to build mobile and fixed line networks. To use this combination of Swedish and Finnish expertise was – and naturally still is – our strategy.

The prosperity of Sweden and Finland is built upon the advantages of a modern telecommunication market. Both Telia and Sonera had a store of valuable experiences and valid reasons to expand at the time of the merger ten years ago.

Through investments made by Sonera during the 1990’s, the new company owned significant majority and minority stakes in mobile operators in Russia, Turkey, Azerbaijan, Georgia, Kazakhstan and Moldova. Telia and Sonera had meanwhile invested in the Baltic countries.

Turkcell and MegaFon are the two largest telecom operators that TeliaSonera took part in founding in the 1990’s. Today, we have significant minority stakes and they bring 112 million subscriptions to our business.

TeliaSonera’s growth is mainly derived from Central Asia, where we build telecommunication networks in regions that may not have basic infrastructure such as roads. The mobile network often becomes the country’s first permanent communication tool and spurs other infrastructural developments. In Eurasia, mobile communication generates between 3 and 9.5 per cent of GDP, compared to other countries like Sweden where it’s around 1 per cent.

Growth and development go hand in hand

TeliaSonera’s strategy is to invest in countries with good growth possibilities and low mobile penetration. We must also ensure that we conduct business in compliance with our Code of Conduct.

We have at the same time established businesses in countries where the political system is still developing, there may be an immature judicial system and high risks of Human Rights violations.

TeliaSonera strongly believes that better telecommunications improve peoples’ quality of life and further social development. Telecommunications give people the opportunity to communicate with each other and the outside world in a way that simply was not possible just a few years ago. It can help open up societies that were formerly closed.

By doing business in Eurasia we create value for our shareholders, but even more important are the possibilities our communication services provide. We contribute by investing in important infrastructure and offering reliable services at affordable prices.

The growing importance of sustainability

Sustainability has become more important for all kinds of industry and business. Last year TeliaSonera took a number of actions to further improve our sustainability work.

- We have developed our processes and strengthened our risk assessments regarding new investments.
- Sustainability risks are now an integral part of all major investment decisions.
- Counterparty risks and evaluation assessments are analyzed both by us and independent experts.
- In 2013 we continue our focus on sustainability.
- In January we established, for the first time, Group Environmental targets for the entire TeliaSonera Group. Our ambition is to reduce our carbon footprint and energy consumption by 20 per cent by 2020.
- In February we signed “The Global Compact”. It contains the UN principles on human rights, labour policy, anticorruption and the environment.
- In March we announced our cooperation in the Industry Dialogue and with the Global Network Initiative. It provides us with better tools to safeguard fundamental rights in the form of integrity and freedom of speech.

Taking into account all these measures and in light of more action to follow, TeliaSonera is changing for the better. Issues of sustainability and corporate social responsibility have become a natural part of everything we do in all of the countries in which we do business.

Devices interact with us and with each other

- If we summarise TeliaSonera’s contribution to society, be it in Sweden or Nepal, we can establish that it takes many more shapes than we could imagine 10 years ago.
- We create jobs, increase welfare through our investments in infrastructure and telecommunication services.
- We help our future society come to fruition through our investments in infrastructure and telecommunication services based on new technologies and innovations.
- Fundamentally, we will continue to do what we have always done: offer reliable technology and services at reasonable prices.
Ten-year-review

TeliaSonera helps millions of people and thousands of businesses around the world communicate in a simple, efficient and environmentally friendly way by providing internet access and telecommunication services.

We combine our international strength and local presence to ensure that TeliaSonera provides world class customer experiences wherever we do business, be it in the Nordic countries in the west or Nepal in the east.

During the past decade TeliaSonera is proud to report significant achievements:

- We have grown from 20 million to 71 million subscriptions. If we take into account minority owned businesses, the number of subscriptions is today 183 million.

- We paid out SEK 117 billion in dividends to shareholders. Our results in 2012 make it possible for us to distribute the same amount this year as last year. This has been achieved amidst a global economic downturn and when many other companies cut back or even refrain from paying dividends to their shareholders.

- We have successfully expanded into Eurasia and added three countries to our business footprint. Today, two thirds of our revenue come from countries other than Sweden.

- Today’s value of our investment of SEK 1.2 billion in MegaFon has grown to SEK 55 billion.

- We have introduced two new mobile techniques, 3G and 4G, to enhance capacity and coverage.

- We have seen an increase in mobile data communication from practically nothing to almost incredible 100 000 000 000 [one hundred billion] megabytes per year. And it continues to increase.

- We have seen film, TV and moving pictures dominate the internet thanks to fibre optic and mobile broadband.

- We have seen the commitment to sustainability issues and corporate responsibility grow. Today we see sustainability as one of the keys to future success.

All progress aside, we are today driven by the same ambition as 10 years ago: to provide reliable services that are affordable.