

Telia showed strong growth in its high-priority areas during 2000, while profitability improved in the established Swedish operations.

Annual Report 2000

TELIA

Financial information at www.telia.com

Financial information is available from our homepage www.telia.com, Investor Relations. Interim reports and annual reports are posted on our homepage as soon as they are published and press conferences are broadcast "live" via the Internet when reports are presented.

You can also follow Telia's share price and view all press releases at www.telia.com.

New shareholders who are registered directly may choose to have published reports sent to home addresses.

Financial Information

Annual General Meeting	10 May
Interim Report January–March	10 May
Interim Report January–June	16 August
Interim Report January–September	7 November

Telia's financial reports are produced by Telia AB, Investor Relations.

Please direct questions regarding content to:

Telia AB, Investor Relations
SE-123 86 Farsta, Sweden
Tel. +46 (0) 8-713 10 00
Fax +46 (0) 8-713 69 47
Online at www.telia.com, Investor Relations.

Reports may be ordered via:

Tel. +46 (0) 8-713 71 43
Fax +46 (0) 8-604 54 72
Online at www.telia.com, Investor Relations.

This is Telia's Annual Report for 2000 with the report of the Board of Directors, income statements, balance sheets, performance analysis, auditors' report, etc.

The Annual Report for 2000 also includes an Operating and Strategic Review describing Telia's strategic focus and initiatives during the year for realizing our goals and visions. If the Operating and Strategic Review is not included in this document, it can be ordered by calling +46 (0) 8-713 71 43.

Contents

Report of the Directors

Sales and Earnings

The Telia Group's net sales increased by over 4 percent for comparable units, to MSEK 54,064 (52,121). The rise resulted from continued volume growth. Prices decreased 6 percent during the year.

Underlying EBITDA dropped by 7 percent to MSEK 13,087 (14,059). Sales via the OM Stockholm Exchange of a majority stake in Eniro AB contributed a capital gain of MSEK 6,020. Operating income was affected positively by the fact that company funds held by SPP totaling MSEK 518 were recognized as revenue.

Operating income thus improved, to MSEK 12,006 (5,946). Comments on trends in income are provided in the sections titled "Group Performance Analysis" and "Performance Analysis per Business Area."

Financial Position

The Group is in a healthy financial position. The asset turnover rate declined as the balance sheet total rose by 60 percent to MSEK 122,715 (76,604), chiefly due to the acquisition of NetCom ASA and an otherwise high level of investment.

The equity/assets ratio improved to 44.4 percent (41.0 percent). Equity increased by 70 percent to MSEK 55,988, chiefly through a new share issue with a par value of MSEK 12,750. Retained earnings equaled MSEK 12,241 (5,651).

The Group's financial position is described in more detail in the section titled "Comments to the Group Balance Sheets."

Financing and Investments

Investments rose sharply, chiefly through the acquisition of NetCom ASA, with goodwill of MSEK 22,758, and continued expansion of the international carrier network. Depreciation and amortization totaled MSEK 8,222 (7,652) for the year.

The NetCom acquisition was partially financed through the new share issue, but also entailed extensive borrowing. Net interest-bearing liability increased to MSEK 20,235 (7,527). The interest coverage ratio was 7.3 (8.5).

Financing and investments are described in more detail in the section titled "Comments to the Group Cash Flow Statements."

Human Resources

The average number of employees in the Group rose by slightly over two percent. The proportion of women was 38 percent (38 percent), and men 62 percent (62 percent). The average number of employees outside Sweden was 4,924 (4,132), of which 39 (40) percent women and 61 (60) percent men.

The number of employees as of 31 December was approximately 2 percent lower than year-end 1999. Adjusted for operations acquired and divested, the number of employees increased by 1,448, of which 540 employees were in Sweden and 908 were on other markets.

	2000	1999	1998
Number of employees	29,868	30,643	30,593
Average number of full-time employees	30,307	29,546	31,320
Key figures per employee (kSEK)			
Net sales	1,784	1,764	1,583
Net income	339	143	160
Value added	1,119	835	858

For 2000, salaries and remuneration totaled MSEK 9,543 (9,184), up 4 percent. Employer's social security contributions increased slightly over 5 percent, to MSEK 3,055 (2,895). Salaries and wages for employees outside Sweden were MSEK 1,399 (1,158).

Market Position

Telia reinforced its strong position as a mobile operator in the Nordic countries during the year. Telia is the only operator in the Nordic countries that operates its own mobile network and offers mobile services in Sweden, Norway, Finland and Denmark.

Telia retained its strong position on the Swedish fixed services market during the year. Market shares were lost in certain areas due to the carrier preselect reform of the fall of 1999. After the implemented rate changes, Telia now has very competitive offerings.

The rapid expansion of the Viking Network allowed Telia to quickly establish itself as a major carrier in the global market.

New Group Structure

During the year, the Group sharpened its focus on its core business and high-priority target areas. The Group also stepped up its rate of divestment of non-core business. A new Group Structure is being introduced on 1 April 2001 in order to strengthen this orientation and promote internationalization while laying the ground for Telia to participate in the transformation of the industry.

Telia Mobile

Responsible for the mobile network, mobile services and for the development of integrated fixed/mobile services.

Telia International Carrier

Responsible for the international carrier business.

Telia Networks

Responsible for the fixed network, fixed telephony services and data communications services along with the further development of the IP infrastructure with particular focus on the Swedish market.

Telia Internet Services

Responsible for Internet services (accesses, applications and portals) on the consumer and business markets in Sweden and the other Nordic countries.

Telia Equity

Responsible for the Group's stakes and interests outside of Telia's core businesses.

Telia Sweden, a joint sales and customer unit for consumers and business customers, is being established in order to streamline marketing efforts in Sweden.

The Environment

The expansion of UMTS has drawn attention to the potential health and environmental risks of mobile telephony. Telia is closely monitoring this development and plays a key role in industrial cooperation in this regard. One example of Telia's commitment is the company's allocation of MSEK 3 over a three-year period for independent external research in electromagnetic fields. The body of research to date has not shown any evidence that mobile telephony is associated with risks.

A life cycle analysis, LCA, on fixed telephony was completed during the year. The purpose of these analyses is to illuminate the environmental advantages of telecommunications over other types of communication and identify areas of improvement.

On an initiative from Telia, IT companies decided during the year to institute an industry-wide environmental product declaration for telecommunications equipment. Telia also initiated the development of product-specific rules for certified environmental information for telecom services (The Swedish EMAS Council). The first product – Centrex (a network-based PBX solution) – is expected to be ready by mid-year 2001.

Producer responsibility for electronic products takes effect at mid-year. Efforts are underway on implementation and practical solutions for product collection in the Group.

Applied Research and Development

Rapid advances in telecommunications make demands on Telia's ability to renew and refine its businesses and products. The emphasis is shifting from in-house development to cooperation with suppliers. In 2000, Telia invested MSEK 1,564 (1,570) in applied research and development, chiefly product development.

Developmental efforts during the year were mainly concentrated in the following areas: broadband service for consumers, integrated IP-based solutions for businesses, mobile multimedia and mobile electronic commerce and IP-based network services.

Regulatory Changes

On 8 April 2000, new legislation took effect concerning radio and terminal equipment. This entails increased transfer of responsibility to market players for fulfillment of EU-defined requirements. Telia has published technical interfaces for publicly accessible telecom networks, as required by the new legislation.

On 1 May 2000, changes in legislation took effect that obligate license-holders to offer capacity in their mobile networks to others on competitive terms, provided capacity is available.

As of 1 July 2000, mobile operators are required to enter into agreements for domestic roaming, which will be particularly significant in conjunction with the expansion of the UMTS networks. The Swedish National Post and Telecom Agency (PTS) decided on 16 December not to grant Telia one of four UMTS licenses. Telia appealed the decision to the court in the beginning of 2001.

During the year, PTS decided that number portability will be introduced in the mobile networks on 1 September 2001. This means that customers will be able to retain their mobile numbers when switching mobile operators.

The special price regulation on Telia's telephone subscriptions was eliminated at the end of 2000.

In December 2000, the EU decided on a Regulation of the European Parliament and of the Council on unbundled access to the local loop. The Regulation took effect on 2 January 2001 and is immediately applicable in EU member states. Telia opened its access network to other operators already in the spring of 2000 and will have modified its offering to the resolutions of the Regulation during the first quarter of 2001.

In November 2000, Telia was granted one of four licenses for UMTS in Norway. A UMTS license was obtained in Finland in 1999.

Transition to the Euro

Telia is actively preparing for a transition to the euro. The aim is primarily to allow Telia's customers to use euros by ensuring the development of services priced in euros as customer demand accelerates. Some subsidiaries in EMU have gone over to euros as their accounting currency.

Changes in the Board and Executive Management

At an extraordinary general meeting of shareholders on 7 January 2000, Lars-Eric Petersson and Carl Bennet were elected to the Board of Directors. At the same time, Dag Detter vacated his seat on the Board. Lars-Eric Petersson was elected Chairman of the Board by a meeting following the election on the same day and Jan-Åke Kark was appointed President and Chief Executive Officer succeeding Stig-Arne Larsson. At the annual general meeting of 5 May 2000, Ingvar Carlsson was elected to the Board of Directors.

Among the members appointed by the employee organizations, Elof Isaksson replaced Kjell Olofsson. Christer André and Anders Boman were appointed as deputies to the members representing the employee organizations.

Marianne Nivert, former Senior Executive Vice President of Telia AB with special responsibility for the Carrier & Networks business area, was appointed on 11 October 2000 by the Board of Directors to succeed Jan-Åke Kark as Acting President and CEO. Jan-Åke Kark stepped down from his position as President and CEO on the same day. Bo Jacobsson, previously Head of Corporate Financial Control at Telia AB, was appointed on 13 October 2000 as Chief Financial Officer.

Work of the Board of Directors

Telia's Board of Directors has grown during the year from four to six members. The employee organizations were represented by three members. The Board of Directors met 25 times.

The guidelines for the work of the Board of Directors and instructions defining the responsibilities of the Board members and the CEO, respectively, along with reporting to the Board are set down in a rule of procedure adopted by the Board on 19 May 2000. The rule of procedure defines rules regarding the number of ordinary Board meetings (at least five ordinary meetings per calendar year), the business on the agenda of ordinary Board meetings, responsibilities within the Board, including the commitments of the Chairman of the Board, responsibilities of members of the Board and the CEO, and how work is carried out in committees.

The Board of Directors has appointed a compensation committee, which considers cases and submits recommendations to the Board. The committee is responsible for matters that affect remuneration to the president, vice presidents and business area heads.

This responsibility also includes any stock option programs or similar forms of reward or compensation aimed at a larger number of employees in the Group. The committee members are Lars-Eric Petersson, Carl Bennet and Ingvar Carlsson.

The Board of Directors focused special attention on the following matters, among others, during the year:

- Strategic issues,
- IPO of Telia AB,
- Acquisition of NetCom ASA in Norway,
- Whole and partial divestitures of companies in the Enterprises business area,
- The Swedish National Post and Telecom Agency's awards of UMTS licenses.

Nominations in Preparation for the Annual General Meeting

A nominating committee with representatives from Telia's four largest shareholders and Telia's Chairman of the Board has dealt with certain business in preparation for the 2001 Annual General Meeting.

The committee members are Dag Detter (Ministry of Industry, Employment and Communications), Ramsay Brufer (Alecta), Björn Lind (SEB Fonder), Marianne Nilsson (Robur) and Lars-Eric Petersson (Chairman of the Board).

The recommendations of the nominating committee will be reported in the notice of and at the Annual General Meeting.

Telia Stock

On 13 June, Telia's shares were quoted on the A list of the OM Stockholm Exchange. At the same time, 150 million new shares were issued. The new issue provided a capital infusion to Telia of MSEK 12,429 after issue expenses. The IPO price was set at SEK 85 per share.

The Swedish state retained a 70.6 percent holding of Telia after the listing of the company.

Of the remaining stock, 21 percent was owned by 847,000 Swedish private investors, 63 percent by Swedish institutional investors, and 16 percent by foreign investors, on 31 December.

As of 31 December, the highest price paid for the share was SEK 94.00 and the lowest was SEK 46.90.

Parent Company

The parent company Telia AB, whose Board of Directors is registered in Stockholm, contains the Group's Swedish operations for fixed network development, construction, and operation, and provides basic production of network services. Service and installation personnel in the international carrier business were transferred to subsidiaries effective 1 January 2000 and personnel within network wholesaling operations were transferred as of 1 October. The parent company also comprises Group executive management functions, several support units, and the Group's internal banking operations.

Net sales were MSEK 23,341 (25,983), of which MSEK 20,274 (22,508) was billed to subsidiaries. Earnings before appropriations and tax declined to MSEK 6,335 (8,362), primarily due to reduced Group contributions from subsidiaries.

Net income after appropriations and tax was MSEK 5,006 (5,182). Equity was MSEK 36,459 (20,393) and retained earnings amounted to MSEK 12,961 (9,748).

Total assets increased to MSEK 91,494 (74,456). Cash flow from operating activities was MSEK 4,117 (3,502), while operating cash flow was MSEK –20,949 (–5,540). Net borrowings declined to MSEK 6,463 (11,909). Liquid funds equaled MSEK 538 (1,368).

The current ratio was 1.69 (1.08). The equity/assets ratio (including the equity component of untaxed reserves) improved to 51.9 percent (43.8 percent).

Total investments were MSEK 20,017 (8,595), including MSEK 4,163 (3,500) in tangible fixed assets, primarily fixed telephony installations. Other investments totaling MSEK 15,854 (5,095) were primarily attributable to capital infusions in subsidiaries and associated companies. In 2000, MSEK 575 (1,076) was invested in applied research and development.

The number of employees as of 31 December was 1,066 (6,514). The decline in the workforce is due to transfer of operations to subsidiaries.

The average number of employees during the year was 3,148 (6,637), of which 37 (24) percent women and 63 (76) percent men. Salaries and remuneration totaled MSEK 1,380 (2,117). Employer's social security contributions were MSEK 473 (700).

Dividend 2000

The Board of Directors is proposing a dividend of SEK 0.20 per share. In addition, the Board of Directors is proposing an extra dividend of SEK 0.30 per share, owing to the positive result from divestitures in the Enterprises business area. The total distribution for a combined dividend of SEK 0.50 (0.52) per share is MSEK 1,501 (1,470) (see also the section "Proposed Appropriation of Earnings"). The Annual General Meeting will be held on 10 May 2001.

Outlook for 2001

Robust growth in mobile communications, the establishment of Telia in the international carrier market, and new broadband services for the consumer market in Sweden are creating good conditions for sustained revenue growth. We expect the general price structure for traditional fixed services to stabilize compared with the preceding year. Combined with ongoing efficiency measures, we believe that these conditions will contribute to sustained good profitability.

The current streamlining and restructuring of the company will free up resources that will be used to enhance the Group's core business.

Group Income Statements

MSEK		2000	1999	1998
Net sales	Notes 6, 37, 38	54,064	52,121	49,569
Costs of production	Notes 7, 12	–33,028	–31,206	–30,988
Gross income		**21,036**	**20,915**	**18,581**
Selling, administrative, and R&D expenses	Notes 7, 12	–16,326	–14,887	–15,045
Other operating revenues and operating costs	Notes 8, 12	8,493	–805	4,388
Share of earnings in associated companies	Notes 11, 37, 38	–1,197	723	–704
Operating income	Notes 37, 38	**12,006**	**5,946**	**7,220**
Financial revenues and expenses	Note 13	–289	34	–77
Income after financial items		**11,717**	**5,980**	**7,143**
Taxes	Note 14	–1,447	–1,754	–2,092
Minority shares in income for the year		8	–4	–40
Net income		**10,278**	**4,222**	**5,011**
Earnings per share (SEK)	Note 21	**3.50**	**1.48**	**1.76**

Quarterly Data

2000	Q1	Q2	Q3	Q4	Total
Net sales	12,857	13,180	13,487	14,540	54,064
Underlying EBITDA (Notes 37, 38)	3,260	2,857	3,180	3,790	13,087
Non-recurring items and pensions (Notes 37, 38)	1,316	201	–116	6,937	8,338
Share of earnings in associated companies	642	–710	–759	–370	–1,197
EBITDA	5,218	2,348	2,305	10,357	20,228
Operating income	3,382	488	206	7,930	12,006
Income after financial items	3,436	356	267	7,658	11,717
Net income	2,390	308	172	7,408	10,278
Earnings per share (SEK)	0.84	0.10	0.06	2.47	3.50

1999	Q1	Q2	Q3	Q4	Total
Net sales	12,397	13,066	11,771	14,887	52,121
Underlying EBITDA (Notes 37, 38)	3,634	3,616	3,466	3,343	14,059
Non-recurring items and pensions (Notes 37, 38)	–542	–362	–273	–7	–1,184
Share of earnings in associated companies	–564	227	–153	1,213	723
EBITDA	2,528	3,481	3,040	4,549	13,598
Operating income	682	1,609	1,150	2,505	5,946
Income after financial items	682	1,609	1,244	2,445	5,980
Net income	480	1,118	869	1,755	4,222
Earnings per share (SEK)	0.17	0.39	0.30	0.62	1.48

1998	Q1	Q2	Q3	Q4	Total
Net sales	11,338	12,496	11,871	13,864	49,569
Underlying EBITDA (Notes 37, 38)	3,193	3,396	3,393	3,327	13,309
Non-recurring items and pensions (Notes 37, 38)	–418	1,961	703	–485	1,761
Share of earnings in associated companies	–221	–84	–395	–4	–704
EBITDA	2,554	5,273	3,701	2,838	14,366
Operating income	742	3,466	1,897	1,115	7,220
Income after financial items	688	3,469	1,892	1,094	7,143
Net income	487	2,415	1,299	810	5,011
Earnings per share (SEK)	0.17	0.85	0.46	0.28	1.76

Group Performance Analysis

Sales

Consolidated net sales rose by 3.7 percent from the preceding year. The increase was 4.5 percent for comparable units. Fourth-quarter sales increased by 3.5 percent. Growth was fueled primarily by strong sales increases in mobile telephony and vigorous demand in the international carrier business and Swedish network wholesaling. Prices were lowered by an average of 6.7 percent during the year, meaning that consolidated sales volume rose by 12 percent for comparable units.

The number of mobile telephony customers in the Nordic region increased by an impressive 60 percent (1,712,000 new customers), from 2,841,000 to 4,553,000. The acquisition of NetCom ASA in Norway accounted for 773,000 of the new customers. Net sales of mobile telephony climbed 42 percent during the year due to the burgeoning customer base. The fourth-quarter increase was 48 percent. Excluding NetCom ASA, sales growth was 21 percent for the year and 14 percent for the fourth quarter.

Deregulation of the European market and higher Internet usage are stimulating demand for transport of telephony and IP-based services in the global carrier market. Net sales in the international carrier business rose by 32 percent during the year to MSEK 2,823. Fourth-quarter sales surged by 46 percent to MSEK 888.

Business Ratios

Percent	2000	1999	1998
Sales growth	3.7	5.1	8.6
volume change	11.2	11.3	11.0
price change	–6.7	–5.5	–2.2
Underlying EBITDA margin	24.2	27.0	26.8
Operating margin	22.2	11.4	14.6
Earnings per share (SEK)	3.50	1.48	1.76

Deep price cuts (8.4 percent) and stiffer competition caused a 9.4 percent decline in sales of fixed telephony during the year in the Swedish retail market. Strong measures taken to regain customers combined with the effects of the carrier preselect reform that are now evident in the comparative figures stopped the decline in fourth-quarter net sales at 7.1 percent.

The decline in retail revenues was partially compensated through higher wholesale sales. Sales of network capacity and network services to outside operators and service providers rose by 62 percent during the year. At 30 percent, the increase was somewhat lower in the fourth quarter, due to the effects of the carrier preselect reform now evident in the comparative figures.

Demand for Internet access continued to climb. The number of Internet customers in the fixed network increased during the year from 599,000 to 714,000 in the Swedish market, accompanied by a 27.1 percent jump in net sales to MSEK 1,390. The fourth-quarter increase in net sales was 34.5 percent.

Demand for broadband was strong. As of year-end, the general agreements closed with rental property owners, building cooperatives and homeowners represented potential connection of 822,000 households to the fixed network. As the year drew to a close, there were 40,000 paying customers connected to Telia ADSL and LAN solutions.

Net Sales per Business Area and Product Segment

	2000 MSEK	Chg %	1999 MSEK	1998 MSEK
Mobile				
Mobile telephony	11,318	42.0	7,971	6,734
Other	766	11.8	685	840
	12,084	**39.6**	**8,656**	**7,574**
Carrier & Networks				
International Carrier	2,823	32.1	2,137	1,234
Network wholesaling, Nordic countries	3,143	43.5	2,191	2,437
	5,966	**37.8**	**4,328**	**3,671**
Business/People Solutions				
Fixed telephony	20,777	–10.1	23,115	23,110
Leased lines	1,582	1.4	1,560	1,429
Data communications	1,815	–10.1	2,020	1,678
Internet	1,460	16.3	1,255	904
Other	2,459	3.1	2,384	2,632
	28,093	**–7.4**	**30,334**	**29,753**
Enterprises	**7,811**	**–11.0**	**8,778**	**8,546**
Group-wide	**110**	**n/a**	**25**	**25**
Total	**54,064**	**3.7**	**52,121**	**49,569**

As of year-end, Telia's cable television company, com hem, had agreements in place for the sale of 346,000 broadband connections through the cable television network. Some 193,000 customers were connected by the end of the year, including 22,000 with Internet subscriptions.

In the Enterprises business area, where a great many businesses were sold during the year, net sales increased by 11 percent for comparable units.

Earnings

Underlying EBITDA

To show the trend in earnings in the Group's majority-owned core operations, the term "underlying EBITDA" is used, which describes income before depreciation and amortization, excluding non-recurring items and earnings from associated companies.

Underlying EBITDA for the year was MSEK 13,087, which is a decline of 6.9 percent.

There was a strong 13 percent increase in underlying EBITDA in the fourth quarter, however, evidence that the third-quarter improvement in profitability is continuing.

Strong customer growth in mobile telephony in the Nordic countries entailed higher customer acquisition costs. Development of new services in Sweden, particularly investments in broadband access and services for the consumer market, also encumbered income, as did expansion in the global carrier market, since Telia is now building wholly owned networks in Europe and the United States.

Vigorous efficiency measures and higher wholesale sales resulted in higher margins for the year for the company's traditional business, fixed telephony services in Sweden, despite considerable price reductions and stiffer competition in the retail markets for Business Solutions and People Solutions. Underlying EBITDA could consequently be maintained at the1999 level. The profit margin was further reinforced in the fourth quarter, when underlying EBITDA increased.

Underlying EBITDA and Operating Income

MSEK	2000	1999	1998
Mobile	3,353	3,507	2,539
Carrier & Networks	7,679	7,872	8,655
Business Solutions	1,171	1,192	1,009
People Solutions	855	1,694	1,277
Enterprises	1,760	2,501	2,104
Group-wide	–1,731	–2,707	–2,275
Total underlying EBITDA	**13,087**	**14,059**	**13,309**
Depreciation, amortization and write-downs	–8,222	–7,652	–7,146
Non-recurring items and pensions	8,338	–1,184	1,761
Share of earnings in associated companies	–1,197	723	–704
Operating income	**12,006**	**5,946**	**7,220**

The decline in underlying EBITDA in the Enterprises business area is due to the divestiture of certain operations, primarily through the initial public offering of Eniro. The decline in underlying EBITDA for comparable units was approximately 6 percent.

The sharp reduction in Group-wide costs is attributable to the conclusion of projects during the year, cutbacks in consultant services, and more extensive allocation of costs for Group projects to the business areas.

Earnings from Associated Companies

Earnings from associated companies during the year totaled MSEK –1,197, compared with the preceding year's earnings of MSEK 723. The loss is mainly attributable to Tess in Brazil and Eircom in Ireland.

Share of Earnings in Associated Companies

MSEK	2000	1999	1998
Netia Holdings (Business Solutions)	–411	–327	–165
Baltic states (Mobile/Business Solutions)	190	139	82
Unisource/AUCS (Business Solutions)	1,445	1,534	–588
Comsource/Eircom (Business Solutions)	–933	409	148
Telia Overseas (Enterprises)	–1,719	–1,347	–78
Eniro (Enterprises)	185	–	–
Other associated companies	46	315	–103
Total	**–1,197**	**723**	**–704**

Netia. The company is in a build-up phase. The customer base demonstrated unabated strong growth throughout the year. The decline in earnings is attributable mainly to Telia having increased its stake in the company and to exchange rate effects. The company is sharpening its focus on business customers in order to improve profitability.

Baltic states. The mobile operators in the Baltic states and northwestern Russia are demonstrating strong growth in customer base and earnings. The total customer base swelled by 383,000 to 1,159,000 during the year. Fixed network operators in the Baltic states are preparing for future competition by rebalancing rates, developing IP-based services, and implementing efficiency measures.

Unisource/AUCS. Earnings for the past two years are chiefly attributable to capital gains in connection with liquidation of companies within Unisource.

Eircom. The net result includes the costs of restructuring the company (MSEK –475). Telia intends to sell its interest in the company and to support Vodafone's bid to acquire Eircom's mobile company Eircell.

Telia Overseas. The decline in earnings is attributable chiefly to the mobile operator Tess, which is in a build-up phase. Directly and indirectly via Telia Overseas, Telia increased its share of equity in the company from 44.9 to 60.8 percent during the year. However, Telia does not have a sole controlling majority of votes, so the company has not been consolidated. A Letter of Intent was signed by the parties in early 2001 on the sale of Tess to Telecom Americas.

Eniro. Following the initial public offering in October 2000, Eniro carried out a number of acquisitions in Germany, Russia, and elsewhere, all within the framework of its growth strategy.

Non-recurring Items

Non-recurring items had a favorable impact on consolidated operating income in the amount of MSEK 8,338 (MSEK –1,184). Non-recurring items include capital gains of MSEK 7,856, of which MSEK 6,020 from the market listing of Eniro. Common pension commitments totaled MSEK 854, including a refund from SPP in the amount of MSEK 518. The remainder consists of the effects of revaluation of certain pension commitments.

Operating Income/Net Income

Consolidated operating income increased during the year from MSEK 5,946 to MSEK 12,006.

Consolidated net income after financial income and expense, taxes, and minority shares rose to MSEK 10,278 compared with MSEK 4,222 in the preceding year.

Earnings per share increased from SEK 1.48 to SEK 3.50.

Performance Analysis per Business Area

Mobile Business Area

The number of mobile telephone customers in the Nordic countries rose enormously, from 2,841,000 to 4,553,000, including 773,000 gained through the acquisition of NetCom ASA, further reinforcing Telia's market position. The company began preparing during the year to offer GPRS services in the entire Nordic market.

MSEK	2000	1999	1998
Net sales	14,276	10,714	9,767
of which external	12,084	8,656	7,574
Underlying EBITDA	3,353	3,507	2,539
Operating income	1,571	2,458	1,498
Investments	25,814	1,318	2,193
Sweden			
Net sales	11,354	10,009	9,299
of which external	9,242	7,971	7,179
Underlying EBITDA	3,801	4,040	3,342
Investments	1,229	909	811
of which mobile telephony			
Net sales	10,904	9,645	8,977
of which external	8,871	7,556	6,719
Underlying EBITDA	4,011	3,970	3,218
Investments	1,108	845	782
Norway			
Net sales	1,669	–	–
of which external	1,655	–	–
Underlying EBITDA	472	–9	–99
Investments	23,267	–	1
Finland			
Net sales	763	348	291
of which external	760	340	290
Underlying EBITDA	–458	–262	–187
Investments	274	104	25
Denmark			
Net sales	490	357	177
of which external	428	345	105
Underlying EBITDA	–451	–262	–517
Investments	246	263	669

Vigorous customer growth resulted in a 40 percent increase in external net sales during the year. Excluding NetCom ASA, the increase was 20 percent. Fourth-quarter growth, excluding NetCom, was 12 percent.

Major developmental initiatives coupled with the costs of customer acquisition resulted in a moderate decline in underlying EBITDA during the year.

Shares in earnings from associated companies were MSEK 111 (MSEK 108) for the year. Associated companies in the Baltic states and northwestern Russia increased their total customer base from 776,000 to 1,159,000 during the year.

Operating income for the business area was MSEK 1,571, compared with MSEK 2,458 the year before. The result reflects amortization of goodwill in the amount of MSEK 450 following the acquisition of NetCom ASA.

Investments amounted to MSEK 25,814, including MSEK 22,758 to acquire NetCom ASA. Other investments were mainly devoted to expansion of capacity in existing networks and preparations for GPRS and UMTS.

Mobile's strong position in the Nordic and Baltic regions and large customer base are shaping opportunities for synergy and economies of scale, affecting network expansion and service development alike. Efforts to coordinate the billing systems were begun during the year.

Sweden – Mobile Telephony

External sales rose by 17 percent for the Swedish mobile telephony business to MSEK 8,871. The increase is attributable to strong customer growth, higher traffic volume per customer, and low churn. The number of GSM customers increased by 728,000 to 3,076,000.

Usage of SMS, which is the gateway to more sophisticated mobile data services, increased by more than 300 percent to 185 million messages. Demand for DOF service rose as well, with the number of subscriptions climbing from 23,000 to 56,000 in the course of the year.

Prices were cut 6 percent during the year. Lower prices and the burgeoning customer base, with a larger percentage of prepaid card customers, caused a softening of monthly average revenue per user (ARPU) from SEK 332 to SEK 308.

The business area cut back on marketing activities towards the end of the year and lowered discounts for terminals. Customer growth weakened slightly as a result and fourth-quarter sales growth peaked at 11 percent, compared with the same period in the preceding year. There was also a slight decline in traffic volume per user during the period. ARPU for the fourth quarter was SEK 303, compared with SEK 304 in the third quarter.

Underlying EBITDA in Sweden was essentially unchanged from 1999. For the fourth quarter, underlying EBITDA was MSEK 1,234 compared with MSEK 1,284 the preceding year.

Compared with the third quarter, the fourth-quarter margin improved from 37 percent to 42, primarily attributable to lower customer acquisition costs. A non-subsidized subscription, Mobitel Fri, was launched during the year.

Efficiency measures have been implemented, aimed at strengthening profitability in the Swedish operations.

The GSM network in Sweden was upgraded during the year with High Speed Circuit Switched Data (HSCSD) as a step on the path towards development of tomorrow's sophisticated mobile services.

As previously announced, the analog mobile NMT 900 network was closed for traffic in late 2000. However, the business area is still running NMT 450, which has certain advantages by virtue of its superior coverage in sparsely populated and coastal areas.

Sweden, Other Business

In addition to mobile telephony, Swedish operations include contractor services for coastal and maritime radio and other miscellaneous services such as paging. The Swedish operations were charged with costs for projects and joint ventures run by the New Business unit aimed at developing new business concepts for mobile communications.

Other Nordic Countries

Positive trends for the Norwegian mobile operator NetCom ASA remain unbroken. External net sales rose by 7.9 percent in the fourth quarter, accompanied by a rise in the number of GSM customers from 810,000 to 850,000. ARPU sagged in the fourth quarter from NOK 329 to NOK 310 compared with the third quarter. In addition to its own customers, NetCom ASA also has 50,000 indirect customers through service providers that use the NetCom network. SMS message volume surged by more than 90 percent to reach 311 million during the year.

The customer base in Denmark increased during the year by 127,000 to 297,000 and external net sales rose 24 percent compared with the preceding year. The number of customers in Finland increased by 116,000 to 149,000, generating a jump in net sales for mobile telephony from MSEK 70 to MSEK 364. The retail outlet business in Finland increased from MSEK 270 to MSEK 396 as a result of shop acquisitions. High customer acquisition costs held down earnings in both countries. In order to ensure full nationwide coverage in Denmark and thereby attract more customers, the business area applied for and obtained a GSM 900 license. In Finland, a roaming agreement with Radiolinja has enabled the business area to offer nationwide coverage for its GSM services.

Carrier & Networks Business Area

MSEK	2000	1999	1998
Net sales	25,861	25,889	25,647
of which external	5,966	4,328	3,671
Underlying EBITDA	7,679	7,872	8,655
Operating income	3,414	3,083	3,809
Investments	10,916	4,970	3,761
International Carrier			
Net sales	4,033	3,466	2,142
of which external	2,823	2,137	1,234
Underlying EBITDA	–471	679	412
Investments	6,576	1,009	82
Network wholesaling, Nordic countries			
Net sales	21,828	22,423	23,505
of which external	3,143	2,191	2,437
Underlying EBITDA	8,150	7,193	8,243
Investments	4,340	3,961	3,679

International Carrier

The Viking Network – Telia's international fiber optic carrier network – was further expanded during the year.

In Europe, the fiber optic network's reach was extended from 4,070 to 13,000 kilometers, while ducts were extended from 1,900 to 5,300 kilometers. Several routes have been rolled out.

Swaps with two American operators during the year gave Telia access to an 18,000-kilometer-long fiber optic network in the United States. The network is now being equipped with IP routers and wavelength capacity. The first route between New York and Miami was rolled out in early 2001.

Points of Presence (POP) were expanded from 27 to 52.

External net sales rose 32 percent during the year. Telephony transport increased by 50 percent, while IP transport, which is expected to become one of the two major products along with leasing of IP capacity, climbed by an impressive 270 percent. Fourth-quarter net sales in the international carrier business rose by 46 percent, compared with the corresponding period in the preceding year.

Agreements on infrastructure sales worth MSEK 3,600 were signed during the year. Also closed were a number of agreements on capacity sales worth a total of MSEK 800. In terms of cash flow, payment is received when the facilities are deployed. Payments totaling MSEK 900 were received during the year. Revenues are accrued over the term of the agreement, which is 20 years as a rule. The equivalent value of swaps with other operators is MSEK 2,600. Collocation and service agreements worth MSEK 3,400 were also signed in connection with swaps and sales of infrastructure and capacity.

The international carrier business is in an early stage of development with costs for establishing local technology and sales companies on the domestic markets, and Points of Presence (POP) for connecting customers as well as license fees, all of which encumber earnings.

Underlying EBITDA was MSEK –471 for the year.

Investments amounted to MSEK 6,576. The majority of investments were for fiber duct installation, fiber optic cables and wavelength capacity.

Network Wholesaling, Nordic Countries

The nationwide fiber optic carrier network in Sweden was expanded during the year at a rate of 40,000 kilometers of fiber pairs per month, while simultaneously achieving a substantial increase in the percentage of fiber closest to the customer. There are now complete fiber optic infrastructures in 121 Swedish cities.

The national IP network, which is undergoing rapid construction, was accessible in 41 municipalities as of year-end. An automatic ADSL delivery system has been built up in order to meet vigorous demand for broadband.

The network wholesaling business in Sweden is run under the Skanova brand. Sales in the other Nordic countries are under the Telia brand.

Sales to external operators and service providers of telephony, IP traffic, data communications and network capacity demonstrated unabated strong growth. External net sales in Sweden, Skanova's main market, were MSEK 2,874, an increase of 62 percent compared with the preceding year. Volume growth was 80 percent. The fourth-quarter increase in net sales to external customers was somewhat lower, at 30 percent. The slower rate of growth is due to the impact of the carrier preselect reform passed in autumn 1999, which is now evident in the comparison period as well.

Sales to other Telia business areas declined by 7 percent. Weaker internal sales were compensated for mainly through dramatically higher external sales. Skanova's total net sales were MSEK 21,828 for the year, which is on the same level as for the preceding year.

Vigorous efficiency measures and higher external sales served to improve underlying EBITDA by 13 percent to MSEK 8,150. Fourth-quarter earnings rose by 40.0 percent to MSEK 2,244.

Operating income increased from MSEK 2,524 to MSEK 4,150.

Investments during the year amounted to MSEK 4,340. Substantial initiatives were devoted to developing the networks in Sweden, aimed chiefly at improving the infrastructure from a circuit-switched network to a packet oriented network, which is more cost-efficient and better equipped to meet market demand for broadband services.

Business Solutions Business Area

The year at Business Solutions was focused on further refining and customizing the product line and achieving more effective marketing. Tremendous energy was devoted to integrating services for fixed and mobile telephony, voice, and data on IP-based platforms. New broadband solutions were deployed during the year, including a Virtual Private IP-based Network, IP-VPN.

Business Solutions is the dominating broadband player in the Swedish market. Net sales for broadband services were approximately MSEK 2,000 for the year.

MSEK	2000	1999	1998
Net sales	15,531	17,433	17,388
of which external	11,241	12,403	11,805
Underlying EBITDA	1,171	1,192	1,009
Operating income	1,602	2,218	–196
Investments	3,063	3,066	2,892
Sweden			
Net sales	14,660	16,121	16,065
of which external	10,434	11,022	10,608
Underlying EBITDA	1,434	1,562	1,490
Investments	658	330	702

External sales for Business Solutions declined during the year by 7.1 percent for comparable units. The decline in the fourth quarter was at the same level. The decrease in revenues is attributable to substantial price reductions for fixed telephony in Sweden. Prices in Sweden were cut by 12 percent during the year.

Business Solutions compensated for the impact of price reductions on earnings through efficiency measures and higher sales of value added services such as TeleMöte, Centrex, and VCC (Virtual Call Centers), for which sales rose by 40 percent for the year. Underlying EBITDA remained level with 1999 and improved in the fourth quarter from MSEK 337 to MSEK 382. Improved profitability in the Danish business and divestiture of losing operations in Norway contributed to the favorable EBITDA trend.

Earnings from associated companies: fixed network operators in the Baltic region and Infonet, Unisource and Eircom, decreased during the period from MSEK 1,607 to MSEK 117. The decline is chiefly attributable to Eircom.

Business Solutions is reporting operating income of MSEK 1,602 after earnings from associated companies and non-recurring items. Non-recurring items, mainly capital gains from the sale of operations in Norway, amounted to MSEK 750. Non-recurring items totaled MSEK –218 in the preceding year.

People Solutions Business Area

Customers are migrating from narrowband to broadband. A number of broadband services were launched during the year, mainly in the games and entertainment segment, as the first step towards development of a multi-portal for the Swedish consumer market.

People Solutions has achieved a very competitive market offering by slashing prices and simplifying its price structure.

MSEK	2000	1999	1998
Net sales	18,337	19,150	19,512
of which external	16,852	17,931	17,948
Underlying EBITDA	855	1,694	1,277
Operating income	1,288	1,170	898
Investments	1,052	251	261
Sweden			
Net sales	17,469	18,439	18,974
of which external	16,102	17,246	17,412
Underlying EBITDA	1,046	1,997	1,484
Investments	807	86	74

Price reductions and the impact of the carrier preselect reform led to a decline in external net sales of 5.6 percent for comparable units in the business area. The fourth-quarter decline was 0.8 percent. Net sales of fixed telephony in Sweden, which accounts for approximately 85 percent of People Solutions' external net sales, sagged during the year by 8.4 percent, mainly due to price reductions. The decline was substantially less in the fourth quarter, at 4.7 percent. Measures designed to instill customer loyalty and win back former customers produced results at the same time that the impact of the carrier preselect reform was manifested in comparative figures. The company believes the general price structure will now begin to stabilize.

Demand for Internet access remained strong in the Swedish market. External net sales climbed by 27 percent. A service was launched mid-year that allows Duocom customers to add a 64 kbit/s channel to their subscriptions.

External sales in Denmark rose 37 percent to MSEK 677 as a result of higher sales of fixed telephony and cable television and the business area's takeover of small business customers from Business Solutions. In Finland, net sales decreased as a result of weaker growth and substantial price cuts.

Underlying EBITDA decreased during the year from MSEK 1,694 to MSEK 855. Fourth-quarter underlying EBITDA totaled MSEK 244 compared to MSEK 333 year on year. Cost reductions and increased sales of value added services and Internet did not fully compensate for the price reductions for fixed telephony and the effects of the carrier preselect reform. Extensive initiatives in the development of broadband services were entered on the income statement with a concomitant impact on earnings.

The upgrading of the cable television network in Denmark to provide high speed Internet service, combined with higher costs for customer service and billing in telephony operations, caused a moderate decline in underlying EBITDA. Earnings improved during the year for the Finnish operations.

Earnings from the associated companies Scandinavia Online AB (SOL) and Chili A/S, which both operate portals, improved during the year from MSEK –26 to MSEK 86.

Operating income for People Solutions improved during the year from MSEK 1,170 to MSEK 1,288, mainly due to capital gains of MSEK 527 from the sale of operations in Norway and the cable television business in Estonia.

Concerted efforts were made during the year to streamline customer service in order to reduce costs and simultaneously improve service by providing a more extensive range of self-service options via www.telia.se, Mina Sidor ("My Pages"), and automated customer service by phone.

The monthly fee for basic telephone service for consumers in Sweden is being raised by SEK 20, effective 1 March 2001.

Enterprises Business Area

Companies that do not belong to the Group's core business, and which will be divested wholly or partially, have been organized under Enterprises. The following companies were divested during the year: Telia Contracting, Telia Kompetens, Telia Konferens, IN good company, Svefo, Telia Academy, Smålandsbörsen, Starman Kaabeltelevisiooni, the Danish Telia System & Service, along with parts of Telia's remaining real estate holdings. Participations in Egmont Online and ADC Telecommunications were also sold. Telia Trading was divested in early 2001.

Eniro AB was listed on the O list of the OM Stockholm Exchange in October. The total issue was 75,150,000 shares, representing 50.1 percent of the capital in Eniro. The IPO price was set at SEK 84 per share. Telia received MSEK 6,114 from the sale, and capital gains totaled MSEK 6,020. The company exercised its over-allotment option and brought its share of equity down to 49.1 percent.

The divestitures led to a decline in net sales for Enterprises during the year. External net sales increased for comparable units by 11 percent. The fourth-quarter increase was 7 percent. The largest growth was achieved in the units Swedia Networks (network construction), com hem (Swedish cable television business), DRS (call center), and Telia Finans.

MSEK	2000	1999	1998
Net sales	22,565	21,767	21,752
of which external	7,811	8,778	8,546
Underlying EBITDA	1,760	2,501	2,104
Operating income	5,373	335	5,932
Investments	7,048	2,540	2,582

Underlying EBITDA declined to MSEK 1,760, primarily due to the IPO of Eniro. The decline in underlying EBITDA for comparable units was approximately 6 percent. The decline is in large part attributable to developmental initiatives in com hem made to upgrade the cable television network for broadband. As of the end of the year, 193,000 broadband customers had been connected.

Underlying EBITDA improved in Swedia Networks and ProSoft (IT consulting services).

The result from associated companies was MSEK –1,497 compared with MSEK –959 in the preceding year. The Brazilian mobile operator Tess impacted earnings by MSEK –1,630 (MSEK –1,278), while Eniro contributed MSEK 185 in 2000.

A Letter of Intent was signed by the parties in early 2001 on the sale of Tess to Telecom Americas. Tess increased its customer base in 2000 by 594,000 to 939,000.

Operating income for Enterprises, which increased greatly during the year, was affected by non-recurring items, mainly capital gains from the IPO of Eniro totaling MSEK 6,174. Net non-recurring items in 1999 were MSEK –7.

The business area's investments increased to MSEK 7,048, primarily due to an increase in the company's stake in Tess (MSEK 4,131). Investments in com hem during the year totaled MSEK 678.

Group Balance Sheets

MSEK		2000	1999	1998
Assets				
Intangible fixed assets	Note 15	25,198	2,146	1,844
Tangible fixed assets	Note 16	43,807	33,318	34,801
Financial fixed assets	Note 17	22,335	18,023	12,553
Total fixed assets		**91,340**	**53,487**	**49,198**
Inventories etc.	Note 18	773	971	946
Receivables	Note 19	29,072	20,369	16,451
Short-term investments	Note 20	178	1,264	202
Cash and bank deposits		1,352	513	481
Total current assets		**31,375**	**23,117**	**18,080**
Total assets		**122,715**	**76,604**	**67,278**
Equity and liabilities				
Restricted equity				
Share capital		9,604	8,800	8,800
Restricted reserves		34,143	18,442	18,343
Non-restricted equity				
Non-restricted reserves		1,963	1,429	−2,810
Net income		10,278	4,222	5,011
Total equity		**55,988**	**32,893**	**29,344**
Minority interest in equity		**320**	**210**	**210**
Provisions for pensions and employment contracts	Note 22	3,525	3,246	1,733
Deferred tax liability, other provisions	Note 23	7,826	7,242	6,002
Total provisions		**11,351**	**10,488**	**7,735**
Interest-bearing liabilities				
Long-term loans	Notes 24, 30	20,876	9,123	6,491
Short-term loans	Notes 25, 30	13,166	6,934	7,062
Non-interest-bearing liabilities				
Long-term liabilities	Note 26	1,029	162	114
Current liabilities	Note 27	19,985	16,794	16,322
Total liabilities		**55,056**	**33,013**	**29,989**
Total equity and liabilities		**122,715**	**76,604**	**67,278**
Contingent assets	Note 31	–	541	–
Collateral pledged	Note 31	12	76	69
Contingent liabilities	Note 31	1,350	1,616	1,103

Comments to the Group Balance Sheets

The Group is in a healthy financial position. During the year, new shares were issued and NetCom ASA was acquired. The balance sheet total thereby increased greatly, and the asset turnover rate as well as the interest coverage ratio decreased from the preceding year.

Business Ratios	2000	1999	1998
Growth in total assets (%)	60.2	13.9	2.1
Asset turnover rate (multiple)	0.54	0.72	0.74
Current ratio (multiple)	0.95	0.97	0.77
Equity/assets ratio (%)	44.4	41.0	41.5

Fixed assets rose sharply during the year through the acquisition of NetCom, expansion of the international carrier network, and continued investments in associated companies.

Fixed assets increased to 74 percent (70 percent) of total assets by year-end. The proportion of tangible assets in total assets in particular is declining, as a result of technical advances that push down the price/capacity ratio, shorter depreciation schedules, and the divestiture of non-strategic assets.

Current assets were nearly 36 percent higher than year-end 1999. New loans to associated companies for the acquisition of additional shares in Eircom as well as shorter customer financing agreement periods and greater tax benefits were the main factors behind the upward surge.

Despite the divestiture of the directory operations, the fourth quarter still represented the largest proportion of sales. Accounts receivable from customers thereby rose somewhat and totaled MSEK 10,896 (10,637), equal to 16.1 percent (16.3 percent) of net sales adjusted for value-added tax. Including accruals and deferrals, total accounts receivable from customers ended at MSEK 13,949 (13,867). Bad debt expense increased, to MSEK 442 (332), corresponding to 0.8 percent (0.6 percent) of net sales.

Non-interest-bearing provisions increased owing to higher provisions for taxes. The rise in operating liabilities was mainly attributable to advance invoicing to customers, in addition to accounts payable which rose to MSEK 6,028 (4,181).

Capital Employed and Operating Capital

MSEK	2000	1999	1998	1997	1996
Fixed assets	*91,340*	*53,487*	*49,198*	*49,471*	*47,399*
Current assets	*31,375*	*23,117*	*18,080*	*16,439*	*15,116*
Non-interest-bearing liabilities	–21,014	–16,956	–16,436	–13,042	–13,901
Non-interest-bearing provisions	–7,826	–7,242	–6,002	–5,329	–4,042
Non-interest-bearing financing	*–28,840*	*–24,198*	*–22,438*	*–18,371*	*–17,943*
Proposed dividend	*–1,501*	*–1,470*	*–1,400*	*–1,210*	*–1,152*
Total capital employed	**92,374**	**50,936**	**43,440**	**46,329**	**43,420**
Equity	*55,988*	*32,893*	*29,344*	*25,487*	*24,413*
Less proposed dividend	*–1,501*	*–1,470*	*–1,400*	*–1,210*	*–1,152*
Minority capital	*320*	*210*	*210*	*306*	*218*
Long-term interest-bearing liabilities	20,876	9,123	6,491	7,082	4,424
Current interest-bearing liabilities	13,166	6,934	7,062	7,731	5,413
Provisions for pensions	3,525	3,246	1,733	6,933	10,104
External financing	*37,567*	*19,303*	*15,286*	*21,746*	*19,941*
Total financing	**92,374**	**50,936**	**43,440**	**46,329**	**43,420**
Shares and participations in companies outside the Group	*–634*	*–527*	*–800*	*–1,176*	*–1,081*
Interest-bearing accounts receivable and other interest-bearing assets	*–16,698*	*–11,249*	*–7,719*	*–5,961*	*–5,326*
Operating capital (Notes 37, 38)	**75,042**	**39,160**	**34,921**	**39,192**	**37,013**

Group Cash Flow Statements

MSEK		2000	1999	1998
Net income		10,278	4,222	5,011
Depreciation, amortization, and write-downs		8,323	7,661	7,153
Capital gains/losses on sales/discards of fixed assets		–8,223	–568	–5,444
Income/Loss in associated companies		1,357	–226	1,158
Pensions and other provisions		–811	427	290
Financial items	Note 13	74	144	–541
Taxes	Note 14	–1,252	313	1,447
Minority interest, miscellaneous non-cash items		–157	242	56
Cash flow before change in working capital		**9,589**	**12,215**	**9,130**
Increase (–)/Decrease (+) in operating receivables		–2,185	–1,616	–1,018
Increase (–)/Decrease (+) in inventories etc.		–252	–34	36
Increase (+)/Decrease (–) in operating liabilities		3,000	150	2,153
Change in working capital		**563**	**–1,500**	**1,171**
Cash flow from operating activities		**10,152**	**10,715**	**10,301**
Intangible and tangible fixed assets acquired		–15,997	–7,887	–7,663
Intangible and tangible fixed assets divested		603	1,092	1,451
Compensation received for divested IRU		263	–	–
Compensation paid for acquired IRU		–332	–	–
Shares, participations, and operations acquired	Note 17	–30,841	–4,426	–4,115
Shares, participations, and operations divested	Note 17	9,325	993	9,335
Loans made and other investments		–314	–318	–522
Repayment of loans made and other investments		248	51	76
Investment in financial leasing receivables		–3,010	–3,578	–3,549
Amortization of financial leasing receivables		3,095	2,638	1,791
Compensation from/Provisions to pension funds		1,050	2,057	–5,508
Net change in advances and short-term loans to associated companies etc.		–1,211	–1,323	–263
Cash flow from investing activities		**–37,121**	**–10,701**	**–8,967**
Operating cash flow		**–26,969**	**14**	**1,334**
Dividend		–1,470	–1,400	–1,210
New share issue		12,429	–	–
Transactions with minority shareholders		838	61	156
Loans raised		8,905	2,711	109
Loans amortized		–159	–70	–696
Net change in interest-bearing liabilities with short maturities		6,275	–297	–660
Cash flow from financing activities		**26,818**	**1,005**	**–2,301**
Cash flow for the year		**–151**	**1,019**	**–967**
Liquid funds, opening balance		**1,575**	**543**	**1,445**
Cash flow for the year		–151	1,019	–967
Exchange rate differences in liquid funds		13	13	65
Liquid funds, closing balance	Note 20	**1,437**	**1,575**	**543**

Comments to the Group Cash Flow Statements

Cash flow from operating activities was consistent with the preceding year. Operating cash flow sagged due to greatly increased net investments.

Investments were financed by external borrowing at good terms and by the new share issue, which raised MSEK 12,429 after issue expenses. Overall, the equity/assets ratio improved.

MSEK	2000	1999	1998
Net interest-bearing liability	20,235	7,527	6,767
Net borrowings	16,710	4,281	5,034
average cost of loans (%)	2.90	0.10	1.63
excluding customer financing (%)	3.51	6.86	6.85
Debt/equity ratio	0.37	0.24	0.24
Interest coverage ratio (multiple)	7.3	8.5	10.4
Net cash flow	–12,708	–760	7,842

Interest-bearing receivables increased to MSEK 16,698 (11,249), primarily through more lending to associated companies, which limited the expansion of operating capital.

Investing Activities

Investments surged compared to the preceding year, chiefly as a result of goodwill in the MSEK 22,758 acquisition of NetCom. Greater initiatives were also made in the high-priority areas of mobile services, international carrier operations and the expansion of Swedish broadband. The regional distribution is described in Note 38 "Geographic Segment Breakdown." Certain investments were made by exchanging shares or converting claims (see Note 10 "Non-cash Transactions").

Investments

	2000	1999	1998	1997	1996
Goodwill	22,893	335	223	50	740
Other intangible assets	509	373	248	233	317
Real estate	552	53	370	1,478	477
Machinery and equipment	15,519	7,275	7,045	7,926	7,510
Fixed telephony installations	*4,115*	*3,364*	*2,158*	*3,023*	*3,367*
Mobile telephony installations	*1,411*	*1,166*	*1,273*	*1,360*	*1,188*
Other machinery and equipment	*9,993*	*2,745*	*3,614*	*3,543*	*2,955*
Shares and participations	8,269	4,109	3,852	1,177	1,964
Total (Notes 37, 38)	**47,742**	**12,145**	**11,738**	**10,864**	**11,008**

Depreciation, amortization, and write-downs totaled MSEK 8,222 (7,652). No general changes in depreciation schedules were applied in 2000. Depreciation and amortization corresponded to 15 percent (15 percent) of net sales and 8 percent (10 percent) of the total acquisition value of fixed assets.

Heavy investments in shares and participations were made in the mobile operations in Brazil totaling MSEK 4,131 and in Russia totaling MSEK 700, in fixed network operations in Poland totaling MSEK 2,021 as well as MSEK 402 in the Scandinavia Online portal.

Financing Activities

Limits for two open-market financing programs were raised during the year. The limit for Euro Medium Term Notes (EMTN) was raised by GUSD 1 to GUSD 2 and for Flexible Term Notes (FTN) by GSEK 4 to GSEK 12.

Two public loans totaling MEUR 800 were taken during the year in the EMTN program. The loans are long-term loans with a three-year term to maturity (MEUR 500) and a five-year term to maturity (MEUR 300). Telia also took on additional long-term borrowing in the form of FTN bonds with terms to maturity between three and seven years. Short-term borrowing, including through the Group's Euro Commercial Paper Program, was also utilized during the year.

This increased borrowing was mainly a result of payments for the acquisition of NetCom ASA.

The Group's relative costs of borrowing (interest spread) increased during the latter half of the year as a consequence of the significant financing needs that arose in the telecom sector, primarily due to payment for UMTS licenses in Europe, which had a negative impact on the industry as a whole.

Change in Net Interest-bearing Liability

	2000	1999	1998	1997	1996
Opening balance	**7,527**	**6,767**	**14,609**	**13,534**	**12,065**
Increase (+)/Decrease (–) in long-term loans	11,753	2,632	–591	2,658	2,404
Increase (+)/Decrease (–) in short-term loans	6,232	–128	–669	2,318	2,920
Increase (–)/Decrease (+) in interest-bearing receivables	–5,803	–2,163	–2,258	–299	–426
Increase (–)/Decrease (+) in short-term investments	1,086	–1,062	315	–345	586
Increase (–)/Decrease (+) in cash and bank deposits	–839	–32	561	–87	–371
Change in net borrowings	**12,429**	**–753**	**–2,642**	**4,246**	**5,113**
Increase (+)/Decrease (–) in pension provisions	279	1,513	–5,200	–3,171	–3,644
Change in net interest-bearing liability	**12,708**	**760**	**–7,842**	**1,075**	**1,469**
Closing balance	**20,235**	**7,527**	**6,767**	**14,609**	**13,534**

Statement of Changes in Group Equity

MSEK	Share capital	Share premium reserve	Equity reserve	Other restricted reserves	Acc. exchange rate diff., restricted reserves	Non-restricted equity	Acc. exchange rate diff., non-restricted reserves	Total
Closing balance, 31 December 1997	**8,800**	**1,855**	**346**	**12,144**	**–77**	**2,341**	**78**	**25,487**
Exchange rate difference (Note 21)	–	–	–	–	55	–	1	56
Total change in earnings not reported in the income statement	–	–	–	–	*55*	–	*1*	*56*
Dividend	–	–	–	–	–	–1,210	–	–1,210
Transfer between restricted and non-restricted equity	–	–	155	3,865	–	–4,020	–	
Net income	–	–	–	–	–	5,011	–	5,011
Closing balance, 31 December 1998	**8,800**	**1,855**	**501**	**16,009**	**–22**	**2,122**	**79**	**29,344**
Capital infusion from outside investors	–	–	332	–	–	281	–	613
Exchange rate difference (Note 21)	–	–	–	–	48	–	66	114
Total change in earnings not reported in the income statement	–	–	*332*	–	*48*	*281*	*66*	*727*
Dividend	–	–	–	–	–	–1,400	–	–1,400
Transfer between restricted and non-restricted equity	–	–	341	–622	–	281	–	–
Net income	–	–	–	–	–	4,222	–	4,222
Closing balance, 31 December 1999	**8,800**	**1,855**	**1,174**	**15,387**	**26**	**5,506**	**145**	**32,893**
New issue expenses after taxes	–	–231	–	–	–	–	–	–231
Transactions with non-related parties (Note 9)	–	–	–82	–	–	–	–	–82
Share of earnings in companies previously outside the Group	–	–	29	–	–	–	–	29
Exchange rate difference (Note 21)	–	–	–	–	1,414	–	407	1,821
Total change in earnings not reported in the income statement	–	*–231*	*–53*	–	*1,414*	–	*407*	*1,537*
Dividend	–	–	–	–	–	–1,470	–	–1,470
Stock dividend	324	–	–	–	–	–324	–	–
New share issue	480	12,270	–	–	–	–	–	12,750
Transfer between restricted and non-restricted equity	–	–	176	2,125	–	–2,301	–	–
Net income	–	–	–	–	–	10,278	–	10,278
Closing balance, 31 December 2000	**9,604**	**13,894**	**1,297**	**17,512**	**1,440**	**11,689**	**552**	**55,988**

Notes to the Consolidated Accounts

Changes and Innovations

Leasing. When the Group sold fiber and ducts in the operations of the newly established international carrier business in 2000, title was not transferred to the lessee.

For such cases, IAS 17 does not provide clear-cut rules on how to classify contracts entered into as financial or operating leases. However, U.S. GAAP (FAS 13) stipulates that title must be transferred for the leasing of real property to be reported as financial leasing. In the interpretation of FAS 66 (FIN 43), it is determined that integral equipment shall be defined as real property. Current practice is that cables and similar equipment are included in integral equipment. These transactions are thus reported as operating leases in the consolidated financial statements. Direct sales costs for each agreement are capitalized and written off over the period of the agreement.

Securitization. During the year, some of the Group's leasing receivables were securitized. IAS practice (application of SIC-12) is under preparation. U.S. GAAP (FAS 125) stipulates that leasing receivables be taken up in the balance sheet, with the terms stipulated by the securitization contracts. The leasing receivables are thus included in the consolidated accounts.

Client Company Funds held by SPP. The discounted value of the Group's share of client company funds held by SPP is reported as other income and is not included in underlying EBITDA. After deducting cash repayment received during the year, the remainder is reported as an asset in the balance sheet, divided into current and long-term receivables.

Goodwill NetCom. Goodwill as a result of the acquisition of NetCom ASA is written off on a straight-line basis over a period of 20 years and is classified as a cost of production in the income statement. The acquisition is expected during the period to yield a sustainable lower level of production costs for services provided both in Sweden and in the other Nordic countries and to lay the ground for the development of pan-Nordic mobile telephony services in wholly owned networks.

Pro forma accounts. A new business organization for the Group was progressively implemented during the year. Hence, the business segment figures in this annual report have been restated pro forma.

1 Accounting Standards

The Telia Group's accounts have been prepared in accordance with the Swedish Annual Accounts Act and IAS.

IAS 39 "Financial Instruments: Recognition and Measurement" (revised 2000) is in effect as of 1 January 2001 and may not be applied retroactively. Application of this standard is not expected to have a material effect on the Group's earnings and position.

IAS 40 "Investment Property" is in effect as of 1 January 2001. Telia does not own assets of the type regulated by this standard. IAS 41 "Agriculture," which goes into effect on 1 January 2003, does not affect Telia's operations.

IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" were revised in 2000. During the year, the interpretations SIC-19 "Reporting Currency – Measurement and Presentation of Financial Statements Under IAS 21 and IAS 29," SIC-20 "Equity Accounting Method – Recognition of Losses," SIC-21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets," SIC-22 "Business Combinations – Subsequent Adjustment of Fair Values and Goodwill Initially Reported," SIC-23 "Property, Plant and Equipment – Major Inspection and Overhaul Costs," SIC-24 "Earnings Per Share – Financial Instruments and Other Contracts that May Be Settled in Shares" and SIC-25 "Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders" were added. These revisions and interpretations do not entail any changes to the comparative figures or quarterly figures reported during 2000.

Discrepancies between U.S. GAAP and the accounting principles that Telia applies are discussed in a separate note.

Unless otherwise specified, all amounts are in millions of Swedish kronor (MSEK) and are based on the period 1 January–31 December for income statement items and 31 December for balance sheet items, respectively.

2 Use of Estimates

To be able to prepare accounts according to generally accepted accounting principles, company management must make estimates and assumptions that affect the asset and liability items and revenue and expense items reported in the final accounts as well as other information, such as that provided on contingent liabilities. Actual outcomes can differ from estimates.

3 Consolidated Financial Statements

General. The consolidated financial statements comprise the parent company Telia AB and all companies in which Telia directly or indirectly controls more than 50 percent of the voting rights or otherwise has a controlling influence. The Group's financial accounts are based on accounts prepared by all Group companies as per 31 December according to the purchase method, as in previous years. Values for companies acquired or divested during the year are included in the consolidated income statement only for the period during which they were owned.

In subsidiaries not wholly owned, the share of equity and untaxed reserves owned by external shareholders is reported as minority interest. The income statement shows the minority share of income after tax.

Internal sales and other intercompany transactions and profits within the Group have been eliminated in the consolidated financial statements.

Foreign currency translation. The Group's subsidiaries outside Sweden are independent. Several subsidiaries in the Group have independent branch offices outside Sweden. The Group has no operations in countries experiencing high inflation. The accounts for foreign operations are kept in the currency used for the normal conduct of business by that Group unit.

The income statements and balance sheets of foreign operations (subsidiaries, associated companies, and branch offices) are translated into Swedish kronor (SEK) based on the current method, that is, the exchange rate prevailing on the balance sheet date (closing rate) is used to convert all items in the balance sheets except for equity, which is converted at the historical rate. Each income statement is translated using the average rate for that period. Differences resulting from translation, as well as realized and unrealized gains or losses after tax on financial instruments used to hedge net foreign investments, do not affect income but are charged directly to equity.

Associated companies. Companies in which the Telia Group has a long-term interest and directly or indirectly owns shares or participations granting control of 20–50 percent of the voting rights are reported as associated companies.

Holdings in associated companies are reported in the consolidated income statement and balance sheet according to the equity method. In the income statement, the Group's share of net income in associated companies is reported in operating income, because the operations of associated companies are related to telecommunications and it is the Group's strategy to capitalize know-how by investing in partly owned operations. This item also includes amortization of goodwill and similar assets on consolidation in associated companies as well as gains and losses on the sale of participations in associated companies.

Any internal profits are eliminated.

Business segments. The Group's operations are managed and reported primarily by business area and secondarily by geographic market. Segments are consolidated based on the same principles as the Group as a whole. When operations are transferred from one business area to another, comparative figures for periods are restated pro forma.

4 Foreign Currency Transactions

Transactions denominated in currencies other than Swedish kronor are translated into Swedish kronor at the exchange rates prevailing at the time of each transaction. Monetary assets and liabilities denominated in foreign currencies and forward contracts for foreign exchange are translated at the closing rate, and any resulting exchange rate differences are charged to income. Accordingly, realized as well as unrealized exchange rate differences are reported in the income statement. Exchange rate differences arising from operating receivables or liabilities are reported in operating income, while differences attributable to financial assets or liabilities are reported as earnings or losses on financial investments.

5 Changes in Group Composition

Significant events in 2000

Telia acquired approximately 51 percent of the Norwegian mobile operator NetCom ASA at the end of June. After making a bid to other shareholders and a completed compulsory acquisition in December, Telia owns all shares in NetCom.

In February, Telia acquired 29.5 percent of the shares in Luxembourg-based First National Holding S.A., which has stakes in several mobile and fixed network operators in northwestern Russia.

Telia's operations in Finland were expanded in March with the acquisition of operations in Tietopuhelin, a nationwide retail chain with over 70 telecom shops.

Together with Volvo and Ericsson, an associated company called WirelessCar Sweden AB was founded during the year, with all partners having equal stakes, to develop wireless applications for the automotive industry.

In May, the U.S. subsidiary Telia Internet, Inc. acquired the operations of the Internet service provider (ISP) Apex Global Information Services, Inc. (AGIS).

At the beginning of April, Telia became the owner of 11 percent of the shares in Netia 1 Sp. z o.o. The company, in which Telia's associated company Netia Holdings S.A. owns an additional 38 percent, has been awarded a license for long-distance telephony in Poland. Telia upped its holding in Netia Holdings S.A. during the year, to 48.1 percent.

In November, Telia and FöreningsSparbanken formed a joint company, with each party owning equal stakes, Marakanda Marknadsplats AB for the development of e-business services.

Cable TV operations in Denmark were expanded in July through the acquisition of all shares in Jydsk Central Antenne A/S.

Additional shares in the Brazilian associated company Eriline Celular S/A. were acquired during the year, bringing Telia's share of equity in the company to 76.7 percent. Eriline owns a small interest in the mobile operator Tess S/A, which operates in the state of São Paulo.

During the period, Telia Business Innovation acquired shares in several more small development companies. In May, the holding in Altitun AB was sold to the U.S. company ADC Telecommunications, Inc.

On 1 November, Telia, Skandia/If, and WM-data coordinated the respective parties' administrative internal service operations in the newly formed IN Akuratess AB. Telia contributed its subsidiary IN good company AB and owns one third of IN Ackuratess.

The majority of the Group's fixed telephony operations in Norway were sold effective 1 January 2000 to Enitel ASA. The agreement called for the provision of certain services by Telia to Enitel throughout 2000.

The associated company Scandinavia Online AB (SOL) was listed on the OM Stockholm Exchange in June. Following additional purchases in early July, Telia owns 24.6 percent of the company's shares. The subsidiary Eniro AB was listed on the exchange in early October. Telia thereby owns 49.1 percent of the company's shares.

Telia's associated company interests in the directory production company Any Media Solutions AB and the Danish company Egmont Online A/S were sold in the second quarter. All shares in the subsidiary SVEFO Sverige AB were sold in late June, followed by the sale in late September of the company's remaining holdings in the Estonian subsidiary Starman Kaabeltelevisiooni AS.

In October, the company sold all shares in the subsidiary Telia Contracting AB, which provides consulting services related to mobile telephony systems, and in November all shares in the partly owned subsidiary Smålandsbörsen AB, which deals in second hand computers.

Major acquisitions and divestitures during 1998–2000

In fiscal 2000, 1999 and 1998, Telia acquired and divested numerous companies and businesses from and to independent parties outside the Group. None of those acquisitions or divestitures was of a size that, individually or collectively with others, had a material effect on the Group's pro forma sales or net profit for the year in which the transaction was executed nor the year immediately preceding.

Post balance sheet events

During 2000 the Board of Directors made a policy decision to sell or partially divest operations that do not belong to the Group's core business. In line with this decision, operations were sold in January 2001 in the subsidiary Combinator IT AB, which handles project management and technical integration in distributed IT environments. In February, the subsidiary Telia Trading AB was divested, which sells and leases reconditioned telecom and datacom products.

A Letter of Intent was signed in February regarding the sale of significant financial interests in the Brazilian mobile telephony operator Tess S/A to Telecom Americas. The purchase price totals MUSD 950, equivalent to approximately GSEK 9. Telia's holding is approximately 62 percent, including holdings via the subsidiary Telia Overseas AB. The assets in Tess have been valued at over GSEK 16 in the deal. The sale requires the approval of the Brazilian government, which is anticipated at the end of March 2001.

On 21 December 2000, Vodafone Group plc and Eircom plc announced an agreement that Vodafone will acquire Eircom's mobile operations, Eircell. The acquisition entails the transfer of operations to the newly incorporated company Eircell 2000 plc, after which Eircom's shareholders will receive one Eircell 2000 share for every one Eircom share. Vodafone's offer for Eircell will be 0.9478 Vodafone shares for every two Eircell 2000 shares. Telia and KPN, which will own 35 percent of the shares in Eircell via Comsource UnLtd, have accepted the offer and pledged not to sell Vodafone shares during a 30-day period from receipt and not to sell Eircom shares for a 90-day period after Eircell shares have been distributed. Telia's share of received Vodafone shares is valued at approximately GSEK 5.1 as of 20 December. The acquisition, which is contingent on the acceptance of the offer and governmental approval, is expected to be completed during the first six months of 2001.

6 Net Sales

Sales are reported at the value of each sale less deductions for value-added tax and advertising tax. Sales principally consist of traffic charges including interconnect traffic and roaming, subscription fees, hookup fees, and service charges as well as sales of customer premises equipment and advertising space in directories.

Revenue is recognized for the period in which the service is performed or the product is delivered. Subscription fees are recognized as revenue during the subscription period. Revenues from directories are reported in the period in which the directory is published. Customer cable TV hookup fees are reported as cost reductions over the depreciation schedule for the facility in question. Other hookup and installation fees are recognized as revenue as these services are rendered. In the portal operations, ad swapping with another portal provider is not recognized as revenue.

Sales of Indefeasible Rights of Use (IRU) regarding fiber and ducts are recognized as revenue over the period of the agreement (see also Note 28 "Leasing Agreements and Contractual Obligations"). IRU swaps with other operators are not recognized as revenue.

Sales are broken down by business segment in Note 37 "Business Area Breakdown." The following is a breakdown of the net sales per product segment.

	2000	1999	1998
Mobile communications	12,038	8,607	7,446
Fixed telephony	25,437	26,124	25,865
Internet	1,697	1,345	942
Network capacity	3,122	3,212	2,630
Data communications	2,021	2,254	1,835
Cable TV	1,030	797	741
Service, installation	1,624	1,709	1,583
Customer premises equipment	3,018	3,175	3,480
Consulting	595	540	460
Directory services	1,728	2,899	2,608
Financial services	492	361	306
Other	1,262	1,098	1,673
	54,064	**52,121**	**49,569**

Invoiced advertising tax was MSEK 116, MSEK 184 and MSEK 171 for the years 2000, 1999 and 1998, respectively.

Sales in and exports to markets outside Sweden were distributed among economic regions as follows.

	2000	1999	1998
EU	5,711	5,255	4,095
EEA	2,048	1,085	823
Rest of Europe	313	555	341
NAFTA	754	399	144
Rest of world	776	746	665
	9,602	**8,040**	**6,068**
Proportion of total net sales (%)	**17.8**	**15.4**	**12.2**

Sales (including exports) in Nordic markets outside Sweden equaled MSEK 5,658, MSEK 4,465 and MSEK 3,519 for the years 2000, 1999 and 1998, respectively, while sales in the Baltic states, Poland, and Russia were MSEK 216, MSEK 345 and MSEK 239. Sales are broken down by geographic business segment in Note 38 "Geographic Segment Breakdown."

7 Operating Expenses

Production includes all costs for services and products sold as well as for installation, maintenance, service, and support.

Costs for commissions to retailers, advertising, and other marketing are expensed on an ongoing basis. The same applies to expenses for maintenance and adaptation of software in preparation for the turn of the millennium and for euro conversion. Costs for customer-specific product development and applied research are expensed in the period in which they occur.

Costs were distributed among functions as follows.

	2000	1999	1998
Production	**33,028**	**31,206**	**30,988**
Other functions			
Sales	8,277	6,508	6,689
Administration	6,485	6,809	6,647
Research and development	1,564	1,570	1,709
	16,326	**14,887**	**15,045**
	49,354	**46,093**	**46,033**

Each functional area includes depreciation, amortization, and write-downs as specified in Note 12 "Depreciation and Amortization According to Plan and Write-Downs." This is also broken down by type of installation.

Operating expenses were spread over the following types of costs.

	2000	1999	1998
Goods purchased	8,091	9,105	9,071
Network expenses	7,323	6,100	6,958
Change in inventories	42	64	38
	15,456	**15,269**	**16,067**
Salaries and remuneration	9,543	9,184	9,098
Employer's social security contributions	3,055	2,895	2,762
Capitalized work by employees	–99	–282	–42
Pension expenses	901	1,051	2,224
Other personnel expenses	1,107	1,043	801
	14,507	**13,891**	**14,843**
Rent and leasing fees	1,574	1,377	1,083
Energy expenses	184	191	211
Travel expenses	860	753	742
Consultants' services	2,784	2,731	2,161
Marketing expenses	1,990	1,355	1,250
Bad debt expense	442	332	354
Information technology	961	864	992
Other expenses	2,584	1,809	1,268
	11,379	**9,412**	**8,061**
Depreciation, amortization, and write-downs	8,012	7,521	7,062
	49,354	**46,093**	**46,033**

Costs for advertising totaled MSEK 452, MSEK 444 and MSEK 427 for the years 2000, 1999 and 1998, respectively.

8 Other Operating Revenues and Expenses

Other operating revenues and other operating expenses include: gains and losses on the sale of operations or shares in companies that are not associated companies (cf. "Share of Earnings in Associated Companies"); net gains or losses on the sale or retirement of intangible or tangible fixed assets, public funding, and exchange rate differences on operating transactions. This item also includes costs incurred for the IPO, costs incurred in 1999 for the canceled merger with Telenor and other significant items of a non-recurring nature.

Other operating revenues and expenses were distributed as follows.

	2000	1999	1998
Revenues			
Capital gains, shares	6,568	113	4,492
Capital gains, other fixed assets	1,444	240	906
Exchange rate gains	161	57	62
Commissions etc.	114	–	–
Funding etc.	79	–	–
Recovered accounts receivable	47	–	–
Damages received	37	–	–
SPP funds	518	–	–
Other revenues	–	366	168
	8,968	**776**	**5,628**
Expenses			
Capital losses, shares	9	11	38
Capital losses, other fixed assets	18	7	293
Provisions for lossmaking contracts	51	613	–
Exchange rate losses	43	7	71
IPO/integration preparations	144	226	–
Restructuring costs	210	–	–
Other expenses	–	717	838
	475	**1,581**	**1,240**
Net effect on income	**8,493**	**–805**	**4,388**

9 Related Party Transactions

Group companies. Commercial terms and market prices apply for the supply of goods and services between Group companies. Intercompany sales totaled MSEK 57,759, MSEK 56,322 and MSEK 68,063 for the years 2000, 1999 and 1998, respectively.

The Swedish state. The Swedish state owns 70.6 percent of the shares in Telia AB. The Telia Group's range of services and products is offered to the Swedish state, its agencies, and state-owned companies in competition with other operators and on conventional commercial terms. Certain government-owned companies conduct business in competition with Telia. Likewise, Telia purchases services from state-owned companies at market rates and on conventional commercial terms. Neither the Swedish state, its agencies, nor state-owned companies represent a significant share of Telia's net sales or income.

The Swedish telecommunications market is governed by the Telecommunications Act and telecom regulations as well as conditions for permits issued by the Swedish National Post and Telecom Agency (PTS). According to the conditions for those permits, Telia must maintain, without special compensation, a certain level of service for public phones in sparsely populated regions. Telia's costs for operating these public phones were MSEK 15 in 2000, MSEK 14 in 1999 and MSEK 14 in 1998. According to telecom regulations, operators that have significant influence on the overall Swedish market for services that must be registered with PTS are required to pay a fee to finance measures to prevent serious threats and disruptions to telecommunications during peacetime. To date, Telia has been the only operator with a "significant influence" as described by law. Fees paid for the years 2000, 1999 and 1998, respectively, totaled MSEK 100, MSEK 100 and MSEK 100. In addition, Telia pays annual fees to PTS to fund the Agency's activities, as must other operators subject to registration with PTS. The fee was set as of 2000 at 1.5 thousandths (previously 0.85 thousandths) of the operator's sales in respect of activities that require a permit. Telia paid fees of MSEK 49 in 2000, MSEK 28 in 1999 and MSEK 26 in 1998.

Eniro. After the listing of Eniro AB on OM Stockholm Exchange in October 2000, Telia holds a participating interest in the company. In preparation for the listing, several agreements were drawn up between Telia and Eniro. Telia divested to Eniro all outstanding shares in those subsidiaries active in directory operations, with the exception of Telia InfoMedia Varumärke AB, which owns certain trademarks used in Eniro's operations. Eniro takes possession of the shares in Telia InfoMedia Varumärke during the first quarter of 2001 and has until that time exclusive rights of use to the trademarks.

In addition, Telia, with its statutory obligation to provide directories containing basic subscriber information to all fixed telephony subscribers in Sweden, appointed Eniro as the official publisher of such information (i.e. the directories Vita Sidorna and Rosa Sidorna). Eniro receives compensation for this in the amount of MSEK 20 per year starting on 1 July 2000. Furthermore, Telia will, if outstanding shares in the at present 49 percent holding in the Polish directory company Panorama Polska are acquired, give Eniro an irrevocable option to acquire all shares in said company at market value. Telia has informed Eniro that it has no intention to start up any operations in competition with Eniro for a certain length of time.

Amber Teleholding/Lietuvos Telekomas. Telia owns via Amber Teleholding A/S a participating interest in AB Lietuvos Telekomas, which was listed on the stock exchange in June 2000. At the time of the listing, the Lithuanian government, one of the majority shareholders in the company, cut its participating interest from 35 percent to approximately 10 percent. One part of these shares fell to a subsidiary of Lietuvos Telekomas setting off a claim that the company had against the Lithuanian government. Telia's share in Lietuvos Telekomas' revaluation of its own shares was charged directly to equity.

UAB Sontel. The company, which is jointly owned by Telia and Sonera, of Finland, was established in 1999 and provides services to AB Lietuvos Telekomas. Telia sold services to Sontel worth MSEK 27 in 2000 and MSEK 34 in 1999.

Unisource/AUCS. Telia previously held equal stakes in Unisource N.V. together with Swisscom and KPN of the Netherlands. All operations in Unisource, except for AUCS Communications Services (AUCS), were sold or shut down in 1999. During 1999 and 1998, Telia sold services and products to the Unisource group worth MSEK 161 and MSEK 698, respectively, and purchased services and products from the Unisource group worth MSEK 313 and MSEK 1,347, respectively.

In connection with the sale of operations, Unisource received cash and cash equivalents that have now been lent pro rata to the partners pending final closure of the company. Telia's debt to Unisource as of 30 June totaled MSEK 3,280. As of 1 July, Unisource was dissolved and all assets were distributed pro rata to a subsidiary of each party, in Telia's case, Telia Telecommunications International B.V. (TTI). Telia's liability is thereby primarily attributable to TTI and is eliminated in the consolidated accounts. Share of earnings in associated companies includes the interest in AUCS starting from the last-mentioned date. In 2000, Telia sold services worth MSEK 51 to AUCS.

In 1999, Unisource and its shareholders signed a three-year management agreement with Infonet Services Corporation (see below) on the operations in AUCS. The agreement entails the sale of a large part of AUCS's operations to Infonet. AUCS is expected to be liquidated before or during 2003. Under the terms of other contracts, Unisource will perform services for Infonet during the three-year period. Unisource and its shareholders will also be responsible for any losses in AUCS and will pay Infonet a bonus if the losses are lower than an amount specified in the contract. In total, this means that Telia's share of Unisource's expenses as per the agreement will be at least MSEK 1,348. Telia received compensation for these undertakings through the acquisition of shares in Infonet at a price less than market value shortly prior to Infonet's listing on the stock exchange. Based on the selling price at the time of listing, the value of the shares was MSEK 2,758, while Telia paid MSEK 110. The future profit on this transaction, that is, the difference between the market value of the shares after deducting the purchase price (MSEK 2,648) and the obligations that Telia has undertaken (MSEK 1,348, as explained above), will be reported as share of earnings in AUCS during a three-year period during which the management agreement and other agreements will be in effect.

Infonet. Since 1999, Telia has owned a participating interest in the American company Infonet Services Corp. In conjunction with the stock exchange listing of Infonet in December 1999, Telia sold shares in the company and made a commitment to sell 1,282,057 more series B shares if the issue was oversubscribed. This transaction was completed in January 2000 at a price of USD 20 per share. In 2000 and 1999, Telia sold services and products to Infonet for MSEK 38 and MSEK 29, respectively, and purchased services and products for MSEK 264 and MSEK 117, respectively.

Comsource/Eircom. Telia owns 40 percent of the Irish company Comsource UnLtd; KPN of the Netherlands owns the other 60 percent. Comsource in turn owns 35 percent of the shares in Eircom plc. At the end of the year, Telia had interest-bearing loans to Comsource totaling MSEK 6,271, granted primarily to finance the acquisition of the company's stake in Eircom. Telia sold services to Eircom worth MSEK 16 in 2000, MSEK 39 in 1999, and MSEK 23 in 1998.

Tess. Telia owns a participating interest in the Brazilian mobile operator Tess S/A. As of year-end, Telia AB and Telia Overseas AB had two interest-bearing claims on Tess, of MSEK 109 and MSEK 52, respectively. Telia AB had as of the balance sheet date, a term surety bond equaling MSEK 620 on that part of Tess's borrowing from parties outside the Group.

Scandinavia Online AB. The company, which was listed on the stock exchange in June, is an associated company to Telia. Telia acquired shares in the company in June for MSEK 249 (see also Note 10 "Non-Cash Transactions").

NorSea Com AS. This company is jointly owned with Enitel, of Norway, and owns telecom cables in the North Sea. As of 31 December 2000, Telia had interest-bearing claims of MSEK 34 on NorSea Com.

IN. Since November 2000, Telia indirectly owns a participating interest in the former subsidiary IN good company AB. During the period after the change of ownership, Telia purchased services from IN for MSEK 113.

Other relations. In addition, Telia buys and sells services and products to a limited extent from and to other associated companies. The transactions between Telia and these associated companies, as well as the transactions mentioned above, are based on commercial terms.

10 Non-Cash Transactions

Vehicles. Telia leases vehicles through financial leasing, primarily from GE Capital. New acquisitions for the year resulted in a non-cash investment of MSEK 583.

Infrastructure/capacity swaps. Within the international carrier business, swap contracts were signed during the year with other carriers for infrastructure and capacity. As the swap contracts concern assets of similar value and nature, the transactions in the consolidated accounts were not reported as acquisitions or divestitures. Before both parties have fulfilled all deliveries as per the agreements, the delivered value can differ from received value. As of the balance sheet date, Telia had received infrastructure and network capacity through swapping for a market value of MSEK 519.

Scandinavia Online. Telia invested MSEK 153 in the associated company Scandinavia Online AB (SOL) with no cash payment in conjunction with the listing of the company on the stock exchange. Telia received new shares in SOL by converting a claim of MSEK 50 and by contributing all shares in its Finnish subsidiary Telia InfoMedia Interactive Oy, with an assessed market value of MSEK 103. When the other shareholders in SOL contributed to operations, Telia's ownership stake in the company was diluted. Combined with further dilution at the end of the year when SOL acquired a company in consideration of payment in shares, the company realized a non-cash capital gain of MSEK 214.

Altitun. The entire shareholding in Altitun AB was sold for consideration in the form of shares in the listed U.S. company ADS Telecommunications, Inc. This transaction resulted in a non-cash acquisition of MSEK 182, which was realized later in the year.

Tel Investimentos/Eriline/Tess. Telia's Brazilian associated companies Tel Investimentos Ltda. and Eriline Celular S/A own stakes in the operator company Tess S/A, which is also an associated company to Telia. Claims of MSEK 187 against Tel Investimentos, MSEK 235 against Eriline, and MSEK 1,586 against Tess have been converted to shares in each company. Telia Overseas AB made similar conversions of MSEK 114 to shares in Tel Investimentos and MSEK 1,067 to shares in Tess.

Bharti Mobile. Of the opening receivables balance of MSEK 211, MSEK 102 was converted during the year to shares in the Indian associated company Bharti Mobile Ltd.

11 Share of Earnings in Associated Companies

In addition to the Group's share of earnings in associated companies, this item includes amortization of goodwill and other consolidation adjustments made upon the acquisition of associated companies as well as gains or losses on the divestiture of stakes in associated companies.

	2000	1999	1998
Share in income for the year	–879	992	–862
Amortization of goodwill etc.	–549	–672	–219
Capital gains/losses	231	403	377
Net effect on income	**–1,197**	**723**	**–704**

Income is broken down by business and market segments in Note 37 "Business Area Breakdown" and Note 38 "Geographic Segment Breakdown."

Large individual stakes (including stakes held through subsidiaries) have impacted earnings as follows.

	2000	1999	1998
Eniro AB, Sverige	185	–	–
Scandinavia Online AB, Sweden	89	–32	–43
Wireless MainGate AB, Sweden	–33	–11	–
AS Eesti Telekom, Estonia	136	106	70
Latvijas Mobilais Telefons SIA, Latvia	103	54	29
AB Lietuvos Telekomas, Lithuania	–20	–23	–11
UAB Omnitel, Lithuania	–30	1	–6
Netia Holdings S.A., Poland	–411	–327	–165
Unisource N.V./AUCS, the Netherlands	1,445	1,534	–588
Infonet Services Corp., USA	8	–28	–
Eircom plc, Ireland	–933	409	148
Tess S/A, Brazil	–1,630	–1,278	–288
Bharti Mobile Ltd., India	–41	–56	–126
SI.MOBIL, Slovenia	–51	–19	–6
Other holdings (including divestitures)	–14	393	282
Net effect on income	**–1,197**	**723**	**–704**

Cf. Note 17 "Financial Fixed Assets" and Note 39 "Specification of Shareholdings and Participations."

12 Depreciation and Amortization According to Plan and Write-Downs

Depreciation according to plan on tangible assets and amortization on intangible assets are based on the historical acquisition value (purchase cost) and the estimated economic life of various classes of assets. For assets acquired during the year, depreciation is calculated taking into account the date of acquisition. Depreciation and amortization are charged on a straight-line basis at the following rates.

Goodwill	Individual evaluation, at least 5%
Licenses for fixed and mobile telephony and related goodwill	License period
Other intangible assets	10–20%
Buildings	2–10%
Land improvements	5–20%
Expenditure on improvements to property not owned by the Group	Leases remaining term
Fixed telephony installations	
Switching systems and transmission systems	10–33%
Transmission media (cable)	5–12.5%
Equipment for special networks	20–33%
Licenses of a limited duration	License period or time corresponding to underlying tangible fixed asset
Other installations	3–33%
Mobile telephony installations	10–33%
Cable TV and alarm installations	10–33%
Equipment, tools, and installations	12.5–33%

The book values of the Group's tangible, intangible, and financial fixed assets are continuously reassessed using analyses for individual assets or classes of asset that naturally belong together. If an analysis indicates that the value registered is too high, the asset's recoverable value is set, which is the greater of the net realizable value of the asset and its value in use. Value in use is measured as anticipated discounted future cash flows. A write-down consists of the difference between book value and recoverable value.

Depreciation, amortization, and write-downs on tangible and financial fixed assets for the year were distributed among the following classes of asset.

	2000	1999	1998
Goodwill	656	180	166
Other intangible assets	212	156	78
Buildings	98	109	205
Land improvements	4	1	6
Fixed telephony installations	4,473	4,552	4,161
Mobile telephony installations	1,158	1,103	934
Other machinery and equipment	1,621	1,551	1,596
	8,222	**7,652**	**7,146**

Accelerated depreciation, to the extent allowed by tax legislation, is reported in the individual Group companies as appropriations and untaxed reserves (see note).

Depreciation, amortization, and write-downs were distributed among the following functions.

	2000	1999	1998
Production	7,325	7,011	6,629
Sales	343	259	256
Administration	283	214	135
Research and development	61	37	42
Other operating expenses	210	131	84
	8,222	**7,652**	**7,146**

Costs of depreciation, amortization, and write-downs are broken down by business and market segments in Note 37 "Business Area Breakdown" and Note 38 "Geographic Segment Breakdown."

13 Financial Revenues and Expenses

Financial items are expensed in the period they occur, with the exception of interest during installation periods, which is capitalized (see also Note 15 "Intangible Fixed Assets" and Note 16 "Tangible Fixed Assets"). Interest expenses include loan-related bank fees and fees to rating institutions and market makers.

	2000	1999	1998
Earnings from financial investments			
Dividends	14	53	5
Capital gains/losses	10	23	10
	24	**76**	**15**
Other financial revenues			
Interest on financial leases	598	499	399
Other interest income	864	227	234
Exchange rate gains	85	29	32
	1,547	**755**	**665**
Other financial expenses			
Interest expense	1,742	783	840
Capitalized interest	–19	–	–89
Exchange rate losses	137	14	6
	1,860	**797**	**757**
Net effect on income	**–289**	**34**	**–77**

Interest received and interest paid

Interest received and interest paid for each year was as follows.

	2000	1999	1998
Interest received	1,510	791	636
Interest paid	–1,226	–628	–1,551
Net position	**284**	**163**	**–915**

14 Taxes

Tax expense

The income statement item Taxes shows paid and deferred corporate income tax for Swedish and foreign Group units. Telia Group companies are liable for taxation under current legislation in the countries where they are domiciled. The corporate income tax rate in Sweden was 28 percent in 2000 and is applied to the nominal income reported, plus non-deductible items and less non-taxable revenues and other deductions, mainly tax-free dividends from subsidiaries.

The liability method is used to report income taxes. According to this method, deferred tax liabilities and benefits are reported for all temporary differences between book values and tax-effective values of assets and liabilities and for other tax-effective deductions or losses. Deferred tax liabilities and benefits are calculated based on the tax rate expected when the temporary difference will be reversed. The effects of changes in applicable tax rates are charged to income in the period when the change is required by law. Deferred tax benefits are reduced by means of a valuation reserve to the extent that the company cannot determine the likelihood of being able to realize the underlying tax benefit within the foreseeable future.

Deferred tax liabilities on undistributed earnings in foreign subsidiaries are not reported if such retained earnings are regarded as permanently invested in the countries in question. Deferred tax liabilities for undistributed earnings in Swedish companies and foreign associated companies are not reported because such retained earnings can be withdrawn as non-taxable dividends.

Income after financial items was as follows.

	2000	1999	1998
Sweden, Group companies (including foreign branch offices)	6,220	6,522	9,221
Sweden, associated companies	5	–58	–76
	6,225	**6,464**	**9,145**
Rest of world, Group companies	6,924	–862	–998
Rest of world, associated companies	–1,432	378	–1,004
	5,492	**–484**	**–2,002**
	11,717	**5,980**	**7,143**

The tax expense reported was distributed as follows.

	2000	1999	1998
Current tax			
Sweden	1,602	1,680	1,565
Rest of world	114	25	12
	1,716	**1,705**	**1,577**
Deferred tax			
Sweden	81	395	807
Rest of world	–350	–346	–292
	–269	**49**	**515**
	1,447	**1,754**	**2,092**

Current tax expenses for fiscal 2000 attributable to the previous year's earnings and tax booked directly to equity were distributed as follows.

	2000	1999	1998
Tax attributable to previous year	10	47	3
Tax booked directly to equity	–215	36	–19

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

%	2000	1999	1998
Swedish income tax rate	28.0	28.0	28.0
Differences in tax rates on foreign operations	0.2	0.1	0.0
Adjustment of taxes for previous periods	–1.5	–0.8	0.4
Losses for which deferred tax benefits were not taken into account	5.0	1.6	1.5
Profits for which deferred tax liabilities were not taken into account	–2.8	–2.0	–0.6
Non-deductible expenses	3.0	2.4	0.8
Non-taxable revenues	–19.6	0.0	–0.8
Tax rate as per the income statement	**12.3**	**29.3**	**29.3**
Tax booked directly to equity	–1.8	0.6	–0.3
Effective tax rate	**10.5**	**29.9**	**29.0**
Tax rate, current tax	**14.6**	**28.5**	**22.1**

The accumulated tax loss carry-forwards were distributed as follows.

	2000	1999	1998
Sweden	237	298	3
Rest of world	2,545	492	413
	2,782	**790**	**416**

Swedish tax loss carry-forwards have no expiration date. Total loss carry-forwards as of the balance sheet date 2000 expire in the following years.

Expiration year	MSEK
2001	36
2002	69
2003	–
2004	121
2005	37
2006 or later	622
Unlimited	1,897
	2,782

Deferred tax liabilities and benefits were distributed as follows.

	2000	1999	1998
Deferred tax liability			
Shares and participations	60	60	60
Other long-term assets	6,323	5,159	4,983
Provisions	2	–	16
Current receivables and liabilities	43	45	50
Off-balance-sheet items	334	734	293
	6,762	**5,998**	**5,402**
Deferred tax benefit			
Shares and participations	1,884	917	787
Other long-term assets	256	103	23
Other long-term liabilities and provisions	812	915	659
Current receivables and liabilities	224	56	–
Tax-effective deductions for losses	718	221	117
	3,894	**2,212**	**1,586**
Valuation reserve	–502	–61	–12
Net deferred tax benefit	**3,392**	**2,151**	**1,574**
Net deferred tax liability	**3,370**	**3,847**	**3,828**

The deferred tax liability in other long-term assets chiefly refers to untaxed reserves (see below). Non-reported deferred tax liabilities for undistributed earnings in subsidiaries, affiliates and associated companies totaled MSEK 316 in 2000, MSEK 434 in 1999 and MSEK 242 in 1998.

Taxes paid

Cash paid for income taxes for the years 2000, 1999 and 1998, respectively, totaled MSEK 2,700, MSEK 1,441 and MSEK 645.

Untaxed reserves and appropriations

Tax legislation in Sweden and certain other countries allows companies to postpone tax payments by making provisions to untaxed reserves in the balance sheet via the Appropriations line item in the income statement. Of particular interest to Telia AB, with its extensive investment in infrastructure, are Swedish tax regulations for depreciation that make it possible to depreciate assets at an accelerated rate (see also Note 12 "Depreciation and Amortization According to Plan and Write-Downs"). However, untaxed reserves and appropriations are not reported in the consolidated financial statements.

Overall, the individual Group companies reported the following untaxed reserves.

	2000	1999	1998
Profit equalization reserve	3,584	2,544	983
Accumulated excess depreciation	18,466	18,132	18,017
Provisions for foreign exchange losses	–	–	2
Contingency reserve	94	77	64
	22,144	**20,753**	**19,066**

The following is a breakdown of the excess depreciation.

	2000		1999		1998	
	Buildings	Machinery	Buildings	Machinery	Buildings	Machinery
Opening balance	37	18,095	37	17,980	172	16,024
Provisions	–	1,895	–	420	–	2,521
Reversals	–25	–1,536	–	–305	–135	–565
Closing balance	**12**	**18,454**	**37**	**18,095**	**37**	**17,980**

In the consolidated accounts, untaxed reserves after eliminations have been divided into a deferred tax liability and a restricted reserve in equity. If reported as income and taxed, the latter would be transferred to non-restricted reserves (cf. Note 21 "Equity, Earnings per Share").

15 Intangible Fixed Assets

Intangible assets are reported in the balance sheet at acquisition value less accumulated amortization according to plan. For assets acquired during the year, depreciation is calculated taking into account the date of acquisition. The rates and other parameters applied are specified in Note 12 "Depreciation and Amortization According to Plan and Write-Downs."

Direct external and internal charges for the development of software for in-house administrative use are capitalized, provided that efficiency gains exceed accrued expenses. Activities in projects at the feasibility study stage as well as maintenance and training activities are expensed on an ongoing basis. MSEK 129 was capitalized in 2000, MSEK 120 in 1999, and MSEK 73 in 1998. In the three years, amortization was MSEK 96, MSEK 86, and MSEK 60, respectively.

	2000		1999		1998	
	Goodwill	Misc. assets	Goodwill	Misc. assets	Goodwill	Misc. assets
Acquisition value, opening balance	1,793	1,243	1,550	904	1,321	641
Purchases	22,893	509	335	373	223	248
Operations acquired	38	105	12	5	–	–
Sales/discards	–64	–43	–40	–30	–41	–13
Operations divested	–655	–8	–	–	–	–
Reclassifications	–11	–95	–8	–12	–8	25
Exchange rate differences	844	29	–56	3	55	3
Accumulated acquisition value, closing balance	**24,838**	**1,740**	**1,793**	**1,243**	**1,550**	**904**
Depreciation, opening balance	–604	–240	–521	–89	–382	–14
Operations acquired	–19	–65	–	–2	–	–
Sales/discards	33	20	33	6	34	3
Operations divested	358	4	–	–	–	–
Reclassifications	1	19	1	1	5	–
Depreciation for the year	–655	–212	–130	–156	–166	–78
Exchange rate differences	–16	–3	13	0	–12	–
Accumulated depreciation, closing balance	**–902**	**–477**	**–604**	**–240**	**–521**	**–89**
Write-downs, opening balance	–46	–	–	–	–	–
Operations divested	46	–	–	–	–	–
Write-downs for the year	–1	–	–46	–	–	–
Accumulated write-downs, closing balance	**–1**	**–**	**–46**	**–**	**–**	**–**
Residual value according to plan, closing balance	**23,935**	**1,263**	**1,143**	**1,003**	**1,029**	**815**

Residual value according to plan was distributed as follows.

	2000	1999	1998
Goodwill	23,935	1,143	1,029
Administrative support systems	440	421	434
Licenses, patents, etc.	739	375	337
Leases, etc.	84	207	24
Advances	–	–	20
Total residual value	**25,198**	**2,146**	**1,844**

16 Tangible Fixed Assets

General

Assets are entered in the balance sheet at acquisition value less accumulated depreciation according to plan and, in the case of cable TV installations, less a deduction for customer hookup fees paid in advance (fixed-asset contributions). Software that is a direct prerequisite for the production of the Group's services is capitalized as a tangible asset.

For assets acquired during the year, depreciation is calculated taking the date of acquisition into account. The rates and other parameters applied are specified in Note 12 "Depreciation and Amortization According to Plan and Write-Downs." New installations under construction are valued at the expense already incurred, including interest during the installation period. Interest paid on construction loans is taken up for buildings. Otherwise interest is calculated based on the Group's average cost of borrowing (5.5 percent for 2000).

Buildings and land

The Group's real estate holdings include some 1,100 properties. The majority is used solely for technical facilities.

	2000	1999	1998
Acquisition value, opening balance	2,071	2,404	7,320
Purchases	552	53	370
Operations acquired	53	–	–
Sales/discards	–400	–332	–4,985
Operations divested	–15	–	–
Reclassifications	–76	–48	–305
Exchange rate differences	8	–6	4
Accumulated acquisition value, closing balance	**2,193**	**2,071**	**2,404**
Depreciation, opening balance	–706	–721	–1,122
Operations acquired	–11	–	–
Sales/discards	14	108	483
Operations divested	4	–	–
Reclassifications	15	15	126
Depreciation for the year	–102	–109	–207
Exchange rate differences	–0	1	–1
Accumulated depreciation, closing balance	**–786**	**–706**	**–721**
Write-downs, opening balance	–3	–	–9
Sales/discards	–	–	9
Operations divested	3	–	–
Write-downs for the year	–0	–3	–
Accumulated write-downs, closing balance	**–0**	**–3**	**–**
Residual value according to plan, closing balance	**1,407**	**1,362**	**1,683**

No interest is included in the acquisition value for the years 2000, 1999 or 1998.

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

	2000	1999	1998
Buildings	671	786	897
Land and land improvements	124	89	114
Tax-assessed value	**795**	**875**	**1,011**

Several more properties were assigned tax-assessed values during the year. However, the number of real estate properties that have been assessed for tax is limited. Real estate properties used for technical facilities are classified predominantly as communication buildings. Taxed real estate properties were sold.

Plant and machinery

	2000	1999	1998
Acquisition value, opening balance	65,534	60,517	53,949
Purchases	13,457	5,775	5,351
Operations acquired	2,796	12	697
Sales/discards	–272	–768	–979
Operations divested	–52	–	–
Reclassifications	897	216	1,385
Exchange rate differences	245	–218	114
Accumulated acquisition value, closing balance	**82,605**	**65,534**	**60,517**
Depreciation, opening balance	–36,738	–31,504	–25,096
Operations acquired	–824	–	–559
Sales/discards	250	668	700
Operations divested	8	–	–
Reclassifications	–470	–96	–1,197
Depreciation for the year	–6,131	–5,858	–5,325
Exchange rate differences	–24	52	–27
Accumulated write-downs, closing balance	**–43,929**	**–36,738**	**–31,504**
Write-downs, opening balance	–100	–	–
Write-downs for the year	–35	–100	–
Exchange rate differences	–	0	–
Accumulated depreciation, closing balance	**–135**	**–100**	**–**
Fixed-asset contributions from cable TV customers, net	**–78**	**–99**	**–144**
Residual value according to plan, closing balance	**38,463**	**28,597**	**28,869**

The acquisition value includes interest of MSEK 496 for 2000, MSEK 477 for 1999, and MSEK 477 for 1998.

Equipment, tools, and installations

	2000	1999	1998
Acquisition value, opening balance	6,846	7,811	8,437
Purchases	2,075	1,514	1,571
Operations acquired	797	–	80
Sales/discards	–1,495	–2,297	–1,536
Operations divested	–810	–	–
Reclassifications	–796	–102	–807
Exchange rate differences	65	–80	66
Accumulated acquisition value, closing balance	**6,682**	**6,846**	**7,811**
Depreciation, opening balance	–3,475	–3,562	–4,032
Operations acquired	–380	–	–80
Sales/discards	1,324	1,299	1,064
Operations divested	463	–	–
Reclassifications	484	59	957
Depreciation for the year	–1,119	–1,294	–1,451
Exchange rate differences	–41	23	–20
Accumulated depreciation, closing balance	**–2,744**	**–3,475**	**–3,562**
Write-downs, opening balance	–12	–	–
Operations divested	12	–	–
Write-downs for the year	–1	–12	–
Exchange rate differences	–0	0	–
Accumulated write-downs, closing balance	**–1**	**–12**	**–**
Residual value according to plan, closing balance	**3,937**	**3,359**	**4,249**

Distribution by class of asset

The total residual value according to plan was distributed as follows.

	2000	1999	1998
Buildings and land			
Expenditure on improvements to property not owned by the Group	126	94	87
Buildings	1,051	1,058	1,383
Land and land improvements	230	210	213
	1,407	**1,362**	**1,683**
Plant and machinery			
Fixed telephony – switching systems and peripheral equipment	7,636	7,168	6,782
Fixed telephony – transmission systems	6,005	4,722	4,708
Fixed telephony – transmission media and other types of media	10,894	10,538	11,032
Mobile telephony installations	6,138	4,023	3,950
Cable TV installations	1,078	473	440
Alarm systems	54	2	5
Advances on new installations under construction	6,658	1,671	1,952
	38,463	**28,597**	**28,869**
Equipment, tools, and installations			
Financial leasing, vehicles	694	200	–
Other machinery, equipment, and installations	3,243	3,159	4,249
	3,937	**3,359**	**4,249**
	43,807	**33,318**	**34,801**

New installations under construction comprising plant and machinery are chiefly installations for fixed and mobile telephony.

17 Financial Fixed Assets

General

The principles for the consolidation of Group companies and associated companies are described in Note 3 "Consolidated Financial Statements." The statements do not include negative equity participation with the exception of associated companies for which the Group has contractual commitments to contribute additional capital. Any negative equity participation is reported in this case as other provisions.

Long-term holdings of stocks and bonds, except for participations in associated companies, are valued at the acquisition price, unless an assessment of the market value indicates that revaluation is justified (see Note 12 "Depreciation and Amortization According to Plan and Write-Downs").

Participations in associated companies

	2000	1999	1998
Book value, opening balance	10,177	5,404	2,837
Acquisitions	2,337	2,728	2,486
Equity participation in former subsid.	–8	96	–
Issues of new shares and shareholder contributions	5,375	1,858	984
Share in earnings	–879	992	–862
Amortization of goodwill etc.	–549	–672	–219
Divestitures	–12	–19	–102
Dividends received	–166	–90	–77
Reclassifications	–3,611	3	234
Exchange rate differences	634	–123	123
Book value, closing balance	**13,298**	**10,177**	**5,404**

The book value was distributed as follows.

	2000	1999	1998
Goodwill and similar assets on consolidation	5,773	2,327	2,363
Participation in equity	7,525	7,850	3,041
	13,298	**10,177**	**5,404**

Book value is broken down by business segment in Note 37 "Business Area Breakdown" and Note 38 "Geographic Segment Breakdown."

The following shows the associated companies' aggregate balance sheets and income statements in summary.

	2000	1999	1998
Fixed assets	70,632	47,828	48,544
Current assets	27,478	24,089	15,404
Long-term liabilities and provisions	23,390	17,876	20,383
Current liabilities	34,549	21,907	24,889
Net sales	39,336	31,523	33,158
Gross income	9,546	13,280	12,938
Net income	–102	6,075	–1

Other long-term financial assets

	2000	1999	1998
Book value, opening balance	7,846	7,149	5,829
Purchases	5,388	2,242	2,629
Operations acquired/divested	324	–	–
Sales/discards	–3,582	–994	–1,234
Write-downs	–1	–7	–
Reclassifications	–1,044	–542	–75
Exchange rate differences	106	–2	–
Book value, closing balance	**9,037**	**7,846**	**7,149**

Distribution by class of asset

The total book value was distributed as follows.

	2000	1999	1998
Associated companies			
Participations in associated companies	13,298	10,177	5,404
Interest-bearing receivables	4	47	210
Non-interest-bearing receivables	17	15	3
	13,319	**10,239**	**5,617**
Other holdings of securities			
Shares and participations	634	527	800
Other securities	1	–	7
	635	**527**	**807**
Deferred tax benefit	**3,392**	**2,151**	**1,574**
Other long-term receivables			
Interest-bearing			
Financial leasing agreements	3,403	4,113	3,800
Service-financing agreements	434	401	389
Loans to employees	291	377	274
Other	201	98	81
Non-interest-bearing			
Operating lease agreements	277	–	–
Other	383	117	11
	4,989	**5,106**	**4,555**
	22,335	**18,023**	**12,553**

Deferred tax benefit is discussed in Note 14 "Taxes" and leasing agreements in Note 28 "Leasing Agreements and Contractual Obligations." The market valuation of financial fixed assets is discussed in Note 30 "Financial Instruments." Shareholdings and participations in associated companies as well as other participations are specified in Note 39 "Specification of Shareholdings and Participations."

Cash flow from acquisitions and divestitures

The Telia Group is continually restructured through the acquisition and divestiture of subsidiaries and lines of business as well as associated companies and companies outside the Group. The market value of assets and liabilities assumed in subsidiaries and the total cash flow from acquisitions were broken down as follows.

	2000	1999	1998
Intangible fixed assets	22,952	43	279
Tangible fixed assets	2,431	13	182
Accounts receivable, inventories etc.	1,231	33	578
Liquid funds	1,861	8	239
Provisions	–89	–	–42
Long-term liabilities	–2,351	–13	–
Current liabilities	–1,079	–55	–718
Total purchase price	**24,956**	**29**	**518**
Less liquid funds in companies Group companies	–1,861	–8	–239
Cash flow from acquired Group companies, net	**23,095**	**21**	**279**
Purchase price for other acquisitions	7,746	4,405	3,836
Cash flow from acquisitions	**30,841**	**4,426**	**4,115**

The market value of assets and liabilities transferred in subsidiaries and the total cash flow from divestitures were broken down as follows.

	2000	1999	1998
Intangible fixed assets	8,296	230	–
Tangible fixed assets	387	716	6,212
Accounts receivable, inventories etc.	2,396	90	–
Liquid funds	31	1	–
Long-term liabilities	–81	–	–2,511
Current liabilities	–2,679	–46	–1,146
Total sale price	**8,350**	**991**	**2,555**
Less liquid funds in divested Group companies	–31	–1	–
Repayment of loans in Group companies divested	761	–	3,663
Cash flow from divested Group companies, net	**9,080**	**990**	**6,218**
Sale price for other divestitures	245	3	3,117
Cash flow from divestitures	**9,325**	**993**	**9,335**

18 Inventories etc.

Inventory and stock in trade are valued at acquisition value, based on first in/first out, or fair value, whichever is lower. Write-downs for obsolescence are made separately for each individual stockholding. Obsolescence is assessed with reference to the age and rate of turnover of the articles. The entire difference between the opening and closing balances of the reserve for obsolescence is charged to operating income for the year.

Work in progress is valued at expense incurred, applying the lower of original cost and replacement value. Interest paid during installation is not capitalized. Work in progress refers chiefly to short-term (one to three months) installation work onsite at the customer and, for previous years, directory production. Installation work is recognized as revenue when all or nearly all undertakings have been completed. Revenues from directory production are recognized as revenue in the period in which each directory or section of directory is published.

After deductions for obsolescence in inventory and stock in trade, the item consists of the following.

	2000	1999	1998
Raw materials and essential inputs	**80**	**107**	**40**
Products at work	**6**	**0**	**12**
Finished products	**466**	**407**	**643**
Work in progress			
Expense incurred	212	455	228
Partial amounts invoiced	–	–12	–
Reserve for obsolescence and risk of loss	–	–1	–6
	764	**442**	**222**
Advances to suppliers	**9**	**15**	**29**
	773	**971**	**946**

Finished products includes materials purchased that are mainly intended for use in constructing Telia's own installations and for repair and maintenance. Materials valued at MSEK 89, MSEK 138 and MSEK 418 for the years 2000, 1999 and 1998, respectively, were stored at central locations. The remainder was held at local warehouses and worksites.

19 Receivables

	2000	1999	1998
Accounts receivable from customers			
Invoiced receivables	11,477	11,144	9,993
Reserve for doubtful receivables	–580	–507	–492
	10,896	**10,637**	**9,501**
Other current receivables			
Interest-bearing			
Receivable from associated companies	7,363	1,594	270
Financial leasing agreements	3,087	2,609	1,932
Receivable from others	384	233	73
Non-interest-bearing			
Receivable from associated companies	223	213	97
Prepaid value-added tax	803	148	168
Other tax benefits	327	91	9
International settlements	66	79	220
Receivable from others	1,130	567	518
	13,383	**5,534**	**3,287**
Accrued revenues and prepaid expenses			
Metered call charges	1,481	1,602	1,835
Interconnect and roaming charges	521	496	208
Other traffic charges	971	969	468
Construction and service projects	80	163	132
Prepaid rent and leasing fees	166	115	122
Other accrued or prepaid items	1,573	853	898
	4,792	**4,198**	**3,663**
	29,072	**20,369**	**16,451**

Allowance for doubtful receivables on mass invoicing is calculated primarily using a standardized method based on actual losses from previous years.

The net receivable on the client for construction and service projects is reported as an adjusting entry. Construction projects mainly refer to larger installations of PBXs and customer premises networks. Revenue is recognized progressively, with the degree of completion based on the phases completed.

For information on leases, see Note 28 "Leasing Agreements and Contractual Obligations."

20 Short-Term Investments, Liquid Funds

Short-term investments consist primarily of surplus funds invested in the overnight market and valued at the acquisition cost plus accrued interest income. The market valuation of short-term investments is discussed in Note 30 "Financial Instruments."

	2000	1999	1998
Investments with a maturity over three months	93	202	140
Investments with a maturity up to and including three months	85	1,062	62
	178	**1,264**	**202**

Investments with a maturity up to and including three months are combined with Cash and bank deposits to produce the item Liquid funds, as follows.

	2000	1999	1998
Investments	85	1,062	62
Cash and bank deposits	1,352	513	481
Liquid funds	**1,437**	**1,575**	**543**

21 Equity, Earnings per Share

Restricted and non-restricted equity

According to Swedish rules, equity is divided into funds available for distribution (non-restricted) and not available for distribution (restricted). In a group, the shareholders can receive as a distribution only the non-restricted funds in the parent company or the group, whichever is lower.

The share capital and share premium reserve/legal reserve make up restricted equity. The Group's non-restricted equity in the consolidated accounts includes only that part of a subsidiary's non-restricted equity that can be assigned to the parent company without having to write down the value of the shares in the subsidiary.

The Group balance sheet also shows the equity component of untaxed reserves as restricted equity. Earnings in associated companies that have not been distributed are reported in the Group's equity as an equity reserve among restricted reserves.

Exchange Rate Differences

	2000	1999	1998
Tax effect arising from the translation of foreign associated companies	5	21	–10
Exchange rate differences arising from the translation of foreign operations	2,122	–2	115
Exchange rate differences after tax on forward contracts used as equity hedge	–306	95	–49
	1,821	**114**	**56**

The accumulated exchange rate differences in restricted equity were distributed as follows.

	2000	1999	1998
Equity profit reserve	562	–23	17
Other restricted reserves	878	49	–39
	1,440	**26**	**–22**

Earnings per share

	2000	1999	1998
Net income, MSEK	10,278	4,222	5,011
Average number of shares ('000)	2,932,757	2,851,200	2,851,200
Earnings per share, SEK	3.50	1.48	1.76
Dividend per share, SEK	0.50	0.52	0.49

See also Note 15 to the Parent company accounts "Equity."

22 Provisions for Pensions and Employment Contracts

The Telia Group

Almost all employees in Sweden are covered by defined benefit pension plans. The Group's employees outside Sweden are usually covered by defined contribution pension plans. Contributions to the latter are usually set at a certain percentage of the employee's salary. The Group's commitments for defined benefits in Sweden were secured by two pension funds until year-end. Telia's Pension Fund secured all pension obligations that Telia AB assumed when it was converted into a limited liability company on 1 July 1993. Telia's Pension Fund 2 secured the remaining pension obligations of Telia AB as well as obligations of Swedish subsidiaries in which the Group controlled more than 90 percent of the capital. Following a change in the statutes, the capital and purpose of the first fund were transferred as of 31 December 2000 to Telia's Pension Fund 2, which at this time changed its name to Telia Pension Fund.

Pension obligations are calculated annually, on the balance sheet date, based on actuarial principles.

The assets of the Fund constitute plan assets for pensions and are valued at market value. When the net cumulative unrecognized actuarial gain or loss on pension obligations and plan assets goes outside a "corridor" equal to 10 percent of the greater of either pension obligations or the market value of plan assets, the surplus amount is amortized over the remaining employment period.

The nominal value of the Group's share of client company funds held by SPP was MSEK 535, of which MSEK 121 was settled in cash during 2000. Since the funds may be used during a three-year period, the amount was discounted using an interest factor of 5.5. The discounted amount, MSEK 518, was reported as other revenue and was not included in underlying EBITDA. MSEK 387 was reported as an asset in the balance sheet, divided into current and long-term receivables.

Total pension expenses in the income statement were distributed as follows.

	2000	1999	1998
Current service cost	484	499	338
Interest on pension provisions	914	940	848
Expected return on assets	–1,183	–1,186	–972
Net transition gain (–)/loss (+) recognized in year	–40	–40	–40
Depreciation of unrecognized actuarial gain (–)/loss (+)	–145	–	–
Pension expenses, defined benefit pension plans	**30**	**213**	**174**
Early retirement pensions (excl. premiums and pension-related social charges)	416	347	1,135
Pension expenses, defined benefit contribution plans	336	325	360
Pension-related social charges, other pension expenses	218	166	555
Operations divested	–99	–	–
Total pension cost	**901**	**1,051**	**2,224**

The following provisions for pension obligations were made in the balance sheet.

	2000	1999	1998
Present value of the obligation	15,801	15,784	17,661
Fair value of plan assets	–15,334	–16,703	–16,843
Pension obligations less plan assets	**467**	**–919**	**818**
Unrecognized actuarial gains (+) and losses (–)	2,775	3,838	548
Unrecognized transition gains	283	327	367
Provisions for pensions	**3,525**	**3,246**	**1,733**

The actuarial calculation of pension expenses and pension obligations is based on the following principal assumptions. Values reported are as of the balance date for each year.

%	2000	1999	1998
Weighted average discount rate	6.0	6.0	5.5
Expected rate of compensation increase	3.0	3.0	3.0
Expected return on plan assets	7.5	7.0	7.5
Annual adjustments to pensions	2.0	2.0	2.0
Employee turnover	5.0	0.0	0.0

Changes in projected benefit obligation, plan assets, and the net liability in the balance sheet and actuarial net gains or losses for the defined benefit pension plans were as follows. Repayment from pension trust refers to money disbursed for pension expenses incurred by the employer.

	2000	1999	1998
Present value of the obligation			
Opening balance	15,784	17,661	14,609
Current service cost	484	499	338
Interest expenses	914	940	848
Benefits paid	–1,118	–1,104	–1,001
Early retirement pensions	416	347	1,135
Operations divested	–220	–	–
Actuarial gains (–) and losses (+)	–459	–2,559	1,732
Closing balance	**15,801**	**15,784**	**17,661**
Plan assets			
Opening balance	16,703	16,843	9,400
Expected return on plan assets	1,183	1,186	972
Employer contributions	–	–	5,508
Repayment from pension trust	–1,050	–2,057	–
Operations divested	–163	–	–
Actuarial gains (–) and losses (+)	–1,339	731	963
Closing balance	**15,334**	**16,703**	**16,843**
Expected return on plan assets			
Expected return on plan assets	1,183	1,186	972
Actuarial gains (–) and losses (+)	–1,339	731	963
Actual return	**–156**	**1,917**	**1,935**

	2000	1999	1998
Provisions for pension obligations			
Opening balance	3,246	1,733	6,933
Pension expenses, defined benefit pension plans	30	213	174
Benefits paid	–1,118	–1,104	–1,001
Employer contributions	–	–	–5,508
Repayment from pension trust	1,050	2,057	–
Early retirement pensions	416	347	1,135
Operations divested, net	–99	–	–
Closing balance	**3,525**	**3,246**	**1,733**
Actuarial gain (+)/loss (–) to be recognized			
Net cumulative unrecognized actuarial gains (+) and losses (–)	3,838	548	1,317
Limit of "corridor" as of 1 January	1,670	1,766	1,461
Excess value (A)	2,168	–	–
Average expected remaining working life, years (B)	15	15	15
Opening balance, actuarial gains (+) and losses (–)	3,838	548	1,317
Actuarial gains (–) and losses (+) to be recognized (A/B)	–145	–	–
Actuarial gains (–) and losses (+), divested operations	–38	–	–
Actuarial gains (+) and losses (–), pension obligations	459	2,559	–1,732
Actuarial gains (+) and losses (–), plan assets	–1,339	731	963
Closing balance, actuarial gains (+) and losses (–)	**2,775**	**3,838**	**548**
Operations divested			
Decrease in pension obligations	–220	–	–
Decrease in plan assets	163	–	–
Decrease in unrecognized net transition gain/loss	–4	–	–
Decrease in unrecognized actuarial gains	–38	–	–
Net position	**–99**	–	–

Plan assets chiefly consist of equities and interest-bearing securities, which had the following market value as per the balance sheet date.

	2000	1999	1998
Telia's Pension Fund			
Shares and participations	3,756	7,605	7,000
Interest-bearing securities etc.	5,749	2,995	4,360
	9,505	**10,600**	**11,360**
Telia's Pension Fund 2			
Shares and participations	2,108	3,839	3,186
Interest-bearing securities etc.	3,721	2,264	2,297
	5,829	**6,103**	**5,483**
	15,334	**16,703**	**16,843**

Plan assets include shares in Telia AB with a market value of MSEK 72, MSEK – and MSEK – as per the balance sheet date 2000, 1999 and 1998 respectively.

Accounts of Swedish Group units

Swedish Group units report the actuarial value of all commitments based on current contracts under Provisions for Pensions and Employment Contracts.

The parent company and most subsidiaries use the ITP-Tele plan, while other companies use other individual supplementary retirement benefits (ITP) plans. The majority of companies make their own pension provisions.

Pension obligations are calculated annually, on the balance sheet date. Actuarial principles set by the FPG/PRI system and the Swedish Financial Supervisory Authority are used to calculate the value of commitments made.

Provisions for certain commitments, chiefly the contractual right to retire at age 55, 60, or 63 for certain categories of personnel, constitute taxed reserves. Starting in 1999, these reserves are reported in their entirety by the parent company. The fund was analyzed at the end of 2000 to determine future utilization, and it was determined that the utilization ratio will decline. This adjusted assessment and the divestment of operations have had an impact on the size of the reserves.

The pension liability reported consists of:

	2000	1999	1998
FPG/PRI pensions	8,632	8,290	7,844
Other pension commitments	6,703	6,871	7,345
Taxed reserves for employment contracts	1,265	1,879	1,905
Total commitments	**16,600**	**17,040**	**17,094**
Less pension fund capital	–14,309	–14,685	–14,804
Book value	**2,291**	**2,355**	**2,290**

The pension expense (including pension premiums) reported by Group units, taking into account the yield on Telia's pension funds, was as follows.

	2000	1999	1998
Contractual pension obligations			
Current service cost	777	577	766
Pension-related social charges	180	38	237
	957	**615**	**1,003**
Non-recurring Items			
Contractual pensions for early retirement	431	364	1,173
Pension-related social charges	41	88	290
Changed estimates	–670	–	–
	–198	**452**	**1,463**
Interest expense on principal			
reported as a financial cost	92	85	222
reported in operating income	519	535	380
	611	**620**	**602**
Effect on income of change in fund assets	**–788**	**–1,486**	**–398**
Net pension expense	**582**	**201**	**2,670**

Surplus capital in the assets in the pension fund has changed as follows.

	2000	1999	1998
Surplus capital, opening balance	1,968	1,537	–
Change in value during the year	–155	1,917	1,935
Items that affect earnings			
change in reported pension liability	212	119	104
compensation from fund	–1,000	–1,605	–502
	–788	–1,486	–398
Surplus capital, closing balance	**1,025**	**1,968**	**1,537**

Secured commitments, surplus capital, provisions made, and compensation received are distributed as follows between Telia's two pension funds.

	2000	1999	1998
Telia's Pension Fund			
Secured commitments (principal)	8,485	8,842	9,323
Surplus capital in fund	1,020	1,758	1,537
Provisions to fund	–	–	355
Compensation from fund	1,000	1,555	500
Telia's Pension Fund 2			
Secured commitments (principal)	6,668	6,258	5,814
Surplus capital in fund	5	210	–
Provisions to fund	–	–	5,153
Compensation from fund	–	50	2

23 Deferred Tax Liability, Other Provisions

	2000	1999	1998
Book value, opening balance	7,242	6,002	5,329
Provisions for the period	1,194	1,350	857
Operations acquired	89	–	–
Utilized provisions	–424	–110	–219
Operations divested	–8	–	–
Reversals of provisions	–191	–	–
Timing and interest-rate effects	–76	–	35
Book value, closing balance	**7,826**	**7,242**	**6,002**

The book value of the provisions was distributed as follows.

	2000	1999	1998
Deferred tax liability	**6,761**	**5,998**	**5,402**
Other provisions			
Payroll taxes on future pension payments	307	456	447
Lossmaking contracts	499	613	–
Guarantee reserve	79	9	–
Other provisions	180	166	153
	1,065	**1,244**	**600**
	7,826	**7,242**	**6,002**

24 Long-term Loans

	2000	1999	1998
Financial leasing, vehicles	581	127	–
Bank overdraft facilities	51	154	100
Telia FTN/FTO	7,012	4,126	2,366
Telia EMTN, other hedged foreign currency loans	9,987	4,390	3,664
Other loans	3,245	326	361
	20,876	**9,123**	**6,491**

Bank overdraft facilities have a total limit of MSEK 1,316, MSEK 930 and MSEK 1,110 for the years 2000, 1999 and 1998, respectively. For these years, MSEK 4,807, MSEK 3,728 and MSEK 3,807 of the loans fall due more than five years after the balance sheet date. See also Note 30 "Financial Instruments."

25 Current Loans

	2000	1999	1998
Loans from associated companies	50	24	187
Financial leasing, vehicles	120	73	–
ECP	9,131	3,397	3,715
Telia FTN	1,335	1,525	1,217
Telia EMTN, other hedged foreign currency loans	1,122	1,420	1,176
Other bank loans	1,408	495	767
	13,166	**6,934**	**7,062**

See also Note 30 "Financial Instruments."

26 Long-term Liabilities

	2000	1999	1998
Prepaid leasing agreements	1,015	–	–
Other liabilities	14	162	114
	1,029	**162**	**114**

For the years 2000, 1999 and 1998, MSEK – , MSEK 9 and MSEK 31 of the loans fall due more than five years after the balance sheet date.

27 Current Liabilities

	2000	1999	1998
Accounts payable	**6,028**	**4,181**	**4,186**
Liabilities to associated companies	**39**	**282**	**181**
Tax liabilities	**342**	**1,355**	**1,049**
Other liabilities			
Provisions for telephone cards	402	398	118
Deductible calling charges	443	587	715
Advances, deposits, etc.	796	252	354
Value-added tax, excise taxes	796	826	905
Payable to employees	459	365	502
International settlements	404	70	16
Other	739	758	276
	4,039	**3,256**	**2,886**
Accrued expenses and prepaid revenues			
Accrued payroll expenses	1,137	721	925
Accrued employer's social security contributions	458	567	731
Accrued leasing expenses	494	980	946
Accrued interest	829	382	318
Subscription charges	1,664	1,483	1,364
Interconnect charges	530	256	261
Retailer commissions	104	161	202
Prepaid leasing agreements	678	753	484
Other accrued or prepaid items	3,643	2,417	2,789
	9,537	**7,720**	**8,020**
	19,985	**16,794**	**16,322**

28 Leasing Agreements and Contractual Obligations

Telia as a lessee

As a lessee, Telia has entered into financial and operating leases and rental contracts. For a financial leasing agreement, the consolidated accounts include the leased asset as a tangible fixed asset and the future obligation to the lessor as a liability in the balance sheet. Other agreements are operating leases, with the leasing costs amortized evenly throughout the period of the agreement.

Financial leasing. The Group's financial leasing concerns production vehicles, cars to employees and other vehicles. Leasing was implemented at the end of 1999 when the fleet was sold off to outside parties. There is no subleasing.

The book value of the leased assets as of the balance date was as follows.

	2000	1999	1998
Acquisition value	783	200	–
Less accumulated depreciation	–89	–	–
Net value of financial leasing agreements	**694**	**200**	**–**

Depreciation and write-downs totaled MSEK 89 and MSEK – for the years 2000 and 1999, respectively. Leasing fees paid during 2000 totaled MSEK 99.

Future minimum leasing fees and their present value as per financial agreements that could not be canceled in advance and were longer than one year in duration were as follows.

Maturity	Future leasing fees	Present value of future leasing fees
2001	150	146
2002	150	138
2003	150	132
2004	123	103
2005	67	54
Later	165	128
	805	**701**

As of the balance sheet date, the present value of future minimum leasing fees under noncancelable financial leasing agreements was as follows.

	2000	1999	1998
Total future minimum leasing fees	805	200	–
Less interest charges	– 104	–	–
Present value of future minimum leasing fees	**701**	**200**	**–**

Operating leasing. The Group's operating leasing concerns primarily offices and computers. Subleasing consists mainly of computers to employees.

Future minimum leasing fees as per operating agreements that could not be canceled in advance and were longer than one year in duration were as follows.

Maturity	Future leasing fees	Sub-leasing
2001	1,403	13
2002	1,189	–
2003	818	–
2004	640	–
2005	597	–
Later	1,947	–
	6,594	**13**

Total paid rent and leasing fees were MSEK 1,574, MSEK 1,377 and MSEK 1,083 for the years 2000, 1999 and 1998, respectively. Revenue for subleased objects totaled MSEK 49, MSEK 70 and MSEK 41 for these years.

Telia as financial lessor

Telia owns assets that it leases to customers based on financial leasing agreements. These assets are reported at the gross investment cost in the lease, less unearned financial revenues. The normal contract period is three years, but most contracts can be renewed. Some of the leasing receivables have been securitized. Based on the terms stipulated by the securitization contracts, the leasing receivables have been included in the Group Balance Sheet.

As of the balance sheet date, the present value of future minimum lease payment receivables under noncancelable financial leasing agreements was as follows.

	2000	1999	1998
Gross investment in financial lease contracts	7,264	7,498	6,498
Less unearned financial revenues	–774	–776	–766
Net investment in financial lease contracts	**6,490**	**6,722**	**5,732**
Less: Unguaranteed residual values of leased properties for the benefit of the lessor	–20	– 101	–87
Present value of future minimum lease payment receivables	**6,470**	**6,621**	**5,645**

As per the balance sheet date, the gross investment and present value of receivables regarding future minimum lease payments related to noncancelable financial leasing agreements were distributed as follows.

Maturity	Gross invest-ment	Present value of future minimum lease payments
2001	3,447	3,025
2002	2,096	1,872
2003	1,170	1,078
2004	376	342
2005	137	123
Later	38	30
	7,264	**6,470**

Reserve for doubtful receivables regarding minimum lease payments totaled MSEK 28 as per the balance sheet date.

The leasing portfolio includes financing of IT-related products primarily in Sweden, Norway, Denmark, and Finland. The portfolio grew substantially in recent years, chiefly through home-PC contracts. At the end of 2000, approximately 45 percent of the portfolio consisted of sales-type leases with Telia as the vendor, primarily of PBXs.

The financing of other vendors' products refers to computer and office equipment. These agreements increased from a 25 percent share of the total stock in 1997, to 55 percent in 2000. The other Nordic countries' share of the leasing portfolio increased from 6 percent in 1997 to 24 percent in 2000.

The term of the contract stock is 15 quarters. The term of new agreements signed in 2000 is 14 quarters. Of all contracts, 58 percent carry a floating interest rate, 42 percent a fixed rate.

Telia as operating lessor

Fiber and ducts are sold as part of the operations of Telia's international carrier business. Telia has decided to view these as integral equipment. Under the agreements, title was not transferred to the lessee. The transactions are therefore reported as operating lease agreements. Direct expenditures incurred in connection with agreements are capitalized and written off over the term of the agreement. The contracted sale price is chiefly paid in advance and is recognized as revenue during the period of the agreement. Sales not recognized as revenue are reported as long-term liabilities and prepaid income.

The book value of the leased assets as of the balance sheet date was as follows.

	2000	1999	1998
Acquisition value	1,270	–	–
Less accumulated depreciation	–22	–	–
Gross book value	**1,248**	**–**	**–**
Plus prepaid sales costs	10	–	–
Less prepaid lease payments	– 1,015	–	–
Net value of operating leasing agreements	**243**	**–**	**–**

Depreciation and write-downs totaled MSEK 22, MSEK – and MSEK – for the years 2000, 1999 and 1998.

Future minimum lease payment receivables under operating agreements in effect as of 31 December 2000 that could not be canceled in advance, and were in excess of one year, were as follows.

Maturity	Future lease payments
2001	2,233
2002	712
2003	73
2004	38
2005	33
Later	3
	3,092

The leasing portfolio includes some ten agreements with international operators. The period of the agreement is usually 20 years.

Other contractual obligations

The Group had as of the balance sheet date the following contractual obligations regarding future acquisitions (or equivalent) of tangible or financial fixed assets.

Tangible fixed assets	4,235
Indefeasible Rights of Use (IRU)	1,026
Associated companies	84
Companies outside the Group	61
	5,406

Most of the obligations regarding tangible fixed assets and all obligations regarding IRU include construction on contract of Telia's international fiber optic carrier network – the Viking Network.

29 Credit Risks

The Telia Group offers a diversified portfolio of services and products in an extremely competitive market. Hence, the Group has limited exposure to individual customers, suppliers, lenders, products or services sold, geographic markets, materials procured, personnel, services purchased, or licenses.

30 Financial Instruments

General

Telia uses derivatives, such as interest rate and currency swaps and forward contracts, primarily to control exposure to fluctuations in interest rates and exchange rates for foreign currencies.

For balances and transactions to be regarded as hedged, the hedging action must have the express purpose of serving as a hedge, have a direct correlation to the hedged position, and also effectively hedge the position by producing financial effects that counteract the effects created by the position that is hedged.

In the case of forward exchange contracts, the underlying receivable or liability is valued at the spot rate at the time the forward contract is signed plus the portion of the forward premium that has accrued as of the balance sheet date.

Amounts to be paid or received as a result of interest rate swaps, which are intended to hedge effectively interest-bearing assets or liabilities as specified above, are reported on an ongoing basis as an interest income or expense.

Gains and losses in conjunction with the close of a hedge contract are charged to income when the hedged position is closed. To the extent that a hedge remains, the gain or loss is carried forward and written off or reversed during the time remaining on the hedge contract.

Derivatives that do not satisfy the criteria for being reported as hedges are reported in the balance sheet at the lesser of acquisition or fair value. Any resulting unrealized losses are reported as losses on financial investments, while unrealized gains are carried forward.

The Group's interest-bearing borrowings, excluding bank overdraft facilities, were as follows.

	2000	1999	1998
Long-term loans	20,825	8,969	6,391
Current loans	13,166	6,934	7,062
Interest-bearing borrowings	**33,991**	**15,903**	**13,453**

Usually, the business is financed with funds generated in operations and funds borrowed through the Group's open-market financing programs. Telia also has credit lines with several banks. As per the balance sheet date, the Group's outstanding loans had an average term to maturity of more than 2.4 years. The Group's net borrowings had a duration (average period of fixed interest) of approximately 1.7 years as per the balance sheet date.

Bank credit facilities

The Group's revolving credit facility, which is a syndicated bank credit facility and can be used for short-term financing to a limit of MUSD 1,000, had not been utilized as of the balance sheet date. Telia also has significant bilateral, confirmed bank credit facilities. Telia has loans equivalent to MSEK 2,992 in four different currencies from the European Investment Bank (EIB).

Of Telia's Euro Medium Term Note (EMTN) program, with a limit of MUSD 2,000 (1,000), the equivalent of MUSD 886 (204) had been utilized as of the balance sheet date, with an average term to maturity of 4.2 years. The Group's Euro Commercial Paper (ECP) program has a limit of MUSD 1,000 (1,000). As of the balance sheet date, the equivalent of MUSD 958 (399) had been utilized, with an average remaining maturity of 0.2 years.

In the Swedish market, Telia's Flexible Term Note (FTN) program provides loan facilities of up to MSEK 12,000 (8,000). FTNs outstanding at the close of books totaled MSEK 8,347 (5,659), with an average remaining maturity of 3.5 years.

Maturity structure and currencies

The Group's interest-bearing borrowings (excluding bank overdraft facilities) had the following maturity structure at year-end.

	Telia Treasury Division				
Matures	Fixed rate	Floating rate	Total	Other units	Group
2001	–	11,676	11,676	1,490	13,166
2002	569	300	869	1,009	1,878
2003	4,597	3,178	7,775	475	8,250
2004	805	–	805	575	1,380
2005	2,947	500	3,447	1,063	4,510
Later	4,328	350	4,678	129	4,807
	13,246	**16,004**	**29,250**	**4,741**	**33,991**

Borrowing by Telia Treasury had a present value of MSEK 30,472 as per the balance sheet date. The average cost for the year was 4.9 percent, and the weighted average time to maturity of net borrowings was 2.6 years. The average cost of outstanding long-term and short-term borrowings as per the balance sheet date in the past three years was as follows.

%	2000	1999	1998
Long-term borrowings	5.81	5.68	5.90
Short-term borrowings	4.38	4.72	4.14

Normally, borrowings denominated in foreign currencies are swapped into Swedish kronor. The exceptions are funds borrowed to finance the Group's ventures abroad. The portfolio of swaps for interest rates and foreign currency interest rates as per the balance sheet date 2000, 1999 and 1998 had a nominal value of MSEK 14,491, MSEK 6,415 and MSEK 4,604, respectively.

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

	2000		1999		1998	
Currency	Interest (%)	Amount in currency	Interest (%)	Amount in currency	Interest (%)	Amount in currency
Swapped into SEK						
EUR/XEU	6.1	906	5.7	150	5.8	118
DEM	5.8	278	5.2	399	5.2	399
DKK	–	–	–	–	6.7	3
GBP	6.2	35	7.7	48	7.7	48
ESP	–	–	5.8	8,000	5.8	8,000
USD	–	–	5.9	25	–	–
JPY	6.0	2,574	0.8	3,000	–	–
Total SEK	**6.0**	**9,987**	**5.5**	**4,390**	**6.5**	**3,664**
Not swapped						
SEK	5.6	8,169	5.8	4,458	6.2	2,691
NOK	6.0	2,061	–	–	–	–
LKR	22.0	3,050	–	–	–	–
USD	8.7	11	8.2	11	–	–
FIM	4.7	0	4.9	0	–	–
LVL	–	–	10.0	2	14.0	1
EEK	–	–	–	–	18.0	36
Total SEK		**10,838**		**4,579**		**2,727**
		20,825		**8,969**		**6,391**

Financial risk management

Foreign exchange risk

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

Transaction exposure. The Telia Group requires foreign currency for its ongoing operations, as a result of deficits in settlements for international telecom traffic and the import of equipment and supplies.

Currently, 60 percent of the Group's transaction exposure is in USD and 34 percent in EUR and other currencies within the EMU.

Assuming a total transaction exposure equivalent to that for the year 2000, if the Swedish krona is weakened by one percentage point vis-à-vis transaction currencies, the negative impact on earnings would be approximately MSEK 40 on a full-year basis.

Telia's policy is to hedge its known transaction exposure to foreign currency in order to limit earnings fluctuation. The following is a breakdown of the net foreign exchange outflow.

	2000		1999		1998	
Currency	Amount in MSEK	%	Amount in MSEK	%	Amount in MSEK	%
USD	2,377	60	1,173	59	1,386	63
EUR/XEU	898	23	356	18	176	8
GBP	199	5	121	6	132	6
NOK	127	3	−9	0	34	2
DEM	113	3	–	–	176	8
FRF	43	1	136	7	88	4
NLG	67	2	86	4	110	5
ESP	40	1	75	3	–	–
DKK	−37	−1	−76	−4	−86	−4
Other currencies	107	3	109	7	184	8
Total equivalent value	**3,934**	**100**	**1,971**	**100**	**2,200**	**100**

Conversion exposure. The Group is growing relatively fast outside Sweden, which implies growing conversion exposure. The actions that Telia takes to manage that risk vary depending on factors such as the investment horizon, size of the holding, the country, and the currency in question. Taking into account tax-related effects, the Group usually hedges positions entailing conversion exposure when they are relatively short-term, are a large amount, and are located in a country with smoothly functioning financial markets or are denominated in a freely convertible currency. On the other hand, a long-term investment, or a minor amount, in a country or currency allowing little room for financial risk management would not be hedged.

Net foreign assets, that is, the sum of equity and goodwill from acquisitions, are distributed as follows.

Currency	2000 Amount in MSEK	%	1999 Amount in MSEK	%	1998 Amount in MSEK	%
NOK	26,303	48	−288	−3	32	1
EUR	12,194	22	1,347	13	1,083	18
USD	3,425	6	1,926	19	35	1
LTL	2,957	6	2,816	27	2,697	46
BRL	2,519	5	−63	−1	324	5
PLN	2,287	4	456	5	129	2
DKK	1,696	3	403	4	−108	−1
DEM	1,067	2	169	2	22	0
EEK	497	1	440	4	320	5
GBP	415	1	69	1	74	1
LVL	239	1	144	1	61	1
FRF	193	0	118	1	–	–
FIM	107	0	430	4	480	8
NLG	98	0	2,211	21	645	11
LKR	89	0	57	1	71	1
Other currencies	300	1	132	1	45	1
	54,386	**100**	**10,367**	**100**	**5,910**	**100**
of which hedged	**10,239**	**19**	**2,198**	**21**	**1,011**	**17**

The hedged risk concerns Telia Norge AS, Telia Telecommunications International B.V., Telia International Holdings B.V. and Comsource UnLtd.

Foreign exchange derivatives. Telia's portfolio of foreign-currency interest-rate swaps represented the following currencies and maturity dates as per the balance sheet date.

Amount in MSEK	2001	2002	2003	2004	2005	Later	Total
Currency swaps, received							
Buy EUR							
Book value	–	–	4,422	–	2,657	1,983	9,062
Present value	–	–	4,463	–	2,832	2,022	9,317
Buy DEM							
Book value	842	–	453	510	–	–	1,805
Present value	860	–	477	537	–	–	1,874
Buy GBP							
Book value	–	–	683	–	–	–	683
Present value	–	–	729	–	–	–	729
Buy ESP							
Book value	426	–	–	–	–	–	426
Present value	447	–	–	–	–	–	447
Buy USD							
Book value	238	–	–	–	–	–	238
Present value	241	–	–	–	–	–	241
Buy JPY							
Book value	–	244	–	–	–	–	244
Present value	–	247	–	–	–	–	247
Book value	**1,506**	**244**	**5,558**	**510**	**2,657**	**1,983**	**12,458**
Present value	**1,548**	**247**	**5,669**	**537**	**2,832**	**2,022**	**12,855**
Currency swaps, paid							
Book value	**1,439**	**214**	**5,154**	**302**	**2,511**	**1,963**	**11,583**
Present value	**1,491**	**224**	**5,381**	**322**	**2,713**	**2,089**	**12,220**

The portfolio of other foreign exchange derivatives that hedge loans and investments was broken down as follows as per the balance sheet date.

Amount in MSEK	Book value	Present value
Sell EUR	4,699	4,878
Sell USD	1,087	1,064
Sell GBP	486	493
Sell NOK	357	364
Sell LVL	25	25
Sell CHF	5	5
Sell HKD	3	3
Sell total	**6,662**	**6,832**
Buy USD	−6,456	−6,559
Buy NOK	−1,637	−1,625
Buy EUR	−1,468	−1,536
Buy CHF	−331	−349
Buy GBP	−45	−45
Buy total	**−9,937**	**−10,114**
Buy net	**−3,275**	**−3,282**

Interest rate risk

Interest rate risk is the risk that a change in interest rates will negatively affect the Group's net interest income. Telia's financial policy contains guidelines for interest rates and the average maturity of borrowings. The basic goal is to optimize interest rate risk for the Group as a whole.

A substantial portion of the Group's borrowings consists of financing for leasing agreements. Many of these agreements have interest rates fixed for a short time, so the Group needs the interest rates on a considerable proportion of its loans to be fixed in the short term. For the remainder of borrowings, the duration should be 1–3 years. In 2000, the duration for that portion of interest-bearing borrowings was at the longer end of the interval.

The Group's interest-bearing borrowings, not including funding required by leasing agreements, was roughly GSEK 27 at year-end, with a fixed interest rate period of over two years, so that the overall interest-rate risk is relatively limited at present.

The portfolio of interest-rate swap contracts had the following composition.

	2001	2002	2003	2004	2005	Later	Total
Fixed interest received							
Book value	–	–	640	–	–	–	640
Present value	–	–	676	–	–	–	676
Floating interest received							
Book value	100	400	243	–	150	500	1,393
Present value	102	406	246	–	151	504	1,409
Total received							
Book value	**100**	**400**	**883**	**–**	**150**	**500**	**2,033**
Present value	**102**	**406**	**922**	**–**	**151**	**504**	**2,085**
Fixed interest paid							
Book value	100	400	243	200	150	500	1,593
Present value	103	414	251	212	162	553	1,695
Floating interest paid							
Book value	–	–	639	–	–	–	639
Present value	–	–	647	–	–	–	647
Total paid							
Book value	**100**	**400**	**882**	**200**	**150**	**500**	**2,232**
Present value	**103**	**414**	**898**	**212**	**162**	**553**	**2,342**

Financing risk

Telia's borrowings usually have a longer maturity than duration (principal is fixed longer than interest rates). This allows the Group to obtain the desired interest rate risk without having to assume a high financing risk.

Telia AB enjoys an excellent credit rating, which enables the Group to obtain financing easily in the financial markets. The credit rating agency Standard & Poor's has assigned Telia its highest possible ratings for short-term borrowing: K-1 for borrowing in Swedish kronor and A-1+ in foreign currencies. For long-term borrowing, Telia has an AA rating from Standard & Poor's.

Telia also has the best short-term rating given by the credit rating agency Moody's. For long-term borrowing, Moody's has assigned Telia an Aa3 rating. In December, Moody's posted Telia's rating on its watchlist for possible downgrade.

Telia finances its operations chiefly by borrowing directly in Swedish and international money markets and capital markets.

To reduce financing risk, Telia AB has a revolving credit facility, that is, confirmed credit lines from a syndicate of leading international banks. These confirmed credit lines have a limit of MUSD 1,000, or the equivalent value in certain other currencies. Telia also has a considerable amount of confirmed bilateral credit lines with banks, in addition to credit available in unconfirmed lines at credit facilities.

Liquidity risk and credit risk

The Telia Group usually has no great surplus liquidity. If a surplus occurs, it is invested in extremely short-term interest-bearing instruments with superior credit ratings. The permitted exposure to each counterparty depends on the rating of that party.

The Group employs derivatives in its financial management activities. Derivatives are used chiefly to obtain the fixed interest rates desired on the loan portfolio and the risk profile desired in foreign exchange dealings.

Telia accepts only the most creditworthy counterparties for financial transactions such as interest-rate and foreign-currency swaps and other transactions in derivatives. Telia requires each counterparty to have an approved rating and an International Swaps and Derivatives Association, Inc. (ISDA) agreement. The permitted exposure to each counterparty depends on the rating of that party.

At year-end, the aggregate exposure to counterparties in derivative instruments was MSEK 169. No investments were made in interest-bearing securities with maturities exceeding 1 month. The Group's contingency liquidity is secured via substantial confirmed bank credit lines, which at year-end exceeded GSEK 10 and were not utilized.

Insurable risks
All insurable risks in the Group are managed by the Group's captive insurance company, which reinsures part of the total risk in the Nordic and international reinsurance markets. Insurance operations comprise property and liability insurance as well as business interruption insurance.

Estimated market value of financial instruments
The estimated market value of the Group's financial instruments is based on market rates and generally accepted valuation methods. Values reported are indicative and will not necessarily be realized.

Official public quotes as per the close of books are used for valuation. If such a rate is not available, the instrument is valued by discounting future cash flows at a quoted market rate of interest for each maturity.

Conversion to SEK is done at quoted exchange rates as per the close of books.

The market value for listed associated companies is reduced by loans made by Group companies to the company in question. For leasing receivables, any credit losses arising are reduced by gains from the sale of equipment returned.

Other interest-bearing long-term and current accounts receivable chiefly consist of claims on associated companies and personnel. Thus, the book value of these items is regarded as corresponding to the market value.

The market value for interest and currency swaps includes underlying principal. Swaps received and paid are based on each leg of a swap.

The book value and estimated market value of interest-bearing assets and liabilities are shown below. Accounts receivable from customers and other non-interest-bearing items are entered in the accounts at fair value.

	2000		1999		1998	
	Book value	Market value	Book value	Market value	Book value	Market value
Balance sheet items						
Participations in associated companies	13,298	23,173	10,177	35,976	5,404	5,404
Other holdings of securities	635	412	527	452	807	658
Leasing receivables	6,490	6,422	6,722	6,722	5,732	5,732
Other long-term receivables	930	930	923	923	954	954
Other current receivables	7,747	7,747	1,827	1,827	343	343
Short-term investments	178	178	1,264	1,264	202	202
Assets	**29,278**	**38,862**	**21,440**	**47,164**	**13,442**	**13,293**
Long-term loans (excl. derivatives)	21,433	22,107	9,134	9,419	6,876	7,126
Current loans (excl. derivatives)	13,234	13,483	6,953	7,084	7,062	7,105
Interest swaps received	−2,033	−2,085	−843	−870	−943	−970
Interest swaps paid	2,232	2,342	1,043	1,080	1,143	1,180
Currency swaps received	−12,458	−12,855	−5,572	−4,896	−4,145	−4,049
Currency swaps paid	11,583	12,220	5,188	4,414	3,460	3,459
Liabilities	**33,991**	**35,212**	**15,903**	**16,231**	**13,453**	**13,851**
Off-balance-sheet items						
Foreign exchange derivatives sold	9,937	10,114	3,382	3,422	4,088	4,186
Foreign exchange derivatives purchased	6,662	6,832	8,837	8,874	5,423	5,625

The market capitalization for the Group's holdings of publicly quoted shares as of the balance sheet date was as follows.

	2000	1999	1998
Eniro AB, Sweden	6,992	–	–
Scandinavia Online AB, Sweden	352	–	–
AS Eesti Telekom, Estonia	1,648	1,966	–
AB Lietuvos Telekomas, Lithuania	1,251	–	–
Netia Holdings S.A., Poland	2,448	1,195	–
Eircom plc, Ireland	7,392	11,249	–
Infonet Services Corp., USA	4,499	21,118	–
Digital Telecom. Phils. Inc., Philippines	52	187	120
Other holdings	14	0	0
	24,648	**35,715**	**120**

31 Contingent Assets, Collateral Pledged and Contingent Liabilities

	2000	1999	1998
Contingent assets			
Company funds held by SPP	–	541	–
	–	**541**	**–**
Collateral pledged			
For off-balance-sheet instruments:			
Blocked funds in bank accounts	5	34	33
For deposits from customers:			
Blocked funds in bank accounts	7	7	10
For long-term liabilities to credit institutions:			
Real estate mortgages	–	2	–
Liens on assets	–	7	–
Shares in associated companies	–	26	26
	12	**76**	**69**
Contingent liabilities			
Credit and performance guarantees etc.	995	1,182	627
FPG/PRI	165	161	146
Other contingent liabilities	164	273	330
	1,324	**1,616**	**1,103**

Some loan covenants agreed by the Group limit its scope for divesting or pledging certain assets. Most of the credit and performance guarantees concern the associated company Tess S/A (see Note 9 "Related Party Transactions").

32 Disputes

Within the scope of day-to-day business activities, from time to time Telia is involved as a party to arbitration between operators under the auspices of the Swedish National Post and Telecom Agency (PTS), or as a party to complaints dealt with by the competition authority and the Swedish Consumer Ombudsman (KO). At present, Telia has appealed certain decisions of PTS. These appeals include the Agency's decision not to grant Telia a UMTS license and the Agency's decision regarding interconnect charges for terminating traffic in Telia Mobile's networks.

Also, from time to time Telia is a party to court procedures or other legal proceedings in Sweden and in other countries where the Group conducts day-to-day business activities. Telia currently is not aware of any court procedures, summons, complaints, or other claims that, individually or taken as a whole, would have a significantly negative impact on the Group's business activities, financial position, or earnings.

33 Human Resources

Employees, salaries, and social security expenses
During the year, the number of employees decreased, to 29,868 (30,643). The breakdown by business segment is presented in Note 37 "Business Area Breakdown." The number of employees in Sweden decreased by 932. Outside Sweden, the number of employees increased by 157. In other Nordic countries, the increase was 999, while employees on markets outside the Nordic countries decreased by 842 (see also Note 38 "Geographic Segment Breakdown").

Adjusting for acquired and divested operations, the number of employees increased by 1,448, of which 540 in Sweden.

The average number of full-time employees was as follows.

	2000 Total	2000 of which men	1999 Total	1999 of which men	1998 Total	1998 of which men
Sweden	25,383	15,776	25,414	15,817	27,540	17,594
Denmark	1,586	954	1,273	755	1,095	654
Finland	999	598	662	401	521	322
Norway	477	252	460	262	413	282
Estonia	162	79	209	73	64	27
Latvia	207	138	210	124	129	62
Lithuania	172	100	199	100	174	67
Russia	263	136	172	69	216	81
Belarus	80	26	95	30	98	37
Ukraine	76	37	79	36	36	12
United Kingdom	182	107	134	84	153	95
Ireland	33	30	53	50	28	24
The Netherlands	8	8	–	–	392	211
United States	89	68	20	15	11	8
Brazil	10	9	45	36	64	52
Sri Lanka	365	301	343	283	290	235
Rest of world	215	167	178	143	96	71
	30,307	**18,786**	**29,546**	**18,278**	**31,320**	**19,834**

The Swedish operations were conducted virtually throughout the country, and operations overseas in 39, 40 and 32 countries during the years 2000, 1999 and 1998, respectively.

Salaries and other remuneration, along with social security expenses, were as follows.

	2000	1999	1998
Salaries and other remuneration	**9,543**	**9,184**	**9,098**
Social security expenses			
Employer's social security contributions	3,055	2,895	2,762
Pension expenses	429	599	761
Contractual pensions for early retirement	472	452	1,463
	3,956	**3,946**	**4,986**
	13,499	**13,130**	**14,084**

Pension costs for the category Board of Directors and CEO totaled MSEK 49, MSEK 23 and MSEK 16 for the years 2000, 1999 and 1998, respectively.

Salaries and other remuneration were divided between corporate officers and other employees as follows.

	2000 Board and CEO (of which bonuses etc.)	2000 Other employees	1999 Board and CEO (of which bonuses etc.)	1999 Other employees	1998 Board and CEO (of which bonuses etc.)	1998 Other employees
Sweden	96 (14)	8,048	71 (10)	7,949	47 (4)	8,018
Denmark	15 (1)	587	8 (2)	533	6 (0)	386
Finland	5 (0)	223	7 (1)	174	4 (–)	148
Norway	4 (0)	215	2 (0)	176	2 (0)	157
Estonia	1 (0)	4	1 (0)	10	0 (0)	7
Latvia	1 (0)	12	1 (0)	11	1 (0)	13
Lithuania	1 (0)	22	1 (1)	26	2 (–)	12
Russia	2 (0)	8	0 (0)	5	0 (0)	4
Belarus	0 (0)	2	0 (0)	2	0 (0)	1
Ukraine	0 (0)	0	0 (0)	0	0 (0)	0
United Kingdom	3 (0)	76	3 (0)	57	2 (1)	70
Ireland	–	14	–	20	–	11
The Netherlands	–	–	–	–	4 (1)	94
United States	5 (1)	67	2 (1)	17	2 (0)	8
Brazil	–	0	0 (–)	24	0 (–)	16
Sri Lanka	2 (–)	24	2 (–)	23	0 (–)	21
Rest of world	10 (1)	96	3 (2)	56	4 (0)	58
	145 (17)	**9,398**	**101 (17)**	**9,083**	**74 (7)**	**9,024**

The subsidiary Telia Finans AB made provisions totaling MSEK 3, MSEK 4 and MSEK 4 for costs of employee profit-sharing for the years 2000, 1999 and 1998, respectively.

Remuneration to corporate officers

In accordance with the Annual General Meeting's decision on fees to the elected members of the Board, a total of SEK 1,265,285 has been disbursed. The fee to the Chairman of the Board was SEK 500,000 and to individual members SEK 200,000. The fee to trade union representatives was SEK 90,000 and a total of SEK 247,500 was paid to these members.

Marianne Nivert, acting President from 11 October 2000 to 19 February 2001, during the year 2000 received SEK 3,724,427 in salary and other benefits and SEK 531,200 in bonuses attributable to fiscal 1999. The annual salary of the President for the year 2001 totals SEK 4,400,000. In addition to this is a performance-based bonus of no more than 35 percent. If the company cancels her employment contract, Nivert is entitled to severance pay corresponding to monthly salary for 12 months.

Jan-Åke Kark, President until 10 October 2000, during the year 2000 received SEK 4,528,071 in salary and other benefits and SEK 875,000 in bonuses attributable to fiscal 1999.

The President is entitled to a pension according to the ITP plan at the retirement age of 60 as well as a supplementary pension before age 65, so that the aggregate pension from the age of 60 equals 70 percent of the pensionable salary. From the age of 65, pension is paid in accordance with the ITP plan as well as a supplementary pension for the portion of the President's salary that exceeds 20 "basic amounts" (base figure for Swedish social security).

Group executive management and top management of the business areas and subsidiaries receive a performance-based bonus in addition to salary. The bonus is based on the Group's earnings and/or the results in the individual's own field of activity. The bonus may total 20–35 percent of the fixed annual salary.

Sixty senior managers are, in the event that the company cancels their employment contracts, entitled to severance pay corresponding to monthly salary for 12 months. Thirty of these managers are entitled to early retirement pensions. In such cases, the aggregate retirement pension is equal to 70 percent of the pensionable salary before age 65.

34 Auditors' Fees

The following remuneration was paid to auditors and accounting firms for audits and other reviews based on applicable legislation and for advice and other assistance resulting from observations in the reviews. Remuneration was also paid for independent advice in the fields of tax law, corporate finance, and management consulting as well as other consulting services.

	2000	1999
Ernst & Young AB		
Audits	23	21
Independent advice	44	54
	67	**75**
Swedish National Audit Office		
Audits	0	0
	0	**0**
Other accounting firms		
Audits	1	0
Independent advice	5	8
	6	**8**
	73	**83**

The tasks were performed for significant Group units inside and outside Sweden. Audit services were performed by auditors and accounting firms appointed by the Group units. Independent advice was provided by companies closely associated with selected accounting firms.

35 Value Added

Value added is a measure of the Telia Group's productive efforts, in other words the increase in value achieved by business activities. Value added consists of the Group's net sales less the cost of purchased goods and services.

Value added is divided among the Group's stakeholders: the employees, creditors, the Swedish state, and the shareholders. The remainder is retained in the Group to cover the cost of wear and tear on machinery, equipment, and installations (depreciation) and to enable further expansion of the business.

The Group also serves as a collector of value-added tax, the indirect tax levied on the value added by the Group. To provide a comprehensive view of the Group's contribution to the state, a measure of value added adjusted for such tax effects is also presented.

	2000			1999	1998
	Total		kSEK/	Total	Total
	MSEK	%	employee	MSEK	MSEK
Net sales	**54,064**	**100**	**1,784**	**52,121**	**49,569**
Cost of purchased goods and services	–28,843			–26,775	–27,153
Other revenues and expenses, net	8,703			–674	4,472
Total goods and services	**–20,140**	**–37**	**–665**	**–27,449**	**–22,681**
Value added	**33,924**	**63**	**1,119**	**24,672**	**26,888**
Value-added tax collected	14,172			13,749	12,263
Value-added tax paid	–7,758			–6,873	–6,412
Adjusted value added	**40,338**		**1,331**	**31,548**	**32,739**

Value added was distributed among the Group's stakeholders as follows.

	2000			1999	1998
	Total		kSEK/	Total	Total
	MSEK	%	employee	MSEK	MSEK
To employees					
Total salaries and wages	9,543	28	315	9,184	9,098
Employer's social security contributions	3,055	9	101	2,895	2,762
Less: capitalized salaries and employer's social security contributions	–99	–0	–3	–282	–42
	12,499	**37**	**413**	**11,797**	**11,818**
To creditors					
Interest etc.	911	3	30	541	491
To the state					
Income taxes	1,447	4	48	1,754	2,092
To shareholders					
Dividend (for 2000 as proposed by the Board)	1,501	4	49	1,470	1,400
Retained by the Group					
Depreciation and amortization	8,222	24	271	7,652	7,146
Other	9,344	28	308	1,458	3,941
	17,566	**52**	**579**	**9,110**	**11,087**
Value added	**33,924**	**100**	**1,119**	**24,672**	**26,888**
Value-added tax reported	6,414			6,876	5,851
Adjusted value added	**40,338**		**1,331**	**31,548**	**32,739**

Dividends to shareholders equaled 4.4 (5.9) percent of value added in 2000 or 12.0 (12.5) percent of the Group's total salaries and employer's social security contributions.

36 U.S. GAAP

Differences in principles

Telia's Group accounts are prepared in accordance with International Accounting Standards (IAS). IAS differ in certain respects from U.S. GAAP.

Swap transactions. Within the portal operations, swap transactions of equal value, but different type, have been completed with outside companies. In accordance with IAS, the transaction is recognized as revenue and expensed at the same amount. In accordance with U.S. GAAP, revenue is recognized only if the value at which the revenue is reported can be determined based on the company's historical cash transactions with buyers that are not closely related to the party with which the swap transaction was executed. Furthermore, such cash transactions must be executed during the immediately preceding six-month period. As these conditions have not been satisfied, reported income and operating expense are reversed upon application of U.S. GAAP.

Sale and leaseback. In 1998, the Group sold its real estate business to external buyers, while Group companies stayed on as tenants. The profit from the divestiture was recognized as revenue in its entirety, as per IAS, because the rental contracts are considered operating leases and the real estate was sold at market value.

U.S. GAAP has other requirements for reporting earnings and in this case would not allow the immediate recognition of the entire surplus generated by the divestiture. The Telia Group has retained more than an insignificant part but less than the complete use of the real estate properties. If U.S. GAAP were applied, during the period 1998–2012 that portion of the profit that exceeds the present discounted value of future gross rental payments at the time of divestiture would be recognized as revenue in proportion to the gross rental payments.

Besides the leases, which extend 3–15 years depending on the type of real estate, no undertakings or other circumstances exist that entail or are contingent on any future commitment to the real estate properties divested on the part of the Telia Group.

SPP funds. Client company funds held by SPP are reported in accordance with IAS, after discounting, in their entirety as revenue and the non-liquid component of the settlement as a long-term or current liability. U.S. GAAP has other requirements for reporting earnings. Upon application of U.S. GAAP, the revenue and balance sheet items that are the non-liquid component are reversed. Instead, they are recognized as liquid settlement takes place.

Financing of associated companies. The Group charges interest expenses to income when they are related to the financing of associated companies. U.S. GAAP requires such interest expenses to be capitalized as part of the acquisition value of the associated company. Upon application of U.S. GAAP, the acquisition value, Group interest expenses, and the share of earnings of each associated company involved are adjusted.

Publicly quoted securities. In accordance with IAS, shares and participations are valued at acquisition value, or at a written down price if a decline in value is regarded as permanent. Upon application of U.S. GAAP, publicly quoted shares and participations as well as bonds and other instruments regarded as available for sale are valued at market prices (marked to market). Changes in value are reported as a separate item under equity and do not affect net income.

Taxes. Deferred tax benefits and liabilities are calculated for all differences between IAS and U.S. GAAP.

Translation into U.S. GAAP

Application of U.S. GAAP has the following approximate effects on the net income and equity of the Telia Group.

Net income

MSEK	2000	1999	1998
Net income as per IAS	**10,278**	**4,222**	**5,011**
Sale and leaseback	217	217	–1,805
Financing associated companies	–3	–3	24
SPP funds	–387	–	–
Deferred tax	48	–60	499
Calculated net income as per U.S. GAAP	**10,153**	**4,376**	**3,729**

Equity

MSEK	2000	1999	1998
Shareholders' equity as per IAS	**55,988**	**32,893**	**29,344**
Sale and leaseback	–1,371	–1,588	–1,805
Financing associated companies	18	21	24
SPP funds	–387	–	–
Publicly quoted securities	–223	–75	–149
Deferred tax	550	460	541
Calculated equity as per U.S. GAAP	**54,575**	**31,711**	**27,955**

The adjustments would have changed certain items in the Group income statements and balance sheet. The table shows the summary income statement and balance sheet after the application of U.S. GAAP.

Income statement as per U.S. GAAP

MSEK	2000	1999	1998
Net sales	54,049	52,121	49,569
Operating income	11,833	6,160	5,415
Income after financial items	11,544	6,194	5,362
Taxes	–1,399	–1,814	–1,593
Minority shares	8	–4	–40
Net income	10,153	4,376	3,729
Earnings per share (SEK)	3.46	1.53	1.31

Balance sheet as per U.S. GAAP

MSEK	2000	1999	1998
Fixed assets	91,457	53,898	49,620
Current assets	31,220	23,117	18,080
Total assets	*122,677*	*77,015*	*67,700*
Equity	54,575	31,711	27,955
Minority interests	320	210	210
Provisions	11,357	9,881	7,742
Long-term liabilities	21,905	9,772	6,605
Current liabilities	34,520	25,441	25,188
Total equity and liabilities	*122,677*	*77,015*	*67,700*

Comprehensive income

To provide a comprehensive view, the accounts should in accordance with FASB Statement No. 130 "Reporting Comprehensive Income" take into account the concept of comprehensive income. This concept includes net income for the year and items charged directly to equity.

Comprehensive income

MSEK	2000	1999	1998
Net income as per U.S. GAAP	**10,153**	**4,376**	**3,729**
Translation of foreign operations	1,821	114	56
Unrealized gains/losses on publicly quoted securities	–107	53	–37
Transactions with outside parties	–82	613	–
Share of earnings in companies previously outside the Group	29	–	–
New issue expenses	–231	–	–
Other items	**1,430**	**780**	**19**
Comprehensive income	**11,583**	**5,156**	**3,748**

Recently issued accounting standards

FAS 133. In June 1998, FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" was issued. In June 1999, the recommendation was complemented by FAS 137, intended to delay the effective date for FAS 133. FAS 133 requires that all derivative instruments, including those that are a component of other derivatives, be taken up in the balance sheet either as an asset or a liability, valued at the market price. The standard also requires that changes in the actual value of derivative instruments be charged to earnings on an ongoing basis if they are not hedged by specifically defined hedging actions. FAS 133 must be applied for financial years beginning after 15 June 2000 and may not be applied retroactively. Application of this FAS 133 is not expected to have a material effect on the Group's earnings and position as per U.S. GAAP.

FIN 43. In June 1999, FASB Interpretation No. 43 "Real Estate Sales, an interpretation of FASB Statement No. 66" was published, which is to be applied to sales after 30 June 1999. Starting in 2000, Telia has conducted operations that fall under FIN 43. According to this interpretation, optical fiber and ducts are regarded as real property ("integral equipment"), which means that registered rights of ownership must be transferred to the lessee for a leasing transaction to be accounted for as a financial lease. If this condition is not satisfied, the transaction is accounted for as an operating lease. The agreements that Telia has entered into do not satisfy this condition and are therefore accounted for as operating leases.

FAS 140. In September 2000, FASB Statement No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – a replacement of FASB Statement No. 125" was issued. The recommendation is to be applied to transfers after 31 March 2001 and, with certain exceptions, may not be applied retroactively. Certain classification rules and requirements on additional information must be applied to financial years ending after 15 December 2000. During 2000, Telia completed transactions reported in the consolidated financial statements in accordance with FAS 125. Application of FAS 140 would not have required any other reporting or additional information.

SAB 101. In December 1999, SEC Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" was issued. The effective date was deferred to the fourth quarter of 2000 through the additions SAB 101A in March and SAB 101B in June 2000. SAB 101 summarizes the requirements on recognition of revenue in accordance with U.S. GAAP without replacing any previously published standard. SAB 101 establishes that the basic requirements for recognition of revenue are: 1) that a normal written agreement or other clear indication of the sales agreement exists, 2) that the delivery has taken place or the service has been rendered, 3) that the seller's price to the buyer is fixed or previously set, and 4) that payment is reasonably assured. SAB 101 also requires that a non-recurrent fee or one-time fee, paid for services received on an ongoing basis, must be accrued over the term of the agreement. Telia's accounting principles satisfy the requirements of revenue recognition in accordance with SAB 101 for all intents and purposes.

EITF 00-2. In March 2000, Emerging Issues Task Force (EITF) of FASB published the standard EITF 00-2 "Accounting for Web Site Development Costs." EITF 00-2 provides guidelines regarding reporting costs for planning, development and maintenance of portals and other websites. During 2000, EITF also discussed a number of issues regarding reporting revenue and costs for Internet-related operations. The accounting principles applied by Telia for portal operations and other Internet-based applications conform with the guidelines of EITF for all intents and purposes.

37 Business Area Breakdown

The Group's operations are managed and reported primarily by business area. Consolidation is based on the same principles as the Group as a whole. A number of organizational changes were carried out in 2000, 1999 and 1998. These changes have resulted in some shifting of operations between the business areas. Hence, comparative years have been restated pro forma in order to reflect current Group management and reporting.

The Mobile business area is responsible for mobile services and networks as well as other wireless applications, which are offered to consumers and business customers on the Nordic market and in the Baltic region.

The Carrier & Networks business area is responsible for network wholesaling in the Nordic region and the International Carrier business. Customers include Telia's service providers and other operators and service providers.

The People Solutions and Business Solutions business areas serve as the Group's service providers for fixed and mobile services on their respective retail markets; for Business Solutions, large and medium-sized companies in the Nordic countries; for People Solutions, households and small companies in Sweden, Denmark, and Finland.

The Enterprises business area is responsible for information services, financial services, customer premises equipment, service, installation and network development, research and development as well as internal administrative services. The operations in the business area are being gradually divested through sales or partial divestiture.

Group-wide, the corporate staff with support units includes Group-wide business and company development. This also includes eliminations of intercompany sales and similar items.

Central control and reporting concepts are underlying EBITDA and operating capital, respectively (see Definitions of Concepts and Ratios). The noted restructuring efforts and extensive intercompany transactions make it impractical to distribute operating capital over assets and liabilities for all years.

2000

MSEK	Net sales total	Net sales external	Underlying EBITDA	Depr., amort. & write-downs	Non-recurring items & pens.	Share of earnings in assoc. comp.	Operating income	Operating capital	Equity participation in assoc. comp.	Investments	Number of employees
Mobile	14,276	12,084	3,353	–1,913	20	111	1,571	32,551	2,122	25,814	2,952
Carrier & Networks	25,861	5,966	7,679	–4,529	278	–14	3,414	28,557	29	10,916	3,486
Business Solutions	15,531	11,241	1,171	–436	750	117	1,602	10,024	7,812	3,063	4,586
People Solutions	18,337	16,852	855	–180	527	86	1,288	1,767	352	1,052	4,562
Enterprises	22,565	7,811	1,760	–1,064	6,174	–1,497	5,373	7,962	2,983	7,048	13,755
InfoMedia	*3,550*	*3,077*	*137*	*–167*	*6,030*	*201*	*6,201*	*755*	*288*	*849*	*2,799*
Financial Services	*1,077*	*492*	*382*	*–408*	*10*	*–*	*–16*	*67*	*–*	*574*	*481*
Systems & Support	*10,657*	*3,199*	*553*	*–167*	*71*	*–*	*457*	*2,044*	*4*	*429*	*7,203*
International	*739*	*655*	*290*	*–111*	*23*	*–1,719*	*–1,517*	*3,393*	*2,530*	*4,490*	*492*
IT & Innovation	*3,186*	*157*	*247*	*–54*	*13*	*19*	*225*	*286*	*116*	*283*	*1,996*
Support Services & Retail	*3,356*	*231*	*151*	*–157*	*27*	*2*	*23*	*1,417*	*45*	*423*	*784*
Group-wide	–42,506	110	–1,731	–100	589	–	–1,242	–5,819	–	–151	527
Group	**54,064**	**54,064**	**13,087**	**–8,222**	**8,338**	**–1,197**	**12,006**	**75,042**	**13,298**	**47,742**	**29,868**

1999 (pro forma)

MSEK	Net sales total	Net sales external	Underlying EBITDA	Depr., amort. & write-downs	Non-recurring items & pens.	Share of earnings in assoc. comp.	Operating income	Operating capital	Equity participation in assoc. comp.	Invest-ments	Number of employees
Mobile	10,714	8,656	3,507	–1,167	10	108	2,458	5,333	896	1,318	1,882
Carrier & Networks	25,889	4,328	7,872	–4,686	–103	0	3,083	24,410	48	4,970	3,232
Business Solutions	17,433	12,403	1,192	–363	–218	1,607	2,218	10,382	8,757	3,066	4,760
People Solutions	19,150	17,931	1,694	–140	–351	–33	1,170	1,579	5	251	4,407
Enterprises	21,767	8,778	2,501	–1,200	–7	–959	335	4,425	469	2,540	15,750
InfoMedia	*4,472*	*4,058*	*1,174*	*–272*	*16*	*–11*	*907*	*646*	*145*	*185*	*4,158*
Financial Services	*1,042*	*361*	*465*	*–490*	*0*	*–*	*–25*	*–1*	*–*	*558*	*462*
Systems & Support	*10,192*	*3,375*	*464*	*–67*	*–94*	*–*	*303*	*934*	*–*	*36*	*6,804*
International	*653*	*541*	*–12*	*–86*	*–*	*–1,347*	*–1,445*	*959*	*222*	*1,536*	*781*
IT & Innovation	*1,908*	*67*	*94*	*–67*	*1*	*1*	*29*	*187*	*102*	*144*	*1,987*
Support Services & Retail	*3,500*	*376*	*316*	*–218*	*70*	*398*	*566*	*1,700*	*–*	*81*	*1,558*
Group-wide	–42,832	25	–2,707	–96	–515	–	–3,318	–6,969	2	0	612
Group	**52,121**	**52,121**	**14,059**	**–7,652**	**–1,184**	**723**	**5,946**	**39,160**	**10,177**	**12,145**	**30,643**

1998 (pro forma)

MSEK	Net sales total	Net sales external	Underlying EBITDA	Depr., amort. & write-downs	Non-recurring items & pens.	Share of earnings in assoc. comp.	Operating income	Operating capital	Equity participation in assoc. comp.	Invest-ments	Number of employees
Mobile	9,767	7,574	2,539	–1,046	–58	63	1,498	5,524	777	2,193	1,768
Carrier & Networks	25,647	3,671	8,655	–4,405	–438	–3	3,809	24,126	45	3,761	2,949
Business Solutions	17,388	11,805	1,009	–347	–270	–588	–196	7,238	4,128	2,892	4,870
People Solutions	19,512	17,948	1,277	–156	–180	–43	898	1,291	–10	261	4,314
Enterprises	21,752	8,546	2,397	–1,143	4,811	–133	5,932	4,698	464	2,582	15,284
InfoMedia	*4,084*	*3,584*	*844*	*–211*	*–140*	*–25*	*468*	*416*	*140*	*204*	*3,870*
Financial Services	*1,074*	*306*	*678*	*–591*	*–5*	*–*	*82*	*645*	*23*	*780*	*363*
Systems & Support	*9,262*	*3,435*	*249*	*–79*	*–161*	*–*	*9*	*741*	*–*	*115*	*6,749*
International	*561*	*495*	*–59*	*–68*	*3,299*	*–77*	*3,095*	*242*	*284*	*929*	*726*
IT & Innovation	*1,642*	*72*	*92*	*–51*	*–61*	*–3*	*–23*	*13*	*9*	*57*	*1,842*
Support Services & Retail	*5,129*	*654*	*593*	*–143*	*1,879*	*–28*	*2,301*	*2,641*	*8*	*497*	*1,734*
Group-wide	–44,497	25	–2,568	–49	–2,104	–	–4,721	–7,956	–	49	1,408
Group	**49,569**	**49,569**	**13,309**	**–7,146**	**1,761**	**–704**	**7,220**	**34,921**	**5,404**	**11,738**	**30,593**

38 Geographic Segment Breakdown

The Group's operations are managed and reported secondarily by geographic market. Consolidation is based on the same principles as the Group as a whole.

Other Nordic countries are Denmark, Finland, and Norway. The Baltic region is Estonia, Latvia and Lithuania, Poland, and northwestern Russia.

2000

MSEK	Net sales	Depr., amort. & write-downs	Share of earnings in assoc. comp.	Operating income	Operating capital	Equity participation in assoc. comp.	Invest-ments	Number of employees
Sweden	46,469	–6,581	219	14,274	26,287	718	10,578	24,905
Other Nordic countries	5,094	–1,312	–9	–256	30,739	32	25,527	3,754
Baltic region	137	–19	–206	–160	7,103	6,988	2,865	173
Rest of Europe	1,292	–107	513	–50	4,741	1,112	3,602	408
Rest of world	1,072	–203	–1,714	–1,802	6,172	4,448	5,170	628
Group	**54,064**	**–8,222**	**–1,197**	**12,006**	**75,042**	**13,298**	**47,742**	**29,868**

1999

MSEK	Net sales	Depr., amort. & write-downs	Share of earnings in assoc. comp.	Operating income	Operating capital	Equity participation in assoc. comp.	Invest-ments	Number of employees
Sweden	46,760	–6,864	365	6,957	23,569	131	6,266	25,837
Other Nordic countries	3,665	–609	–17	–1,560	3,727	58	1,133	2,755
Baltic region	164	–14	–180	–73	4,089	3,982	783	677
Rest of Europe	874	–57	1,930	1,988	4,694	4,110	823	559
Rest of world	658	–108	–1,375	–1,366	3,081	1,896	3,140	815
Group	**52,121**	**–7,652**	**723**	**5,946**	**39,160**	**10,177**	**12,145**	**30,643**

1998

MSEK	Net sales	Depr., amort. & write-downs	Share of earnings in assoc. comp.	Operating income	Operating capital	Equity participation in assoc. comp.	Invest-ments	Number of employees
Sweden	45,246	–6,612	–76	6,303	25,026	19	5,994	26,512
Other Nordic countries	2,713	–423	–17	–1,611	4,082	65	1,607	2,120
Baltic region	144	–14	–90	–126	3,338	3,256	2,809	700
Rest of Europe	931	–17	–350	–447	1,839	1,787	57	512
Rest of world	535	–80	–171	3,101	636	277	1,271	749
Group	**49,569**	**–7,146**	**–704**	**7,220**	**34,921**	**5,404**	**11,738**	**30,593**

39 Specification of Shareholdings and Participations

Associated company, Corporate Registration Number, registered office	Participation (%)	Number of shares	Par value in local currency		Equity participation for consolidation in the Group 2000	1999	Book value in company 2000	1999
Parent company holdings								
Swedish companies								
Amber Mobile Teleholding AB, 556554-7774, Stockholm	50	500	SEK	0	771	733	730	686
Baltic Tele AB, 556454-0085, Stockholm	50	50,000	SEK	5	258	214	98	98
Letemell AB, 556203-5252, Stockholm	50	5,000	SEK	1	1	1	1	1
Marakanda Marknadsplats AB, 556595-2933, Stockholm	50	500	SEK	0	4	–	25	–
Slottsbacken Venture Capital KB, 969626-1313, Stockholm	50	–	SEK	–	96	96	86	96
Wireless MainGate AB, 556551-9690, Ronneby	39	11,288,788	SEK	0	61	21	106	32
WirelessCar Sweden AB, 556580-0728, Gothenburg	33	8,000	SEK	1	0	–	10	–
IN Ackuratess AB (publ), 556595-2941, Stockholm	33	160,400	SEK	16	45	–	43	–
Geyser Interactive Learning AB (publ), 556556-9752, Stockholm	27	62,375	SEK	1	2	–	7	–
Scandinavia Online AB (publ), 556551-9989, Stockholm	25	11,165,621	SEK	11	351	0	604	46
SNPAC Swedish Number Portability Administrative Centre AB, 556595-2925, Stockholm	20	400	SEK	0	0	–	1	–
Other operating and dormant companies					0	0	0	0
Companies outside Sweden								
Tel Investimentos Ltda., 35215031473, São Paulo	55	414,876,584	BRL	415	898	63	1,962	999
Amber Teleholding A/S, 20758694, Copenhagen	50	250	DKK	0	2,306	2,150	2,053	2,053
NorSea Com AS, 979696892, Østerås	50	25,000	NOK	25	3	22	26	26
Panorama Polska Sp. z o.o., RHB31000, Warsaw	49	110,672	PLN	6	150	135	120	119
Netia Holdings S.A., RHB23383, Warsaw	41	12,824,278	PLN	77	1,873	414	2,191	884
Drutt Corp., Wilmington, DE	40	2,000,000	USD	0	44	–	51	–
First National Holding S.A., B48315, Luxembourg	30	2,950	USD	0	758	–	700	–
Bharti Mobile Ltd, 8-17419, Bangalore	26	143,000,000	INR	1,430	0	28	280	178
Latvijas Mobilais Telefons SIA, 000305093, Riga	25	2,695	USD	0	228	141	2	2
Infonet Services Corp., 954148675, El Segundo, CA	20	94,367,408	USD	1	2,340	1,674	2,088	2,116
Tess S/A, 35300151046, São Paulo	17	297,480,000	BRL	297	664	–	1,586	–
ZAO North West GSM, St. Petersburg	13	394,953	RUR	3,950	75	–	18	–
AS Eesti Telekom, 10234957, Tallinn	12	16,142,523	EEK	161	236	195	85	85
Netia 1 Sp. z o.o., RHB42778, Warsaw	11	137,236	PLN	14	0	–	28	–
Other operating and dormant companies					0	2,813	0	2,510
							12,901	**9 931**
Subsidiaries' holdings								
Swedish companies								
Nordic Offshore AB, 556580-4589, Uddevalla	50	1,000		1	4	–	4	–
Eniro AB (publ), 556588-0936, Stockholm	49	73,600,000		74	134	–	660	–
Polytrust AB, 556257-5802, Sundbyberg	34	3,457		0	7	5	7	5
Maila Nordic AB, 556516-4455, Stockholm	25	7,364		0	8	–	8	–
Lokomo Systems AB, 556580-3326, Stockholm	21	267,000		0	4	–	4	–
Other shares and participations					0	6	0	2
Companies outside Sweden								
Netpool Norge AS, 981642597, Oslo	50	50	NOK	0	1	–	3	–
Punwire Paging Services Ltd, Chandigarh	49	14,699,780	INR	147	0	–	29	–
Eriline Celular S/A, 35300148835, São Paulo	41	44,538,000	BRL	45	119	–	444	–
Comsource UnLtd, 237305, Dublin	40	38,842	EUR	0	605	1,361	1,023	827
WinSource, 95230384, Dublin	40	–	EUR	0	1	1	1	1
Railtelia Oy, 1465341-6, Helsinki	40	400	FIM	4	27	24	8	8
AUCS Communications Services v.o.f, Hoofddorp	33	–	EUR	159	41	–	41	–
MTN Uganda Ltd, Kampala	32	1,221	UGX	12	66	48	92	86
SI.MOBIL d.d, 1196332, Ljubljana	29	8,365,874	SIT	837	5	0	116	31
Mobile Telecommunications Ltd (MTC), Windhoek	26	6,500,000	NAD	7	16	18	32	32
Operators Clearing House A/S, 18936909, Copenhagen	25	250	DKK	0	1	1	1	0
Chili A/S, 19124045, Copenhagen	23	780	DKK	1	1	5	11	11
Tess S/A, 35300151046, São Paulo	11	198,321,465	BRL	198	762	–	1,067	–
Netia Holdings S.A., RHB23383, Warsaw	7	2,277,077	PLN	14	332	–	706	–
Other operating and dormant companies					0	8	0	32
					13,298	**10,177**		

Associated company, Corporate Registration Number, registered office	Participa-tion (%)	Number of shares	Par value in local currency		Book value 2000	1999
Parent company holdings						
Swedish companies						
Taste Now AB, 556584-8602, Stockholm	12	240		0	3	–
Slottsbacken Fund Two KB, 969660-9875, Stockholm	10	–		–	2	–
Other shares and participations					0	0
Companies outside Sweden						
Shanghai Skycell Telecommunications Network Ltd, Shanghai	13	–	USD	1	10	10
Digital Telecommunications Philippines Inc, Manila-Quezon City	9	600,000,000	PHP	600	262	262
Vision Capital L.P., LP64, Saint Helier	6	–	USD	2	14	8
Digital Open Network Environment Oyj DONE, 0816095-7, Espoo	3	673,872	EUR	0	28	–
Inmarsat Ventures Ltd., 3674573, London	1	99,642	GBP	0	53	53
enCommerce, Inc., C1896606, Santa Clara, CA	1	105,708	USD	1	9	–
New Skies Satellites N.V., 33302535, Amsterdam	0	36,988	NLG	0	14	15
Participations in telecom satellite consortia					120	95
Other operating and dormant companies					0	18
					515	**461**
Subsidiaries' holdings						
Swedish companies						
eWork Scandinavia AB, 556587-8708, Stockholm	24	150,000		0	13	–
Impsys AB, 556559-3190, Gothenburg	19	307,500		0	4	4
Intermezzon AB, 556541-8885, Gothenburg	18	2,781,800		0	5	–
Incirco AB, 556575-8546, Stockholm	16	327,807		0	7	1
Internetprint Nordic AB, 556549-3342, Malmö	15	216,667		0	9	–
isMobile.com AB, 556575-0014, Luleå	15	20,000		0	11	–
Scandinature AB, 556293-1799, Karlstad	15	17,647		0	8	–
InsMark AB, 556597-9316, Stockholm	13	16,667		0	5	–
Other shares and participations				0	0	0
Companies outside Sweden						
Peoples Telephone Company Ltd., Hong Kong	8	47,630,000	HKD	48	57	57
Other operating and dormant companies					0	4
					634	**527**

Baltic Tele AB owns an additional 26 percent of the shares in AS Eesti Telekom. Netia Holdings S.A. owns 38 percent of the shares in Netia 1 Sp. z o.o. First National Holding S.A. owns an additional 38 percent of the shares in ZAO North West GSM via a partly owned subsidiary.

Telia AB has waived its rights to a controlling influence in Tel Investimentos Ltda in shareholders' agreements. Tel Investimentos Ltda. and Eriline Celular S/A own an additional 37 percent and 7 percent, respectively, of the shares in Tess S/A.

Telia's holding in Eircom plc is owned via Comsource UnLtd. The participations in AB Lietuvos Telekomas and UAB Omnitel are owned via Amber Teleholding A/S and Amber Mobile Teleholding AB, respectively.

The parent company's holdings of other foreign companies for the comparative year were chiefly attributable to Unisource N.V. which was dissolved during 2000. Corresponding assets are reported as per the balance sheet date in the subsidiary Telia Telecommunications International B.V.

Parent Company Income Statements

MSEK		2000	1999	1998
Net sales	Note 2	23,341	25,983	28,833
Costs of production	Notes 3, 6	–18,239	–20,686	–23,855
Gross income		**5,102**	**5,297**	**4,978**
Selling, administrative, and R&D expenses	Notes 3, 6	–3,425	–3,895	–6,569
Other operating revenues and operating costs	Notes 4, 6	526	–598	–163
Operating income		**2,203**	**804**	**–1,754**
Financial revenues and expenses	Note 7	4,132	7,558	7,355
Income after financial items		**6,335**	**8,362**	**5,601**
Appropriations	Note 16	109	–1,628	–2,448
Income before tax		**6,444**	**6,734**	**3,153**
Taxes	Note 8	–1,438	–1,552	–863
Net income		**5,006**	**5,182**	**2,290**

Parent Company Balance Sheets

MSEK		2000	1999	1998
Assets				
Intangible fixed assets	Note 9	238	648	588
Tangible fixed assets	Note 10	21,022	22,397	23,527
Financial fixed assets	Note 11	40,123	24,932	20,288
Total fixed assets		**61,383**	**47,977**	**44,403**
Inventories etc.	Note 12	15	18	19
Receivables	Note 13	29,558	25,093	22,825
Short-term investments	Note 14	–	1,055	40
Cash and bank deposits		538	313	26
Total current assets		**30,111**	**26,479**	**22,910**
Total assets		**91,494**	**74,456**	**67,313**
Equity and liabilities				
Restricted equity				
Share capital		9,604	8,800	8,800
Other reserves		13,894	1,855	1,855
Non-restricted equity				
Retained earnings		7,955	4,566	3,666
Net income		5,006	5,182	2,290
Total equity	**Note 15**	**36,459**	**20,393**	**16,611**
Untaxed reserves	**Note 16**	**17,347**	**17,456**	**15,829**
Provisions for pensions and employment contracts	Note 17	1,354	1,919	1,803
Other provisions	Note 18	868	1,176	513
Total provisions		**2,222**	**3,095**	**2,316**
Interest-bearing liabilities				
Long-term loans	Note 19	17,574	8,841	6,365
Current loans	Note 20	11,676	17,557	17,567
Non-interest-bearing liabilities				
Long-term liabilities	Note 21	64	155	67
Current liabilities	Note 22	6,152	6,948	8,558
Total liabilities		**35,466**	**33,501**	**32,557**
Total equity and liabilities		**91,494**	**74,445**	**67,313**
Contingent assets	Note 24	–	275	–
Collateral pledged	Note 24	5	60	59
Contingent liabilities	Note 24	2,540	1,884	1,287

Parent Company Cash Flow Statements

MSEK		2000	1999	1998
Net income		5,006	5,193	2,290
Depreciation, amortization, and write-downs		4,574	4,658	4,481
Capital gains/losses on sales/discards of fixed assets		−682	−559	116
Income/Loss from partnerships		–	–	3
Pensions and other provisions		−1,664	873	715
Financial items	Note 7	−158	−16	−368
Group contributions and appropriations		−3,073	−4,711	−5,469
Taxes	Note 8	−981	458	412
Cash flow before change in working capital		**3,022**	**5,896**	**2,180**
Increase (–)/Decrease (+) in operating receivables		1,049	−746	444
Increase (–)/Decrease (+) in inventories etc.		3	0	29
Increase (+)/Decrease (–) in operating liabilities		43	−1,648	1,698
Change in working capital		**1,095**	**−2,394**	**2,171**
Cash flow from operating activities		**4,117**	**3,502**	**4,351**
Intangible fixed assets		–	–	−186
Tangible fixed assets		−4,163	−3,681	−3,978
Shares and participations		−15,692	−4,899	−4,400
Divestiture of fixed assets etc.		2,628	1,169	301
Loans made and other investments		−8,846	−1,599	−156
Repayment of loans made and other investments		7	18	3,417
Compensation from/Provisions to pension funds		1,000	2,055	−4,055
Net change in interest-bearing current receivables		0	−2,105	−1,798
Cash flow from investing activities		**−25,066**	**−9,042**	**−10,855**
Operating cash flow		**−20,949**	**−5,540**	**−6,504**
Dividend		−1,470	−1,400	−1,210
New share issue		12,429	–	–
Group contributions paid		6,339	7,916	3,383
Loans raised		13,993	2,364	4,937
Loans amortized		–	−1,933	−6,036
Net change in interest-bearing current liabilities		−11,172	−105	4,792
Cash flow from financing activities		**20,119**	**6,842**	**5,866**
Cash flow for the year		**−830**	**1,302**	**−638**
Liquid funds, opening balance		**1,368**	**66**	**704**
Cash flow for the year		−830	1,302	−638
Liquid funds, closing balance	Note 14	**538**	**1,368**	**66**

Change in net interest-bearing liability	2000	1999	1998	1997	1996
Opening balance	**13,828**	**16,262**	**13,730**	**15,454**	**9,885**
Increase (+)/Decrease (–) in long-term loans	8,733	2,476	−418	2,200	1,869
Increase (+)/Decrease (–) in current loans	−5,881	−10	4,111	−55	7,574
Increase (–)/Decrease (+) in interest-bearing receivables	−9,128	−3,714	1,460	259	119
Increase (–)/Decrease (+) in short-term investments	1,055	−1,015	310	−340	435
Increase (–)/Decrease (+) in cash and bank deposits	−225	−287	328	240	−263
Change in net borrowings	**−5,446**	**−2,550**	**5,791**	**2,304**	**9,734**
Increase (+)/Decrease (–) in pension provisions	−565	116	−3,259	−4,028	−4,165
Change in net interest-bearing liability	**−6,011**	**−2,434**	**2,532**	**−1,724**	**5,569**
Closing balance	**7,817**	**13,828**	**16,262**	**13,730**	**15,454**

Statement of Changes in Parent Company Equity

MSEK	Share capital	Legal reserve	Share premium reserve	Non-restricted equity	Total equity
Closing balance, 31 December 1997	**8,800**	**1,855**	**–**	**4,306**	**14,961**
Changes in accounting principles (Note 27)	–	–	–	570	570
Adjusted closing balance, 31 December 1997	*8,800*	*1,855*	–	*4,876*	*15,531*
Dividend	–	–	–	–1,210	–1,210
Net income	–	–	–	2,290	2,290
Closing balance, 31 December 1998	**8,800**	**1,855**	**–**	**5,956**	**16,611**
Dividend	–	–	–	–1,400	–1,400
Net income	–	–	–	5,193	5,193
Closing balance, 31 December 1999	**8,800**	**1,855**	**–**	**9,749**	**20,404**
New issue expenses after taxes	–	–	–231	–	–231
Total changes in earnings not reported in the income statement	–	–	*–231*	–	*–231*
Dividend	–	–	–	–1,470	–1,470
Stock dividend	324	–	–	–324	–
New share issue	480	–	12,270	–	12,750
Net income	–	–	–	5,006	5,006
Closing balance, 31 December 2000	**9,604**	**1,855**	**12,039**	**13,140**	**36,459**

Notes to the Parent Company Accounts

Changes and Innovations

General. The recommendations of the Swedish Financial Accounting Standards Council RR 9 "Income Taxes," RR 10 "Construction Contracts," RR 11 "Revenue," RR 12 "Property, Plant and Equipment," RR 13 "Accounting for Investments in Associates," RR 14 "Financial Reporting of Interest in Joint Ventures," RR 15 "Intangible Assets," RR 16 "Provisions, Contingent Liabilities and Contingent Assets," RR 17 "Impairment of Assets," RR 18 "Earnings per Share" and RR 19 "Discounting Operations" have all been applied since 1 January 2000, i.e. prior to their actual effective dates.

RR 17 may not be applied retroactively. The application, with the exception of RR 9, has not entailed any change to the accounting policies that required translating comparative years.

The Swedish Financial Accounting Standards Council's draft recommendation "Presentation of Financial Statements" has been applied.

Capitalization of interest. Interest during installation time (equivalent) is capitalized from 1 January 2000 as per the alternative method described in the Swedish Financial Accounting Standards Council's draft recommendation "Borrowing Costs." The comparative years have not been translated.

1 Accounting Standards and Description of Applied Accounting Principles

The accounts for the parent company Telia AB were prepared in accordance with the Annual Accounts Act, other Swedish legislation and the recommendations of the Swedish Financial Accounting Standards Council.

The applied accounting principles are described in the notes to the consolidated financial statements. The descriptions in the following notes are limited to existing discrepancies.

Unless otherwise specified, all amounts are in millions of Swedish kronor (MSEK) and are based on the period 1 January–31 December for income statement items and 31 December for balance sheet items, respectively.

2 Net Sales

The following is a breakdown of net sales per product segment.

	2000	1999	1998
Fixed telephony	16,023	15,858	15,289
Internet	562	119	115
Network capacity	2,747	7,433	7,167
Data communications	836	238	229
Service, installation	–	–	891
Staff for hire	109	84	3,496
Financial services	830	901	782
Other	2,234	1,350	864
	23,341	**25,983**	**28,833**

Invoiced advertising tax was MSEK 1, MSEK 1 and MSEK 1 for the years 2000, 1999 and 1998, respectively.

Sales in and exports to markets outside Sweden were distributed among economic regions as follows.

	2000	1999	1998
EU	200	1,076	646
EEA	148	285	136
Rest of Europe	10	183	110
NAFTA	9	274	93
Rest of world	0	230	203
	367	**2,048**	**1,188**

3 Operating Expenses

Costs were distributed among functions as follows.

	2000	1999	1998
Production	**18,239**	**20,686**	**23,855**
Other functions			
Sales	998	830	1,160
Administration	1,852	1,989	4,322
Research and development	575	1,076	1,087
	3,425	**3,895**	**6,569**
	21,664	**24,581**	**30,424**

Each functional area also includes depreciation, amortization, and write-downs as specified in Note 6 "Depreciation and Amortization According to Plan and Write-Downs." This is also broken down by type of installation.

Operating expenses were distributed among the following types of costs.

	2000	1999	1998
Goods purchased	3,893	2,627	2,699
Network expenses, interconnect traffic, international settlements	6,409	6,518	6,139
Change in inventories	3	–	–
	10,305	**9,145**	**8,838**
Salaries and remuneration	1,380	2,117	5,269
Employer's social security contributions	473	700	1,773
Pension expenses	–596	–204	2,063
Other personnel expenses	270	99	401
	1,527	**2,712**	**9,506**
Rent and leasing fees	919	898	557
Energy expenses	153	189	162
Travel expenses	468	472	259
Consultants' services	914	2,183	1,975
Marketing expenses	470	251	617
Bad debt expense	8	0	58
Information technology	1,255	1,902	1,577
Other expenses	1,302	2,171	2,396
	5,489	**8,066**	**7,601**
Depreciation, amortization, and write-downs	4,343	4,658	4,479
	21,664	**24,581**	**30,424**

If non-recurring expenses, such as costs of restructuring in the form of provisions for early retirement pensions, severance pay, and the like, correspond to a yield or compensation from the pension fund, these are reported as operating expenses for each functional area.

4 Other Operating Revenues and Expenses

	2000	1999	1998
Revenues			
Capital gains	0	9	45
Exchange rate gains	32	37	41
Commissions	62	–	–
Rental income	76	–	–
Damages received	30	–	–
SPP funds	269	–	–
Other revenues	236	243	77
	705	**289**	**163**
Expenses			
Capital losses	25	0	0
Provisions for lossmaking contracts	–	613	–
IPO/integration preparations	144	226	–
Exchange rate losses	10	4	5
Other expenses	–	44	321
	179	**887**	**326**
Net effect on income	**526**	**–598**	**–163**

5 Transactions with Group Companies

Commercial terms and market prices apply for the supply of goods and services within the parent company and to/from Group companies.

Net sales before the elimination of internal sales between the parent company's units were MSEK 24,043 for 2000, MSEK 26,767 for 1999 and MSEK 37,812 for 1998. Internal sales totaled MSEK 702, MSEK 784, and MSEK 8,979, respectively.

Sales to Group companies totaled MSEK 20,274, MSEK 22,508 and MSEK 25,584, while purchases from Group companies totaled MSEK 9,745, MSEK 8,809 and MSEK 8,756, respectively.

6 Depreciation and Amortization According to Plan and Write-Downs

Depreciation, amortization, and write-downs on tangible and financial fixed assets for the year were distributed among the following types of assets.

	2000	1999	1998
Goodwill	–	–	1
Other intangible assets	96	118	65
Buildings	–	–	4
Land improvements	4	–	1
Fixed telephony installations	4,103	4,378	4,286
Other machinery and equipment	140	162	124
	4,343	**4,658**	**4,481**

Depreciation, amortization, and write-downs were distributed among the following functions.

	2000	1999	1998
Production	4,215	4,548	4,415
Sales	115	97	48
Administration	–	0	3
Research and development	13	13	13
Other operating expenses	–	0	2
	4,343	**4,658**	**4,481**

7 Financial Revenues and Expenses

	2000	1999	1998
Income from shares in Group companies			
Dividends etc.	1,169	921	76
Capital gains/losses	391	29	–27
Net Group contributions etc.	2,964	6,339	7,916
	4,524	**7,289**	**7,965**
Income from shares in associated companies			
Dividends	161	60	37
Capital gains/losses	86	554	1
	247	**614**	**38**
Earnings from other financial investments			
Dividends	14	48	5
Capital gains/losses	31	–4	–47
	45	**44**	**–42**
Other financial revenues			
Interest from Group companies	952	3,449	1,226
Other interest income	440	113	91
Exchange rate gains	15	151	11
	1,407	**3,713**	**1,328**
Other financial expenses			
Interest from Group companies	582	3,297	900
Other interest expenses	1,318	738	803
Exchange rate losses	122	0	63
Interest component of the year's pension provision	69	67	168
	2,091	**4,102**	**1,934**
Net effect on income	**4,132**	**7,558**	**7,355**

Refer to the section on Swedish Group units in Note 22 to the Consolidated Accounts "Provisions for Pensions and Employment Contracts" for an explanation of how the interest component of the year's pension provision is calculated. See also Note 16 to the Parent Company Accounts "Untaxed Reserves and Appropriations" on Group contributions.

Interest received and interest paid
Interest received and interest paid for each year was as follows.

	2000	1999	1998
Interest received	2,986	3,478	1,444
Interest paid	–2,897	–3,867	–2, 199
Net position	**–89**	**–389**	**–755**

8 Taxes

Tax expense
The tax expense reported was distributed as follows.

	2000	1999	1998
Current tax	1,270	1,639	860
Deferred tax	168	–98	3
	1,438	**1,541**	**863**

Current tax expenses for fiscal 2000 attributable to the previous year's earnings and tax booked directly to equity were as follows.

	2000	1999	1998
Tax attributable to previous year	10	0	–1
Tax booked directly to equity	–90	–	–

Tax booked directly to equity refers to new issue expenses.

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

%	2000	1999	1998
Income tax rate	28.0	28.0	28.0
Adjustment of taxes for previous periods	0.2	–	–0.0
Losses for which deferred tax benefits were not taken into account	–0.5	–	–
Non-deductible expenses	1.8	1.2	0.8
Non-taxable revenues	–7.2	–6.3	–1.4
Tax rate as per the income statement	**22.3**	**22.9**	**27.4**
Tax booked directly to equity	–1.4	–	–
Effective tax rate	**20.9**	**22.9**	**27.4**
Tax rate, current tax	**19.7**	**24.3**	**27.3**

No accumulated non-expiring tax loss carry-forwards exist for the years 2000, 1999 and 1998.

The following is a breakdown of the deferred tax benefit.

	2000	1999	1998
Shares and participations	32	–	–
Provisions	465	665	567
	497	**665**	**567**

The parent company's hidden deferred tax liability in untaxed reserves amounted to MSEK 4,857 in 2000, MSEK 4,888 in 1999 and MSEK 4,432 in 1998. See also Note 16 "Untaxed Reserves and Appropriations."

Taxes paid

Taxes paid for the years 2000, 1999 and 1998, respectively, totaled MSEK 2,329, MSEK 1,083 and MSEK 451.

9 Intangible Fixed Assets

	2000		1999		1998	
	Good-will	Misc. assets	Good-will	Misc. assets	Good-will	Misc. assets
Acquisition value, opening balance	–	835	6	657	6	472
Purchases	–	–	–	181	–	205
Sales/discards	–	–331	–6	–	–	–20
Reclassifications	–	–	–	–3	–	–
Accumulated acquisition value, closing balance	**–**	**504**	**–**	**835**	**6**	**657**
Depreciation, opening balance	–	–187	–6	–69	–5	–5
Sales/discards	–	17	6	–	–	–
Amortization for the year	–	–96	–	–118	–1	–64
Accumulated amortization, closing balance	**–**	**–266**	**–**	**–187**	**–6**	**–69**
Residual value according to plan, closing balance	**–**	**238**	**–**	**648**	**–**	**588**

Software developed in-house was capitalized in 2000 at MSEK –, in 1999 at MSEK – and in 1998 at MSEK 48. In the three years, amortization was MSEK 94, MSEK 94, and MSEK 47, respectively

Residual value according to plan was distributed as follows.

	2000	1999	1998
Administrative support systems	234	328	434
Licenses, patents, etc.	4	320	154
Total residual value	**238**	**648**	**588**

10 Tangible Fixed Assets

Buildings and land

	2000	1999	1998
Acquisition value, opening balance	36	76	90
Purchases	38	8	2
Sales/discards	–	–	–8
Reclassifications	–34	–48	–8
Accumulated acquisition value, closing balance	**40**	**36**	**76**
Depreciation, opening balance	–23	–38	–44
Sales/discards	–	–	8
Reclassifications	4	15	3
Depreciation for the year	–4	–	–5
Accumulated depreciation, closing balance	**–23**	**–23**	**–38**
Residual value according to plan, closing balance	**17**	**13**	**38**

No interest is included in the acquisition value for years 2000, 1999 or 1998.

No real estate properties were assigned tax-assessed values.

Plant and machinery

	2000	1999	1998
Acquisition value, opening balance	51,037	47,077	43,450
Purchases	3,785	3,259	4,819
Sales/discards	–1,569	–180	–408
Reclassifications	655	881	–784
Accumulated acquisition value, closing balance	**53,908**	**51,037**	**47,077**
Depreciation, opening balance	–29,221	–24,557	–19,830
Purchases	–3	–	–993
Sales/discards	363	268	349
Reclassifications	–402	–554	203
Depreciation for the year	–4,103	–4,378	–4,286
Accumulated depreciation, closing balance	**–33,366**	**–29,221**	**–24,557**
Residual value according to plan, closing balance	**20,542**	**21,816**	**22,520**

No interest is included in the acquisition value for years 2000, 1999 or 1998. Excess tax depreciation is discussed in Note 16 "Untaxed Reserves and Appropriations."

Equipment, tools, and installations

	2000	1999	1998
Acquisition value, opening balance	1,148	1,640	1,068
Purchases	747	637	162
Sales/discards	–436	–265	–382
Reclassifications	–598	–864	792
Accumulated acquisition value, closing balance	**861**	**1,148**	**1,640**
Depreciation, opening balance	–580	–671	–485
Purchases	–405	–369	–12
Sales/discards	329	82	156
Reclassifications	398	540	–206
Depreciation for the year	–140	–162	–124
Accumulated depreciation, closing balance	**–398**	**–580**	**–671**
Residual value according to plan, closing balance	**463**	**568**	**969**

Assets from another Group company were assumed at gross book value.

Distribution by class of asset
The total residual value according to plan was distributed as follows.

	2000	1999	1998
Buildings and land			
Buildings	–	8	33
Land and land improvements	17	5	5
	17	**13**	**38**
Plant and machinery			
Fixed telephony – switching systems and peripheral equipment	6,918	6,855	6,354
Fixed telephony – transmission systems	4,307	4,112	4,229
Fixed telephony – transmission media and other types of media	9,317	10,333	10,766
Advances on new installations under construction	–	516	1,171
	20,542	**21,816**	**22,520**
Equipment, tools, and installations	**463**	**568**	**969**
	21,022	**22,397**	**23,527**

11 Financial Fixed Assets

Participations in associated companies

	2000	1999	1998
Book value, opening balance	9,931	5,962	3,145
Acquisitions	2,203	2,109	2,811
Participations in former subsidiaries	43	96	–
Issues of new shares and shareholder contributions	3,685	1,502	33
Divestitures	–192	–94	–27
Reclassifications	–2,769	356	–
Book value, closing balance	**12,901**	**9,931**	**5,962**

Other long-term financial assets

	2000	1999	1998
Book value, opening balance	15,001	14,326	16,859
Purchases	10,179	1,888	1,634
Sales/discards	–310	–852	–4,164
Write-downs	–130	–7	–
Reclassifications	2,482	–354	0
Book value, closing balance	**27,222**	**15,001**	**14,326**

Distribution by class of asset
The total book value was distributed as follows.

	2000	1999	1998
Group and associated companies			
Shares in Group companies	25,958	13,659	12,953
Receivable from Group companies, interest-bearing	143	–	3
Participations in associated companies	12,901	9,931	5,962
Receivable from associated companies, interest-bearing	–	7	–
Receivable from associated companies, non-interest-bearing	109	209	83
	39,111	**23,806**	**19,001**
Other holdings of securities			
Shares and participations	515	461	709
Other securities	–	–	7
	515	**461**	**716**
Deferred tax benefit	**497**	**665**	**567**
Other long-term receivables			
Interest-bearing			
Other	–	–	4
	–	**–**	**4**
	40,123	**24,932**	**20,288**

Shareholdings and participations in Group companies are specified in Note 28 “Specification of Shareholdings and Participations.” Information about associated companies and other shares and participations is found in Note 39 to the Consolidated Accounts.

12 Inventories etc.

After deductions for obsolescence in inventory and stock in trade, the item consists of the following.

	2000	1999	1998
Raw materials and essential inputs	**12**	**19**	**14**
Finished products	**–**	**0**	**5**
Work in progress			
Expense incurred	3	0	0
Reserve for obsolescence and risk of loss	0	–1	–
	3	**–1**	**0**
Advances to suppliers	**0**	**–**	**–**
	15	**18**	**19**

13 Receivables

	2000	1999	1998
Accounts receivable from customers			
Invoiced receivables	892	1,152	670
Reserve for doubtful receivables	–77	–84	–52
	815	**1,068**	**618**
Other current receivables			
Interest-bearing			
Receivable from Group companies	15,236	11,340	9,231
Receivable from associated companies	6,431	1,594	88
Receivable from others	308	103	73
Non-interest-bearing			
Receivable from Group companies	5,665	8,935	11,463
Receivable from associated companies	16	207	47
Other tax benefits	184	–	–
International settlements	40	79	220
Receivable from others	233	25	300
	28,113	**22,283**	**21,422**
Accrued revenues and prepaid expenses			
Receivable from Group companies	140	1,272	458
Interconnect and roaming charges	258	243	84
Customer orders completed but not invoiced	–	10	10
Prepaid rent and leasing fees	69	11	14
Other accrued or prepaid items	163	206	219
	630	**1,742**	**785**
	29,558	**25,093**	**22,825**

Other interest-bearing accounts receivable from Group companies refer to the balance in the cash pool.

14 Short-Term Investments, Liquid Funds

	2000	1999	1998
Investments with maturities over three months	–	–	–
Investments with maturities up to three months	–	1,055	40
	–	**1,055**	**40**

Liquid funds were as follows.

	2000	1999	1998
Investments	–	1,055	40
Cash and bank deposits	538	313	26
Liquid funds	**538**	**1,368**	**66**

15 Equity

Equity has changed as follows.

	Number of shares	Par value SEK/share	Equity kSEK
Share capital, 31 Dec. 1997	**8,800,000**	**1,000.00**	**8,800,000**
Share capital, 31 Dec. 1998	**8,800,000**	**1,000.00**	**8,800,000**
Share capital, 31 Dec. 1999	**8,800,000**	**1,000.00**	**8,800,000**
Stock dividend, 20 May 2000	–	1,036.80	323,840
324:1 split, 20 May 2000	2,842,400,000	3.20	–
New share issue, 16 June 2000	150,000,000	3.20	480,000
Share capital, 31 Dec. 2000	**3,001,200,000**	**3.20**	**9,603,840**

All shares have been paid in full and carry equal rights to vote and participate in the assets of the company. No shares are held by the company itself or by its subsidiaries. Nor have stock options or convertible debentures been issued as per the balance sheet date.

The proposed but as yet not determined dividend for 2000 totals MSEK 1,501. This amount has not been reported as a liability.

16 Untaxed Reserves and Appropriations

Untaxed reserves in the balance sheet were distributed as follows.

	2000	1999	1998
Profit equalization reserve	3,538	2,493	943
Accumulated excess depreciation	13,809	14,963	14,883
Provisions for foreign exchange losses	–	–	3
	17,347	**17,456**	**15,829**

Excess depreciation, applicable to plant and machinery, has been changed as follows.

	2000	1999	1998
Opening balance	14,963	14,883	13,183
Provisions	–	80	1,700
Reversals	–1,154	–	–
Closing balance	**13,809**	**14,963**	**14,883**

Appropriations charged to income were comprised as follows.

	2000	1999	1998
Profit equalization reserve	–1,045	–1,550	–750
Accumulated excess depreciation	1,154	–80	–1,700
Provisions for foreign exchange losses	–	2	2
Net effect on income	**109**	**–1,628**	**–2,448**

Under certain circumstances, it is possible to transfer profits through group contributions between Swedish companies in a group. Group contributions provided are normally a deductible expense for the contributor and taxable revenue for the recipient. Group contributions, including shareholder contributions, received and paid by the parent company are regarded as dividends and reported as income from shares in Group companies (see Note 7 "Financial Revenues and Expenses").

	2000	1999	1998
Shareholder contributions rendered	–53	–165	–49
Group contributions received, net	3,017	6,504	7,965
Net effect on income	**2,964**	**6,339**	**7,916**

17 Provisions for Pensions and Employment Contracts

The pension liability reported contains the following components.

	2000	1999	1998
FPG/PRI pensions	5,487	5,452	6,108
Other pension commitments	6,689	6,865	7,345
Taxed reserves for employment contracts	1,265	1,879	1,629
Total commitments	**13,441**	**14,196**	**15,082**
Less pension fund capital	–12,088	–12,277	–13,279
Book value	**1,353**	**1,919**	**1,803**

The pension expense reported (including pension premiums) was as follows.

	2000	1999	1998
Contractual pension obligations			
Current service cost	121	278	559
Pension-related social charges	–	1	178
	121	**279**	**737**
Non-recurring items			
Early retirement pensions	262	237	879
Pension-related social charges	–	–	234
Changed estimates	–670	–	–
	–408	**237**	**1 113**
Interest expense on principal			
reported as a financial cost	69	67	168
reported in operating income	433	475	369
	502	**542**	**537**
Effect on income of change in fund assets	**–811**	**–1,262**	**–324**
Net pension expense	**–596**	**–204**	**2,063**

Surplus capital in the assets in the pension fund has changed as follows.

	2000	1999	1998
Surplus capital, opening balance	1,968	1,537	–
Change in value during the year	–132	1,693	1,861
Items that affect earnings			
change in reported pension liability	189	293	176
compensation from fund	–1,000	–1,555	–500
	–811	**–1,262**	**–324**
Surplus capital, closing balance	**1,025**	**1,968**	**1,537**

Secured commitments, surplus capital, provisions made, and compensation received were distributed as follows between Telia's two pension funds (see Note 22 to the Consolidated Accounts for information about the merger of the two funds).

	2000	1999	1998
Telia's Pension Fund			
Secured commitments (principal)	8,485	8,842	9,323
Surplus capital in fund	1,020	1,758	1,537
Provisions to fund	–	–	355
Compensation from fund	1,000	1,555	500
Telia's Pension Fund 2			
Secured commitments (principal)	3,603	3,435	4,130
Surplus capital in fund	5	210	–
Provisions to fund	–	–	3,700

The nominal value of the parent company's share of client company funds held by SPP was MSEK 287, of which MSEK 61 was settled in cash during 2000. Since the funds may be used during a three-year period, the amount was discounted using an interest factor of 5.5. The discounted amount, MSEK 269, was reported as other revenue and is not included in underlying EBITDA. MSEK 216 is reported as an asset in the balance sheet, divided into current and long-term receivables.

18 Other Provisions

	2000	1999	1998
Book value, opening balance	1,176	513	575
Provisions for the period	68	674	19
Operations acquired	–	60	–
Utilized provisions	–98	–46	–48
Operations divested	–8	–	–
Reversals of provisions	–184	–117	–159
Timing and interest-rate effects/differences	–86	–	30
Book value, closing balance	**868**	**1,176**	**513**

The book value of the provisions was distributed as follows.

	2000	1999	1998
Payroll taxes on future pension payments	307	456	395
Lossmaking contracts	468	613	–
Other provisions	93	107	118
	868	**1,176**	**513**

19 Long-term Loans

	2000	1999	1998
Loans from Group companies	–	–	10
Bank overdraft facilities	–	–	–
Telia FTN/FTO	7,012	4,126	2,366
Telia EMTN, other hedged foreign currency loans	9,987	4,390	3,664
Other	575	325	325
	17,574	**8,841**	**6,365**

Bank overdraft facilities have a total limit of MSEK 861, MSEK 884 and MSEK 866 for the years 2000, 1999 and 1998, respectively. For these years, MSEK 4,678, MSEK 3,628 and MSEK 1,042 of the loans fall due more than five years after the balance sheet date. See also Note 30 to the Consolidated Accounts "Financial Instruments."

20 Short-term Loans

	2000	1999	1998
Loans from Group companies	–	11,191	10,676
Loans from associated companies	–	24	187
ECP	9,131	3,397	3,715
Telia FTN	1,335	1,525	1,217
Hedged foreign currency loans	1,122	1,420	1,176
Other bank loans	88	–	596
	11,676	**17,557**	**17,567**

See also Note 30 to the Consolidated Accounts "Financial Instruments."

21 Long-term Liabilities

	2000	1999	1998
Liabilities to Group companies	64	48	39
Other	–	107	28
	64	**155**	**67**

For the years 2000, 1999 and 1998, no loans fall due more than five years after the balance sheet date.

22 Current Liabilities

	2000	1999	1998
Accounts payable	**1,034**	**1,220**	**1,143**
Liabilities to Group companies	**1,353**	**1,150**	**1,811**
Liabilities to associated companies	**–**	**0**	**0**
Tax liabilities	**–**	**1,055**	**498**
Other liabilities			
Advances, deposits, etc.	278	150	9
Value-added tax, excise taxes	49	77	347
Payable to employees	25	75	341
Other	4	0	35
	356	**302**	**732**
Accrued expenses and prepaid revenues			
Liabilities to Group companies	1,368	1,378	1,711
Accrued payroll expenses	89	169	501
Accrued employer's social security contributions	27	69	528
Accrued interest	804	379	309
Interconnect charges	290	215	226
Other accrued or prepaid items	831	1,011	1,099
	3,409	**3,221**	**4,374**
	6,152	**6,948**	**8,558**

23 Leasing Agreements and Contractual Obligations

The parent company leases primarily premises and computers. Most of the leases are from Group companies. Subletting of premises is also mainly with Group companies. The leases are on commercial terms, with respect to prices and duration.

Future obligations resulting from operating leases that could not be canceled in advance, were in excess of one year, and were in effect on 31 December 2000, amounted to:

	Future obligations	Sub-leasing
2001	750	32
2002	500	19
2003	450	18
2004	464	18
2005	479	18
Later	2,063	147
	4,706	**252**

The total paid rent and leasing fees was MSEK 919, MSEK 898 and MSEK 557 for the years 2000, 1999 and 1998, respectively. Revenue for subleased objects totaled MSEK 109, MSEK 140 and MSEK 124 for these years.

Other contractual obligations

As of the balance sheet date, the parent company also had contractual obligations regarding the acquisition of tangible and financial fixed assets and disbursements of additional consideration for purchase or capital contribution to associated companies.

Tangible fixed assets	282
Associated companies	84
Other	61
	427

Obligations with respect to tangible fixed assets refer to the continued expansion of the Swedish fixed telephony network.

24 Contingent Assets, Collateral Pledged and Contingent Liabilities

	2000	1999	1998
Contingent assets			
Company funds held by SPP	–	275	–
	–	**275**	**–**
Collateral pledged			
For off-balance-sheet instruments:			
Blocked funds in bank accounts	5	34	33
For long-term liabilities to credit institutions:			
Shares in associated companies	–	26	26
	5	**60**	**59**
Contingent liabilities			
Guarantees and contingent liabilities granted to subsidiaries	1,294	642	360
Credit and performance guarantees, etc.	977	971	592
FPG/PRI	105	106	116
Other contingent liabilities	164	165	219
	2,540	**1,884**	**1,287**

Most of the credit and performance guarantees concern the associated company Tess S/A (see Note 9 to the Consolidated Accounts "Related Party Transactions").

25 Human Resources

The average number of full-time employees was as follows.

Country	2000 Total	2000 of which men	1999 Total	1999 of which men	1998 Total	1998 of which men
Sweden	3,148	1,987	6,637	5,051	18,340	12,424
	3,148	**1,987**	**6,637**	**5,051**	**18,340**	**12,424**

The operations are conducted throughout most of the country. Salaries, other remuneration, and social security expense were as follows.

	2000	1999	1998
Salaries and other remuneration	**1,380**	**2,117**	**5,269**
Social security expenses			
Employer's social security contributions	473	700	1,773
Pension expenses	−858	−441	950
Early retirement pensions	262	237	1,113
	−123	**496**	**3,836**
	1,257	**2,613**	**9,105**

Pension costs for the Board of Directors and CEO and outstanding pension commitments were as follows.

	2000	1999	1998
Pension expenses	25	9	7
Outstanding pension commitments	68	43	37

Salaries and other remuneration were divided between corporate officers and other employees as follows.

Country	2000 Board and CEO (of which, bonuses etc.)	2000 Other employees	1999 Board and CEO (of which, bonuses etc.)	1999 Other employees	1998 Board and CEO (of which, bonuses etc.)	1998 Other employees
Sweden	25 (2)	1,355	18 (2)	2,099	15 (1)	5,254
	25 (2)	**1,355**	**18 (2)**	**2,099**	**15 (1)**	**5,254**

See also Note 33 to the Consolidated Accounts "Human Resources," the section "Remuneration to corporate officers."

26 Auditors' Fees etc.

	2000	1999
Ernst & Young AB		
Audits	6	6
Independent advice	36	36
	42	**42**
Swedish National Audit Office		
Audits	0	0
	0	**0**
	42	**42**

27 Changes to Valuations, Estimates, and Accounting Policies

As described in the section "Changes and Innovations" above, the principles for reporting taxes were changed as per 1 January.

Hence, the net income and equity reported in previous annual reports has been changed as follows.

	1999	1998	1997
Net income for each year			
Reported previously	5,095	2,293	1,552
New principles	98	−3	570
Adjusted net income	*5,193*	*2,290*	*2,122*
Equity as of 1 January of each year			
Reported previously	19,739	16,044	14,961
New principles	665	567	570
Adjusted equity	*20,404*	*16,611*	*15,531*

28 Specification of Shareholdings and Participations

Subsidiary, Corporate Registration Number, registered office	Participation (%)	Number of shares	Par value in local currency	Book value 2000	Book value 1999
Swedish companies					
Telia Mobile AB, 556025-7932, Nacka	100	550,000	550	1,000	1,000
Telia Norge Holding AB, 556591-9759, Stockholm	100	1,000	0	0	–
Speedy Tomato AB, 556572-1510, Stockholm	100	50,000	5	25	–
Telia Global Cast Internetworking AB, 556559-5948, Stockholm	100	9,000	1	2	1
Thoreb ITMobile AB, 556480-1180, Gothenburg	100	1,000	0	9	6
Telia International Carrier AB, 556583-2226, Stockholm	100	1,000,000	100	120	–
Skanova Networks AB, 556458-0040, Stockholm	100	10,000	1	3	–
Telia Nättjänster Norden AB, 556459-3076, Stockholm	100	10,000	1	125	125
Telia Online AB, 556240-6396, Stockholm	100	1,150,000	115	305	305
Telia Partner AB (publ), 556458-7011, Stockholm	100	650,000	65	205	205
Telia Försäljning AB, 556248-6240, Stockholm	100	40,000	40	621	621
Telia Light AB, 556228-0445, Stockholm	100	1,000	0	5	5
Infonet Svenska AB, 556263-3080, Stockholm	100	40,000	4	13	13
Telia IT-Service AB, 556329-5566, Nacka	100	450,000	45	145	145
Combinator IT AB, 556456-1669, Täby	100	2,000	0	15	15
Telia TeleCom AB, 556027-2287, Haninge	100	275,000	275	1,393	1,393
Telia Electronic Commerce AB, 556228-8976, Stockholm	100	27,500	28	28	28
Telia Promotor AB, 556255-1902, Haninge	100	11,400	1	26	26
Telia exBN AB, 556455-2304, Stockholm	100	250,000	25	512	512
Telia Holdings Éire AB, 556414-5323, Stockholm	100	1,000	0	587	587
Telia Holding Polen AB, 556588-0977, Stockholm	100	1,000	0	0	–
Telia International AB, 556352-1284, Stockholm	100	20,000	20	453	453
Telia Nära AB, 556430-0142, Gothenburg	100	3,000,000	300	1,223	1,223
Telia InfoMedia Interactive AB, 556138-5781, Stockholm	100	250,000	25	8	8
Respons AB, 556476-5294, Stockholm	100	75,000	75	180	180
Com Hem AB, 556181-8724, Stockholm	100	300,000	300	307	–
Telia International Holdings AB, 556572-1486, Stockholm	100	1,000	0	508	0
Direkte Respons Senteret i Sverige AB, 556172-3643, Stockholm	100	1,000	0	6	0
Telia InfoMedia Partner AB, 556429-6688, Stockholm	100	90,000	90	182	182
Nordisk Betal-TV AB, 556248-8410, Stockholm	100	150,000	15	15	15
TeleMedia Group TMG AB, 556429-6704, Stockholm	100	100,000	100	202	202
Telia Finans AB, 556203-0576, Stockholm	100	122,000	122	207	207
Telia Payment Solutions AB, 556468-4545, Stockholm	100	20,000	0	5	5
Sergel Kredittjänster AB, 556264-8310, Stockholm	100	5,000	1	8	8
Telia Försäkring AB, 516401-8490, Stockholm	100	1,000,000	100	100	100
Neterna AB, 556583-2242, Stockholm	100	100,000	10	50	–
Swedia Networks AB, 556555-1073, Stockholm	100	1,000	0	190	190
Telia System & Service AB, 556283-0702, Stockholm	100	1,000,000	100	250	250
Multicom Security AB, 556527-2001, Stockholm	100	1,000	0	305	305
Telia Swedtel AB, 556114-9492, Stockholm	100	12,000	12	28	28
Telia Overseas AB, 556528-9138, Stockholm	65	24,325,109	2,433	2,511	1,147
Telia Scanswitch AB, 556345-6622, Stockholm	100	500	1	8	8
Telia Business Innovation AB, 556559-2473, Nacka	100	100,000	10	10	10
Telia Research AB, 556235-8738, Stockholm	100	20,000	20	25	25
Telia ProSoft AB, 556527-5863, Stockholm	100	75,000	8	48	48
Validation AB, 556396-3015, Stockholm	100	10,000	1	23	23
Facit Service AB, 556454-5977, Stockholm	100	100,000	10	15	15
Telia Handel AB, 556323-0258, Stockholm	100	350,000	35	80	80
Unite AB, 556583-2234, Helsingborg	100	1,000	0	10	–
Telia Fastigheter AB, 556368-4801, Stockholm	100	5,000	1	169	169
Fastighets AB Larsboda, 556343-6434, Stockholm	100	50,000,000	500	1,415	1,415
Fastighets AB Västra Trädgårdsgatan 15, 556025-0002, Stockholm	100	4,000	0	299	–
Telia Fordon AB, 556287-3983, Umeå	100	81,670	8	40	40
Telia International Management AB, 556595-2917, Stockholm	100	1,000	0	1	–
Telia Outsourcing Partner AB, 556468-4388, Stockholm	100	10,000	1	6	5
Telia Satellite Services AB, 556412-0292, Stockholm	100	1,000	0	1	1
Other operating and dormant companies				0	306

Subsidiary, Corporate Registration Number, registered office	Participation (%)	Number of shares	Par value in local currency		Book value 2000	Book value 1999
Companies outside Sweden						
Telia A/S, 18530740, Glostrup	100	7,000	DKK	7	902	554
Telia Net International A/S, 24210413, Glostrup	100	500	DKK	1	1	–
Telia Stofa A/S, 42405310, Horsens	100	160,000	DKK	16	198	198
Telia Finland Oy, 0814830-9, Helsinki	100	12,500	FIM	13	521	521
Direct Response Service Oy, 1043430-4, Vanda	100	101	FIM	0	6	1
Telia Service Oy, 0676258-3, Helsinki	50	5	FIM	0	5	5
Telia Viesti Oy, 0845065-5, Helsinki	100	100	FIM	0	30	30
Telia Product Oy, 0673363-5, Espoo	13	995	FIM	1	1	1
Telia NetCom Holding AS, 954393232, Oslo	100	100	NOK	0	4,596	–
Telia International Carrier Norway AS, 981946685, Oslo	100	20,000	NOK	0	32	–
Telia Norge AS, 975961176, Oslo	100	2,000	NOK	2	189	189
SIA Telia Latvija, 000305757, Riga	100	152,280	LVL	8	116	94
A/S Telia Multicom, 000321580, Riga	49	9,672	LVL	0	3	3
A/S Telia Multicom Dati, 000340396, Riga	28	5,000	LVL	0	3	3
Telia International Carrier Poland Sp. z o.o., RHB59638, Warsaw	100	5,000	PLN	0	5	–
Telia Polska S.A., RHB48265, Warsaw	100	100	PLN	0	1	1
ZAO Business Svyaz, 7710096500, Moscow	100	100	RUR	0	6	–
OOO Teliks, 79347, St. Petersburg	65	–	RUR	21	11	–
Telia International Carrier GmbH, HRB50081, Frankfurt am Main	100	–	DEM	5	1,151	178
Telia Networks AG, 2171000547-8, Zürich	98	98	CHF	0	1	–
Telia Telecommunication Services GmbH, FN191783i, Vienna	100	–	ATS	69	44	–
Telia Telecommunications International B.V., 34135584, Hoofddorp	100	45,000	EUR	45	2,417	–
Telia Holding B.V., 1085695, Amsterdam	100	380	NLG	0	2	–
Telia International Carrier Netherlands B.V., 34128048, Amsterdam	100	910	NLG	0	9	–
Telia International Carrier Belgium S.A., B638443, Brussels	100	619	BEF	0	1	–
Telia France S.A., B421204793, Paris	100	999,994	FRF	100	304	131
Telia Reinsurance S.A., B53015, Luxembourg	100	130,000	SEK	13	13	13
Telia International Carrier S.p.A, 29580/2000, Turin	100	104,000	ITL	104	9	–
Telia Iberia S.A., A-80487358, Madrid	100	64,000	ESP	64	185	64
Telia International Carrier, Inc., 541837195, Reston, VA	100	100	USD	0	720	23
Riseling Holdings Ltda, 35215715143, São Paulo	100	90,786,887	BRL	91	443	–
Telia Swedtel (Philippines), Inc., AS095-003695, Manila	100	124,995	PHP	12	4	–
Telia Swedtel (Thai) Ltd., (2)0002/2541, Bangkok	100	104,993	THB	10	2	–
Other operating and dormant companies					0	15
					25,958	**13,659**

In all companies, equity participation corresponds to voting rights participation, except for in A/S Telia Multicom where Telia controls 60 percent of the votes. A/S Telia Multicom owns 55 percent of the shares in A/S Telia Multicom Dati. The remaining shares in Telia Service Oy are owned by Telia Viesti Oy. The remaining shares in Telia Product Oy are owned by Telia Service Oy and Telia Viesti Oy.

Telia International Holdings AB owns Telia's holdings in Eniro AB (publ) via a Dutch subsidiary. Telia Norge Holding AB and Telia NetCom Holding AS own NetCom ASA.

Other operating companies and dormant companies do not control Group assets of significant value. The parent company indirectly controls a number of operating companies and dormant subsidiaries in addition to the companies mentioned above.

Proposed Appropriation of Earnings

The Telia Group

According to the Group balance sheet as of 31 December 2000, non-restricted equity totaled MSEK 12,241 (5,651). Of this, it was calculated that SEK 0 (0) be transferred to restricted equity.

Telia AB

SEK	
Retained earnings	7,954,927,883
Net income	5,005,826,475
Total non-restricted equity	**12,960,754,358**

The Board proposes that this sum be appropriated as follows:

SEK 0.50 per share dividend to the shareholders	1,500,600,000
To be carried forward to 2001	11,460,154,358
Total	**12,960,754,358**

Stockholm, 19 February 2001

Lars-Eric Petersson
Chairman

Carl Bennet
Ingvar Carlsson
Anders Igel
Elof Isaksson

Birgitta Johansson-Hedberg
Jan-Åke Kark
Ronny Käck
Berith Westman

Marianne Nivert
President and CEO

Our auditors' report was rendered 20 February 2001

Ernst & Young AB

Gunnar Widhagen
Authorized Public Accountant

Filip Cassel
Authorized Public Accountant

Torsten Lyth
Authorized Public Accountant

Auditors' Report

To the Annual General Meeting of Telia AB (publ)
Corporate Reg. No. 556103-4249

We have audited the annual financial statements, the consolidated financial statements, the accounting records, and the administration of Telia AB (publ) by the Board of Directors and President for fiscal 2000. The Board of Directors and President are responsible for the accounting records and administration. Our responsibility is to express an opinion on the annual financial statements, the consolidated financial statements, and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements and the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and their application by the Board of Directors and President as well as assessing the overall presentation of information in the annual financial statements and consolidated financial statements. We examined significant decisions, actions taken, and circumstances of the Company in order to be able to determine the liability, if any, of any Board member or the President and whether they have in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act, or the Company's articles of incorporation. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual financial statements and consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and thus provide a true and fair view of the earnings and financial position of the Company and the Group in accordance with generally accepted accounting principles in Sweden.

We recommend that the Annual General Meeting adopt the income statements and balance sheets for the Parent Company and the Group, appropriate the profit of the Parent Company in accordance with the proposal in the administration report, and discharge the President and the Members of the Board of Directors from liability for fiscal 2000.

Stockholm, 20 February 2001

Ernst & Young AB

Gunnar Widhagen
Authorized Public Accountant

Filip Cassel
Authorized Public Accountant

Torsten Lyth
Authorized Public Accountant

Six-Year Summary

The Telia Group: Financial Data and Business Ratios	2000	1999	1998	1997	1996	1995
Income statements (MSEK)						
Net sales	54,064	52,121	49,569	45,665	42,430	38,953
Operating income	12,006	5,946	7,220	3,218	3,264	3,296
Income after financial items	11,717	5,980	7,143	3,128	3,353	3,410
Net income	10,278	4,222	5,011	2,222	2,337	2,484
Underlying EBITDA	13,087	14,059	13,309	12,324	13,185	11,990
Depreciation, amortization, and write-downs	8,222	7,652	7,146	7,298	7,154	7,378
EBITDA	20,228	13,598	14,366	10,516	10,418	10,674
Balance sheets (MSEK)						
Intangible fixed assets	25,198	2,146	1,844	1,566	1,809	941
Tangible fixed assets	43,807	33,318	34,801	39,239	38,366	37,703
Financial fixed assets	22,335	18,023	12,553	8,666	7,224	5,724
Current assets	31,375	23,117	18,080	16,439	15,116	14,093
Total assets	*122,715*	*76,604*	*67,278*	*65,910*	*62,515*	*58,461*
Equity	55,988	32,893	29,344	25,487	24,413	23,083
Minority capital	320	210	210	306	218	13
Provisions	11,351	10,488	7,735	12,262	14,146	17,122
Interest-bearing liabilities	34,042	16,057	13,553	14,813	9,837	4,513
Non-interest-bearing liabilities	21,014	16,956	16,436	13,042	13,901	13,730
Total equity and liabilities	*122,715*	*76,604*	*67,278*	*65,910*	*62,515*	*58,461*
Capital employed	92,374	50,936	43,440	46,329	43,420	40,357
Operating capital	75,042	39,160	34,921	39,192	37,013	34,161
Net interest-bearing liability	20,235	7,527	6,767	14,609	13,534	12,065
Cash flows (MSEK)						
Cash flow from operating activities	10,152	10,715	10,301	8,920	9,783	11,392
Cash flow from investing activities	−37,121	−10,701	−8,967	−12,426	−14,744	−10,297
Operating cash flow	−26,969	14	1,334	−3,506	−4,961	1,095
Cash flow from financing activities	26,818	1,005	−2,301	3,896	4,784	−1,144
Cash flow for the year	−151	1,019	−967	390	−177	−49
Investments (MSEK)						
Intangible and tangible assets	39,473	8,036	7,886	9,687	9,044	9,246
Shares and participations	8,269	4,109	3,852	1,177	1,964	1,331
Total investments	*47,742*	*12,145*	*11,738*	*10,864*	*11,008*	*10,577*
Business ratios (see "Definitions of Concepts and Ratios")						
Underlying EBITDA margin (%)	24.2	27.0	26.8	27.0	31.1	30.8
Gross margin (%)	37.4	26.1	29.0	23.0	24.5	27.4
Operating margin (%)	22.2	11.4	14.6	7.0	7.7	8.5
Return on sales (%)	25.1	13.0	15.9	8.4	9.5	10.3
Net profit margin (%)	21.7	11.5	14.4	6.8	7.9	8.7
Depreciation, amortization, and write-downs as a percentage of net sales	15.2	14.7	14.4	16.0	16.9	18.9
Depreciation, amortization, and write-downs as a percentage of historical acquisition values	8.4	10.1	10.1	11.1	12.1	14.3
Total asset turnover (multiple)	0.54	0.72	0.74	0.71	0.70	0.69
Turnover of capital employed (multiple)	0.75	1.10	1.10	1.02	1.01	0.99
Return on assets (%)	13.6	9.4	11.9	6.0	6.6	7.1
Return on capital employed (%)	18.9	14.4	17.6	8.6	9.6	10.2
Return on equity (%)	23.9	14.2	19.2	9.3	10.3	11.8
Current ratio (multiple)	0.95	0.97	0.77	0.80	0.81	0.88
Equity/assets ratio (%)	44.4	41.0	41.5	36.8	37.2	37.8
Debt/equity ratio (multiple)	0.37	0.24	0.24	0.60	0.58	0.55
Interest coverage ratio (multiple)	7.3	8.5	10.4	5.3	6.1	6.7
Self-financing rate (multiple)	0.21	0.88	0.88	0.82	0.89	1.08
Per share data (see "Definitions of Concepts and Ratios")						
Dividend (MSEK), for 2000 as proposed by the Board	1,501	1,470	1,400	1,210	1,152	1,000
Average number of shares ('000)	2,932,757	2,851,200	2,851,200	2,851,200	2,851,200	2,851,200
Earnings per share (SEK)	3.50	1.48	1.76	0.78	0.82	0.87
Dividend per share (SEK)	0.50	0.52	0.49	0.42	0.40	0.35
Payout ratio (%)	14.3	34.8	27.9	54.5	49.3	40.3
Equity per share (SEK)	18.66	11.54	10.29	8.94	8.56	8.10
Net asset value per share (SEK)	20.97	18.03	10.25	8.91	8.56	8.10
Comparative figures based on U.S. GAAP (MSEK)						
Net sales	54,049	52,121	49,569	45,665	42,430	38,953
Net income	10,153	4,376	3,729	2,222	2,337	2,484
Equity	54,575	31,711	27,955	25,417	24,413	23,083
Balance sheet total	122,677	77,015	67,700	65,840	62,515	58,461
Earnings per share (SEK)	3.46	1.53	1.31	0.78	0.82	0.87

The Telia Group: Operational Data and Business Ratios	2000	1999	1998	1997	1996	1995
Infrastructure and market data (see "Definitions of Concepts and Ratios")						
Mobile telephony, total subscriptions Sweden ('000)	3,257	2,638	2,206	1,935	1,745	1,438
of which, household customers	2,042	1,557	1,203	985	927	791
of which, business customers	1,215	1,081	1,003	950	818	647
Mobile telephony, total GSM Sweden ('000)	3,076	2,348	1,703	1,180	824	463
of which, subscriptions	1,755	1,425	1,390	1,180	824	463
of which DOF	56	23	9	–	–	–
of which, prepaid cards	1,321	923	313	–	–	–
Mobile telephony, total NMT, Sweden	181	290	503	755	921	975
Mobile telephony, outgoing traffic, Sweden (millions of minutes)	2,591	2,089	1,745	1,554	1,221	1,046
Mobile telephony, incoming traffic, Sweden (millions of minutes)	1,766	1,416	1,091	885	677	612
Mobile telephony, traffic per customer and month, Sweden (millions of minutes)	123	121	114	111	99	106
Mobile telephony, SMS messages, Sweden (millions)	185	46	13	4	–	–
Mobile telephony, churn, Sweden (%)	8	9	14	12	n/a	n/a
Mobile telephony, ARPU in Sweden (SEK)	308	332	362	345	366	399
Subscriptions	430	407	388	345	366	399
Prepaid cards	110	112	109	–	–	–
Mobile telephony, total subscriptions, Norway ('000)	850	–	–	–	–	–
of which, household customers	707	–	–	–	–	–
of which, business customers	143	–	–	–	–	–
of which, subscriptions	417	–	–	–	–	–
of which, prepaid cards	433	–	–	–	–	–
Mobile telephony, ARPU in Norway (NOK)	310	–	–	–	–	–
Mobile telephony subscriptions, Denmark ('000)	297	170	112	–	–	–
Mobile telephony, SMS messages, Denmark (millions)	39	23	–	–	–	–
Mobile telephony subscriptions, Finland ('000)	149	33	8	–	–	–
Mobile telephony, SMS messages, Finland (millions)	28	4	1	–	–	–
Fixed telephony, PSTN subscriptions, Sweden ('000)	5,783	5,889	5,965	6,010	6,032	6,013
of which, household customers	3,868	3,919	3,901	3,903	3,919	3,922
of which, business customers	1,915	1,970	2,064	2,107	2,113	2,091
Fixed telephony, ISDN subscriptions, Sweden ('000)	838	630	424	244	129	49
of which, household customers	99	53	23	–	–	–
of which, business customers	739	577	401	244	129	49
Fixed telephony, domestic calls, Sweden (millions of minutes)	31,360	35,200	35,600	31,700	30,500	30,500
Fixed telephony, international calls, Sweden (millions of minutes)	520	560	600	660	670	680
Fixed telephony, calls to mobile phones, Sweden (millions of minutes)	1,590	1,490	1,270	1,110	890	750
Fixed telephony, prefix and contract customers, Denmark ('000)	232	209	160	86	12	–
Fixed telephony, prefix customers, Finland ('000)	76	98	108	95	–	–
Fixed telephony, contract customers, Finland ('000)	54	32	7	–	–	–
Internet subscriptions, Sweden ('000)	774	613	457	230	105	9
of which, household customers	516	438	323	160	73	6
of which, business customers	258	175	134	70	32	3
Internet, dial-up access in Sweden (millions of minutes)	7,072	5,330	2,938	1,147	128	–
Internet subscriptions, Denmark ('000)	108	78	63	11	–	–
Cable TV subscriptions, Sweden ('000)	1,358	1,348	1,330	1,308	1,291	1,275
Cable TV subscriptions, Denmark ('000)	175	170	164	145	137	135
Cable TV subscriptions, Latvia ('000)	77	31	19	7	–	–
Cable TV subscriptions, Russia ('000)	6	–	–	–	–	–
Human Resources (see "Definitions of Concepts and Ratios")						
Number of employees as per 31 December	29,868	30,643	30,593	32,549	34,192	33,065
Average number of employees during the year	30,307	29,546	31,320	33,930	34,031	32,825
of which, in Sweden	25,383	25,414	27,540	30,474	31,290	31,503
of which, outside Sweden	4,924	4,132	3,780	3,456	2,741	1,322
of which, women	11,521	11,268	11,486	13,703	12,416	12,822
of which, men	18,786	18,278	19,834	20,227	21,615	20,003
Salaries and remuneration (MSEK)	9,543	9,184	9,098	9,472	8,876	7,948
Employer's social security contributions (MSEK)	3,055	2,895	2,762	2,807	2,719	2,606
Salaries and employer's social security contributions as a percentage of operating expenses	25.5	26.2	25.8	28.5	29.9	29.5
Net sales per employee (kSEK)	1,784	1,764	1,583	1,346	1,247	1,187
Operating income per employee (kSEK)	396	201	230	95	96	100
Change in labor productivity (%)	8.3	17.9	20.2	8.4	5.4	9.1
Net income per employee (kSEK)	339	143	160	65	69	76
Value added (MSEK)	33,924	24,672	26,888	22,558	21,561	21,103
Value added per employee (kSEK)	1,119	835	858	665	634	643

How to Reach Telia

President and CEO
Marianne Nivert
Telia AB
SE-123 86 Farsta
Sweden
Telephone: +46 (0) 8-713 10 00
Fax: +46 (0) 8-713 33 33
E-mail: marianne.a.nivert@telia.se

Mobile
Business Area Head
Kenneth Karlberg
Telia AB
Augustendalsvägen 7
SE-131 86 Nacka Strand
Sweden
Telephone: +46 (0) 8-90 300
Fax: +46 (0) 8-601 97 58
E-mail: kenneth.b.karlberg@telia.se

Carrier & Networks
Business Area Head
Lars-Gunnar Johansson
Telia AB
SE-123 86 Farsta
Sweden
Telephone: +46 (0) 8-713 10 00
Fax: +46 (0) 8-94 76 83
E-mail: lars-gunnar.g.johansson@telia.se

Business Solutions
Business Area Head
Anders Gylder
Telia AB
Fabrikörvägen 8
SE-131 90 Nacka Strand
Sweden
Telephone: +46 (0) 8-566 55 00
Fax: +46 (0) 8-466 99 90
E-mail: anders.l.gylder@telia.se

People Solutions
Business Area Head
Jan Rudberg
Telia AB
SE-123 86 Farsta
Sweden
Telephone: +46 (0) 8-713 10 00
Fax: +46 (0) 31-29 87 52
E-mail: jan.e.rudberg@telia.se

Enterprises
Business Area Head
Anders Bruse
Telia AB
Rudsjöterrassen 2
SE-136 80 Haninge
Sweden
Telephone: +46 (0) 8-707 65 00
Fax: +46 (0) 8-707 52 90
E-mail: anders.a.bruse@telia.se

Investor Relations
Director
Tobias Lennér
Telia AB
SE-123 86 Farsta
Sweden
Telephone: +46 (0) 8-713 10 00
Fax: +46 (0) 8-713 69 47
E-mail: tobias.a.lenner@telia.se

Corporate Communications
Communications Director
Michael Kongstad
Telia AB
SE-123 86 Farsta
Sweden
Telephone: +46 (0) 8-713 10 00
Fax: +46 (0) 8-713 69 97
E-mail: michael.x.kongstad@telia.se

Definitions of Concepts and Ratios

Concepts and ratios

EBITDA. Earnings Before Interest, Tax, Depreciation and Amortization.

Underlying EBITDA. EBITDA adjusted for share of earnings in associated companies, capital gains and losses (except in venture capital operations and from telecom investments outside the Nordic countries) and the costs of personnel restructuring (including early retirement), common pension obligations, year 2000 compliance, initial public offerings, and preparations for the aborted merger with Telenor.

Adjusted equity. Reported equity less the (proposed) dividend.

Net asset value. Reported equity plus hidden reserves in publicly quoted equities after deductions for deferred taxes based on the current tax rate.

Capital employed. Balance sheet total less non-interest-bearing liabilities and non-interest-bearing provisions reported, and the proposed dividend.

Operating capital. Capital employed excluding financial assets but including participations in associated companies and non-interest-bearing accounts receivable.

Net interest-bearing liability. Interest-bearing liabilities and provisions less interest-bearing assets but including participations in associated companies.

Net borrowings. Interest-bearing liabilities less interest-bearing assets but including participations in associated companies.

Underlying EBITDA margin (underlying gross margin). Underlying EBITDA expressed as a percentage of net sales.

Gross margin (EBITDA margin). Operating income plus depreciation, amortization, and write-downs expressed as a percentage of net sales.

Operating margin (EBIT margin). Operating income expressed as a percentage of net sales.

Return on sales. Operating income plus financial revenues expressed as a percentage of net sales.

Net profit margin. Income after financial items expressed as a percentage of net sales.

Total asset turnover. Net sales divided by the average balance sheet total.

Turnover of capital employed. Net sales divided by the average capital employed.

Return on assets. Operating income plus financial revenues expressed as a percentage of the average balance sheet total.

Return on capital employed. Operating income plus financial revenues expressed as a percentage of average capital employed. For partial years, the return is calculated on a rolling 12-month basis.

Return on equity. Net income expressed as a percentage of average adjusted equity. For partial years, the return is calculated on a rolling 12-month basis.

Equity/assets ratio. Adjusted equity expressed as a percentage of the balance sheet total.

Debt/equity ratio. Net interest-bearing liabilities divided by adjusted equity.

Interest coverage ratio. Operating income plus financial revenues divided by financial expenses.

Self-financing rate. Cash flow from operating activities divided by gross investments.

Current ratio. Current assets divided by current liabilities.

Net cash flow. Increase (–) or decrease (+) in net interest-bearing liabilities.

Per share data. Earnings per share are based on the weighted average number of shares, while dividend, equity, and net asset value per share are based on the number of shares at the end of the period.

Dividend rate. Dividend per share divided by earnings per share.

ARPU. Average monthly revenue per subscription.

Churn. Number of customers that have left the company expressed as a percentage of the average number of customers.

Labor productivity. Year-on-year percentage change in the ratio of net sales at fixed prices to the average number of full-time employees.

Notation conventions. To conform with Swedish and international standards, this report applies the following notations.

Prefixes	
thousand	k
million	M
billion	G

Currencies			
Swedish krona	SEK	Japanese yen	JPY
Belgian franc	BEF	Sri Lankan rupee	LKR
Brazilian real	BRL	Latvian lat	LTL
Swiss franc	CHF	Lithuanian lita	LVL
German mark	DEM	Namibian dollar	NAD
Danish krone	DKK	Dutch guilder	NLG
Estonian kroon	EEK	Norwegian krone	NOK
Spanish peseta	ESP	Philippine peso	PHP
European euro/ecu	EUR/XEU	Polish zloty	PLN
Finnish mark	FIM	Russian ruble	RUR
French franc	FRF	Slovenian tolar	SIT
Pound sterling	GBP	Thai baht	THB
Hong Kong dollar	HKD	Ugandan shilling	UGX
Indian rupee	INR	U.S. dollar	USD
Italian lire	ITL		

EN/LZTA 802 2884 R1 Production: Telia AB och Intellecta Corporate AB. English translation: Interverbum Språktjänst AB. Printing: Duro Grafiska. Printed on environmentally approved paper.

Telia AB (publ)
Investor Relations
SE-123 86 Farsta, Sweden
Tel. +46 (0) 8-713 10 00
Fax +46 (0) 8-713 69 47
www.telia.com
Corporate Reg. No. 556103-4249
Registered Office: Stockholm