Our mission is to enable and inspire communication between people by developing communications services that create value and enrich and simplify life.
These publications can be ordered via tel. +46 (0)8 713 7143 or fax +46 (0)8 604 5472.
2001 was an eventful year. We have successfully refined the Telia Group. We have also implemented a Group structure that facilitates control and makes it easier to streamline our operations.

After the refinement, we have concentrated all our efforts and resources on developing and rationalizing our core businesses, with several important steps already in place.

Broadband sales took off in 2001. We are already able to offer ADSL to most Swedish households and businesses and we have built up efficient delivery systems and customer support, allowing us to market our broadband services actively.

We have launched GPRS in Sweden, Norway and Finland. (GPRS will be launched in Denmark to the general public in 2002). We are establishing a Nordic organization for mobile services in order to take advantage of our position as the only mobile operator with networks and services across the entire Nordic market and the only operator with access to UMTS licenses in all four countries. During the year we launched the first pan-Nordic mobile services, with more on the way.

Our international carrier network is largely ready and most of the network is lit up. This means that our international carrier operations are entering a new phase where the focus is on sales and production of network services.

Telia has extensive operations. To increase insight into the company, we have decided to describe our operations in three perspectives.

In this section, Telia’s Businesses, we describe our strategy for developing our core businesses, cultivating the market and controlling our operations.

The second part contains Telia’s annual report for 2001. The annual report also contains information for our shareholders in preparation for the Annual General Meeting.

The third part, Telia’s Relationships, contains information about Telia’s relationships and cooperation with important interest groups such as customers, suppliers and employees.

The businesses, financials and relationships are three important areas that shed light on Telia as a company.
Telia After the Refinement

Efficient, flexible and focused higher up the value chain
During 2001, Telia completed the strategic focus that had been established for the company. This means that operations have been refined down to a number of businesses in which Telia has greater opportunities to create value and grow profitably. Several businesses and functions were consequently divested, while the greater part of the operations was concentrated to the Nordic countries and the Baltic region.

Concentration to four core businesses
Telia is now fully focused on the development and marketing of services in:
• Mobile communications
• Broadband and Internet
• Fixed networks
• International carrier operations

We have chosen these operations as our core businesses because they are growth areas in which we are well placed to compete and create profitability, based on the strong market position that we already enjoy.

The synergies between these four businesses continue to grow. The services can already be bundled and integrated to provide customers with more comprehensive and functional solutions.

The implementation of IP technology will lead to a convergence of these four businesses down the road. This means that fixed and mobile communications will be integrated on the same infrastructure along with voice and data, greatly increasing our ability to develop attractive solutions for customers, distribute our services on a broad front and exploit economies of scale both in the customer dimension and in the infrastructure.

At the same time that we have refined our operations to these four core businesses we have concentrated our activities to the Nordic countries and the Baltic region. The reason for this is that we already have a strong foothold in the region and that it is a geographically well-defined area, with relatively similar linguistic and cultural conditions and a large flow of information, goods and services.

Extensive refinement
Operations outside the core businesses and certain functions within the core businesses were divested in order to free up management resources and capital. Like other traditional telecom operators, Telia has had extensive and diversified operations, the greater part of which it managed itself with its own resources.

Several businesses have been divested since the beginning of the refine and focus efforts in the autumn of 2000, including the directory operations, directory assistance, call center operations and international consulting operations.

Certain functions have also been divested, such as network construction and maintenance, installation and...
servicing of accesses and customer equipment and some administrative support functions. These divestitures help us create a competitive market in Sweden for these types of services, which we will be purchasing from now on.

As part of the geographic concentration, Telia divested its participating interests in the Irish telecom company Eircom, the fixed network operations in Finland as well as the Internet services providers in Spain and the United States. We also divested our financial interests in the Brazilian mobile operator Tess.

**A knowledge company with more subcontractors**

The number of employees has been reduced by 15,000 since the beginning of the refine and focus efforts in the autumn of 2000.

After the refine and focus efforts, Telia functions more as a knowledge company, with its focus higher up in the processing and value chain. The divestitures have resulted in a higher level of education and a lower average age among Group employees. The percentage of women overall, as well as the percentage of women in executive positions, also climbed.

After the refinement, we are more of a network company, working more extensively with subcontractors and partners. This makes us nimblter and more flexible, less sensitive to economic fluctuations and other changes on the market.

**Greater opportunity to create value**

After the refinement, Telia is better positioned to create value for its customers and hence for its shareholders. The businesses on which we have decided to focus are growth areas with good profitability potential.

Today Telia is also more consolidated and focused as a company both in terms of type of business and of geographic market presence. This increases our opportunities to create effective synergies and economies of scale, which has a positive impact on costs and profitability.

The refine and focus efforts have also strengthened our finances. Telia today is financially one of the strongest telecom operators in Europe, enabling us to take an active role in the restructuring of the industry that is expected to take place.

**Sharper customer focus**

Volume and customer base are essential on a market with intensifying competition as they generate opportunities to create synergies and economies of scale in the development of networks and services, while also making us more attractive to content providers and other partners.

We can secure our customer base as an asset by continuously developing competitive services of real value to customers, cultivating strong customer relationships with attractive offers, and strengthening our relationships with active customers by rewarding loyalty.
During the year, we modified the Group organizational structure so as to reinforce the business orientation. Each core business was placed in its own unified business area to help clarify our businesses and facilitate control and evaluation.

To increase the sales pressure on the Swedish market, where we offer our entire range of products and services, all sales and all customer contacts are coordinated within a single customer unit shared by the business areas. This enables us to bundle our services and attract different customer groups using tailored offers. Work is also underway on streamlining sales channels, customer service and delivery processes in order to improve service to our customers and enhance our ability to project our services and products on the market.

We are also working on a more advanced segmentation of the market. Effective segmentation is important, particularly within mobile communications where we are pursuing intensive service development. It is also important that our services work together smoothly and efficiently for the customer. That is why we are now taking major initiatives to offer solutions that integrate fixed and mobile communications as well as voice and data.

**Market goals**
Telia is the leading player on the Nordic telecommunications market today. Our goal is to strengthen this position by:

- Refining our position as the leading mobile operator in the Nordic countries and Baltic region
- Taking a market-leading role in broadband and the Internet
- Securing our position as the leading fixed network operator in Sweden

We also aim to:

- Be one of the top three leaders on the European carrier market

**Internal communication program**
Most of the refine and focus efforts are now complete. Only a small number of operations remain to be divested, including leasing and collecting operations and the venture capital operations managed by Telia since 1996.

An extensive internal communication program was implemented during the autumn to garner support for Telia’s strategic focus and to explain the sweeping changes made during 2001. Employees and managers on all levels were involved in a dialog about Telia’s focus and goals.
Telecommunications is perhaps the most important infrastructure in modern society. We are currently facing a paradigm shift in technology that will make it possible to develop new types of services. At the same time, the number of players on the market is growing, intensifying competition. In this situation it is of vital importance for Telia to concentrate on its main mission, designing and operating networks and developing communications services.

To free up resources for this mission, the Group has undergone rapid and extensive refinement, divesting operations outside our core and certain functions within our core businesses that we can purchase from others. The refine and focus efforts are essentially complete and we are now concentrating fully on our core businesses. We have already made great strides in the six primary initiatives with which we are working:

- Launching the third generation of mobile communications systems and developing services that will encourage customers to increase their use of mobile communications.
- Increasing bandwidth in the fixed network nearest the customer and offering services that will enable our customers to utilize the Internet fully in life and business.
- Marketing and selling our international carrier services as these operations move from the build-up phase into production.
- Developing new value-added fixed services and streamlining our product portfolio. Telia has a very wide range of fixed services, passed on from when we were the only operator on the market and were required to provide all communications needs regardless of their commercial value.
- Improving service to our customers in Sweden, where we offer the Group’s entire range. All sales in Sweden are now coordinated “under one roof.” This allows us to streamline the sales process and package our services into attractive offers.
- Focusing on our initiatives outside Sweden in order to secure future growth and profitability.

Telia has been the driving force behind Sweden’s development as a telecommunications leader. And we will continue to blaze the trail. Sweden has taken a leading position within the broadband industry, with the highest broadband penetration in the EU. Sweden is considered among the most innovative broadband developers in the entire OECD area.

Stockholm, February 2002

Marianne Nivert
Telia is the only operator able to launch GPRS and UMTS services across the entire Nordic market. We launched GPRS in Sweden, Norway and Finland in 2001. GPRS will be introduced in Denmark in 2002. Telia is now building a Nordic organization for mobile services.
Blazing the trail towards new mobile services

The market for mobile services continues to grow. Telia’s large Nordic customer base is a strong platform for launching new services and generates significant economies of scale. We are also promoting the development of the mobile information society by playing an active role as a market maker and initiating various forms of collaboration.

Telia is the leading mobile operator in the Nordic countries in terms of customer numbers, market share and sales. In the Nordic countries we have wholly-owned operations that manage networks and develop mobile services for both consumers and businesses. Our market position is particularly strong in Sweden and Norway. We also have a strong position in the Baltic states and in Russia through participating interests in market-leading mobile operators.

As the only Nordic mobile operator with GSM and GPRS networks in all the Nordic countries and with access to UMTS licenses throughout the Nordic region, we are able to launch services effectively on the Nordic market. Having the largest base of mobile customers in the Nordic countries, we are able to seize synergies in both infrastructure and service development. During the year Telia launched a Nordic price plan and several pan-Nordic basic services, with more on the way.

A shared Nordic network architecture and billing platform and a Nordic segmentation model for our range of services are important elements of our strategy for developing Telia as an integrated Nordic mobile operator.

Mobile business is taking on ever greater importance for Telia. This is why we must secure our position in the Nordic countries, the Baltic states and Russia by maintaining our leading position in Sweden and pursuing growth in Norway, Denmark, Finland, the Baltic states and Russia.

Leveraging economies of scale is the cornerstone of our strategy for creating a strong and successful Nordic operator.

Open interfaces
We have faith in the mobile information society and its advantages for users. Telia is dedicated to promoting the development of the mobile market in the Nordic countries. To do this we have taken on the role of market maker, which means that we focus on integrating, bundling and distributing new services, both our own and those of others, and encouraging demand for these services.

One primary task is to open up the market for other players, chiefly by making network capacity available to mobile service providers that lack their own mobile networks. It is also important to foster consensus and a willingness to cooperate in the telecom industry. A recent Telia initiative was a public hearing on ways for mobile operators, content providers and the IT industry to create a shared vision of the future and future business logic.

Mobile evolution continues
Wireless communication has been a reality in the Nordic countries since the 1950s. It began with voice, and today we have continually improving technology for wireless data services.
The Nordic countries have among the highest levels of mobile usage in the world, and customers are sophisticated and demanding. The number of mobile subscriptions has now surpassed the number of fixed subscriptions in almost all Nordic countries, which shows how central mobile business is for Telia.

Falling prices and the greater need for mobility are driving the migration of voice from the fixed to the mobile networks and promoting mobile usage among both consumers and businesses. But as the market moves towards increased penetration, it is important to create new areas of application for mobile communications. Telia has intensive product development both in voice-based telephony and mobile data services. The new services offer greater flexibility, more efficient ways of working and new dimensions in communications.

The huge success of SMS has opened the door to new ways to communicate. SMS services are now being developed toward Multimedia Messaging Services (MMS), allowing the transmission of images and video over mobile devices. We will be able to offer still more new and exciting services as high-capacity technologies come on line. In 2001 we launched GPRS, the first packet-switching technology, in Sweden, Norway and Finland. In January 2002 Telia Mobile was the first mobile operator to launch GPRS roaming throughout the Nordic countries. This allows our customers to use GPRS services across the Nordic region, in line with our pan-Nordic strategy.

Telia is a leader in mobile Internet. During the year Telia concentrated its portal commitments to the Nordic countries. This means that we closed down the portal Speedy Tomato in the U.K. and Italy, while acquiring all shares in the previously partly-owned Nordic portal Halebop, which has over 800,000 registered users and which is now offering mobile subscriptions to users in Sweden. Bringing our mobile portals together, technically and organizationally, achieves significant synergies.

The portals are increasingly being developed as segmented market webs using the Internet as the interface. The customer interface varies by segment but the technical platform is the same. The shared platform also simplifies collaboration with service providers and partners.

New partnerships and forms of collaboration
No portal or market web is better than its content. Access to content has previously been a tight sector. This is why we have launched a new interface to third-party content providers, giving them access to the Telia customer base and a billing function. We charge for the traffic and receive a 20 percent share of the content value.

There is an intense level of activity among new service providers and MVNOs (Mobile Virtual Network Operators), many of them focusing on a narrow range of services. Not everybody can succeed on a market with many well-established players, which is why there is growing interest in partnerships in almost all areas. In network expansion, in particular, expensive licenses and tough buildout requirements are encouraging partnerships between operators to reduce risks. Telia sees this as a positive trend and has led the way by forming a UMTS partnership with Tele2. Svenska UMTS-nät AB, jointly owned by Telia and Tele2, was formed during the year.
and work to establish the UMTS network in Sweden is now in full swing.

In our wholly-owned Nordic operations we make our own decisions on whether, how and when to realize synergies and economies of scale or collaborate with a partner. Even in the Baltic states and Russia, where we are minority shareholders, we will seek to realize synergies both between the Baltic operations and between the Nordic and Baltic countries and Russia.

**Large customer base is key**

Telia has nearly 5 million mobile customers in the Nordic countries. Telia’s size is an advantage for creating a strong Nordic player. The introduction of a Nordic IP network and a common service development platform offers us economic advantages and enables us to develop and distribute new services.

The Nordic markets are among those most exposed to competition. In Finland, the launch of the cash card subscription Dual prepaid has been very successful and contributed to customer growth during the year.

We will also offer more attractive services and prices in Denmark as we rapidly build up our own GSM 900 network there.

We are participating in the strong mobile growth in the Baltic states and Russia through our participating interests in mobile operators in those countries. During the year, Telia became a partner in the first pan-Russian mobile operator, MegaFon. With a market reach of approximately 146 million people, this new company will be one of Russia’s largest mobile operators. All our Baltic interests are leaders in their respective markets and our holdings correspond to roughly a 25 percent share of these companies.

**Attractive services for different customer segments**

Customer loyalty is high in Sweden and Norway, where we have large market shares. In Finland and Denmark, however, customer loyalty is lower and our market position there is also weaker. This indicates that size alone is a success factor and that it is important to have a growth strategy. To reach new target groups and keep existing customers, Telia is continuing to run an active CRM program, including activities to increase customer loyalty. The program focuses mainly on high-value customers, i.e. volume users and early adopters who drive the market.

Still, an attractive range of services continues to be the most important factor in securing and improving Telia’s positions. Many new services were launched during the year, including positioning services such as FriendFinder, making totally new applications available for mobile phones. New SMS services were also launched, for example Premium SMS, InfoBrain, QuickDeal, MobilQuiz and Botfighter, which led to robust growth in SMS usage.

New sales and distribution channels and effective customer segmentation will provide additional opportunities for growth. Customers must be segmented depending on group-specific needs, and services developed and offered to provide these needs. One example of this approach is the recently launched market web MobileNation, which offers services targeted at young people.
Telia’s streaming service makes it possible to send television broadcasts over the Internet. All debates in the Swedish Riksdag (Parliament) will be broadcast live over the Internet and can be seen worldwide. Large picture: Kenneth Lantz, Member of Parliament, Kristdemokraterna (Christian Democrats). Small picture: Gunnar Steiner, head of video and web TV at the Swedish Riksdag.
Our strategy is to offer access at a range of bandwidths so that our customers can select the services that suit their own needs. We are developing these accesses on existing technical platforms so that we can reach our customers quickly and offer attractive prices. We anticipate continued robust demand for access services, particularly broadband, but also narrowband.

Wide range of accesses
Telia has a wide range of Internet connections.
• Our simplest connection, dial-up Internet, provides speeds of 56 kbps.
• ISDN Internet access is available at speeds of 64 or 128 kbps.
• ADSL, with broadband communication over copper wire, is available in three different speeds: 500 kbps for residential customers and 1 or 2 Mbps for business customers. It is technically possible to offer ADSL to anybody living within a radius of 4.5 kilometers from a telephone exchange.
• Cable broadband access provides 500 kbps, equivalent to ADSL.
• Dedicated Internet access, ProLane, provides practically unlimited capacity.
• ProLane VPN provides the same capacity as dedicated access, with the added advantage of enabling geographically distributed businesses to interconnect their offices in a Virtual Private Network.

Early broadband launch
Sweden has the highest penetration of Internet access in the EU and the highest broadband penetration per capita. Denmark is also near the top of the list. Sixty-four percent of Swedish households have Internet access today, mostly through dial-up connections. The number of broadband customers is burgeoning and surveys indicate that approximately half of the households currently using dial-up access are planning to switch to broadband within the next three years.

To kickstart broadband access for Swedish households, Telia launched a group connection service for multi-family dwellings as early as 1999. Access is either by ADSL or via a fiber-based data network laid in the building. ADSL services are also available to individual households in single-family and multi-family dwellings.

While developing our ADSL solutions we also began upgrading the cable network for two-way broadband communication.

Broadband sales took off in 2001. During the year we built up effective systems for delivery and customer support, enabling us to shorten our delivery times and begin actively marketing our broadband access plans.

Our early broadband launch helped us to bind a large share of Swedish property owners to Telia. The
general agreements that we have signed so far cover 1,165,000 potential ADSL connections and 520,500 potential cable network connections in Sweden.

As companies become more cost-conscious they are increasingly turning to the Internet for their internal and external communication. Most companies in Sweden with over 500 employees have some form of Internet connection and of the largest companies, 85 percent have dedicated access.

Approximately 60 percent of companies with five or fewer employees have Internet access. Many of these are expected to upgrade their Internet connections during 2002.

During the year we launched an ADSL service for our business customers, Telia Bredband Företag. The demand for this service is very strong, especially from small and medium-size companies.

Large companies demand high-capacity connections with superior reliability. For these customers we have developed a dedicated-access service, Telia ProLane, in which the capacity selected by the customer is exclusive to that customer and therefore guaranteed available.

Companies with geographically distributed operations can use the Telia ProLane VPN solution and build their own intranet and extranet. This service was launched in 2001 to strong demand.

We offer broadband Internet access in Denmark through our wholly-owned cable television company Telia Stofa.

We also offer dial-up access on the Danish market. Telia currently has approximately 1,140,000 Internet access customers, making us the leading Internet service provider in Sweden with over 50 percent of the broadband market. In Denmark we are the largest provider of cable broadband services.

Communications-related services

Accesses are our main business, representing the greater part of our revenues. But we also develop communications-related services that support Internet usage.

Our residential market focus is on information, entertainment, leisure and security services for the whole family. We develop content services together with partners and we have partnership agreements with suppliers of games, sports, news and entertainment.

Services aimed at residential customers are available at our Internet portal www.comhem.se. More and more of the services available on this award-winning portal are broadband services. We also offer residential customers security services such as virus protection software and firewalls that can be downloaded and upgraded over the Internet.

For businesses we develop services for streaming, e-mail, hosting and security. There is growing demand for streaming services, sound and animation over the Internet as more and more companies use their websites for live news broadcasts, press conferences and similar events. Telia is the leading provider and most of Sweden’s larger companies and organizations are Telia customers.

Telia offers broadband to Swedish households via ADSL and the cable network. ADSL already reaches 70 percent of households and most businesses in Sweden.

The website www.comhem.se will be the main portal for all of Telia’s Internet customers in Sweden.
Web-hosting is a growing business as Internet usage increases in trade and industry. Demand for e-mail services is surging as companies strive to cultivate and strengthen their customer relationships. During the year Telia launched services in all three areas, including Telia E-mail Marketing Tool, an e-mail service specifically for direct marketing.

Our security solutions are based on PKI (Public Key Infrastructure) using electronic signatures for personal identification. Telia develops these security solutions in collaboration with the leading American company Verisign. Our range of security services includes Säker e-post (secure e-mail), Säker webbaccess (secure web access), Elektroniska ID-kort (electronic ID cards) and Servercertifikat (server certificates).

E-commerce continues to grow, though at a slower pace than expected five years ago. Swedes shop on the Internet more than any other nationality in Europe, with the Danes taking second place. At the same time, a growing percentage of companies are reporting that e-commerce is profitable. In retail, 76 percent of businesses indicate that their Internet sales are profitable, compared with 23 percent in 1999.

We have developed two unique services that enable our customers to receive payments over the Internet. Customers can download and update our payment and security solutions over the Internet by subscribing to the services, which include support. Telia is the Swedish leader in this type of payment and security solution.

**Integration and bundling**

We are now integrating our Internet operations to generate synergies and economies of scale. These efforts include coordination of our technical platforms, marketing and sales. One high-profile example of this integration is that www.comhem.se will be the main portal for all of Telia’s Internet customers in Sweden.

As we integrate our operations, we are also reviewing our pricing models and subscription forms. ADSL and cable access can both offer higher speeds and we aim to refine our access offers still further to meet the various needs of all our customers.

As our range of services expands, we are bundling accesses and services into attractive plans for both residential and business customers.

**Growing interest in digital TV**

Telia offers cable television through com hem in Sweden and through Telia Stofa in Denmark. In Sweden com hem is the leading cable television provider with 1.4 million residential connections. The Swedish network is largely digitized and digital TV is available to 1.2 million of our cable customers.

Demand for digital TV surged during the year and surveys indicate that 2002 will be a breakthrough year, with 20 percent of households expected to subscribe. For a fixed monthly fee com hem’s cable customers receive a digital box and some 70 channels. Digital TV customers are also able to order pay-per-view broadcasts of sports, films and music.

Swedish professional soccer and hockey games were made available on pay-per-view in 2001. These broadcasts met with great success and contributed to a surge in demand for digital boxes.

Digital TV customers also have access to interactive services such as sports, games and news.

In Denmark, where Telia Stofa has 40 percent of the cable television market, digitization of the network will begin in 2002.

Property owners with two-way cable networks are also offered interactive property management services, enabling residents to monitor and control functions such as heating and lighting.
Telia can connect customers to the Viking Network at over 100 locations worldwide.
International Carrier Operations

International backbone network for the broadband services of the future

Telia has succeeded in rapidly establishing a high-quality fiber-optic backbone network, the Viking Network, adapted to sophisticated broadband services. The network is mainly concentrated in Europe and the United States and customers can be connected to it from many different locations around the world. Telia’s goal is to be among the three leading operators on the European carrier market.

There has been an explosion in the number of players on the telecommunications market over the last decade. We have seen communications flows growing both internationally and globally, as well as new and more exacting requirements on the technical platforms and networks that produce and carry telecommunications services.

The Swedish telecom market has long been one of the most open in the world. A large number of players had already established themselves in Sweden by the mid-90s. Most of these players lacked their own network capacity and Telia was faced with a decision. Should we be satisfied with delivering the interconnect traffic required by law or should we open up our infrastructure and network capacity to our competitors on commercial terms? Telia chose the latter path, becoming one of the first operators in the world to sell its own network structure as a wholesaler.

As our operations expanded into our neighboring countries we began doing network business outside Sweden, starting in Denmark. Our wholesale operations have shown robust growth since that time and are today an important business alongside our retail operations.

New demands on international networks
Interactive Internet-based services make new demands on networks and technical platforms in terms of quality, capacity and functionality. The international telephony system is dominated by coaxial cable, with complicated settlement arrangements between countries. This system cannot meet the demands made by the new communications services and new players.

The response to these demands was a lot of stitching up of communications solutions, the result being in many cases a costly patchwork.

At this point Telia decided to establish its own international fiber-optic network based on the latest technology and suited to all types of traffic — not only telephony, but also advanced interactive broadband services.

Telia has significant experience in network construction and operation and in network service development. With our extensive fixed network operations in Sweden and Denmark we can realize economies of scale by coordinating our purchasing and by sharing resources.

High-quality network in Europe and the United States
Telia has succeeded in rapidly establishing a high-quality international backbone network, the Viking Network, based on fiber-optics and featuring wavelength technology. The network is mainly concentrated in Europe and the United States.
and customers can be connected to it from many different locations worldwide.

To establish the network as cost-effectively as possible, we constructed surplus capacity in our fiber and ducts, which we sold to other operators or used for swaps. This enabled us to finance parts of the network buildout and to strengthen and expand our network. Opening up our capacity in Europe has helped us gain access to an extensive fiber-based carrier network in the United States through swaps.

Most of the network is lit up
The Viking Network is largely ready and most of the network is lit up. Telia currently has 16,000 kilometers of fiber-optic network in Europe.

Telia’s network in the United States has also been brought into service. The American network is 18,000 kilometers long and connects eleven major urban areas that exchange 75 percent of America’s long distance traffic.

The two continents are integrated by the TAT 14 Atlantic cable which was lit up during the year with Telia as a partner.

We currently have a sales force and technical resources in over 20 countries and are able to connect customers at over 100 locations around the world.

Four main product families
We offer services within four product families:
• Infrastructure
• Capacity
• Voice
• IP traffic
In addition we offer co-location arrangements, whereby customers can install equipment in our facilities, as well as virtual private network solutions based on IP, IP-VPN.

Telia acts as a wholesaler on the carrier market. This means that our customers are other carriers, telecom and mobile operators, and service providers. We also
Our customers have moved up the value chain in the current market turbulence and uncertainty. Customers who previously chose to buy unrefined products such as pure fiber are now demanding leased capacity, while many capacity customers now prefer to buy IP and voice transport. Telia is well placed to adapt to these new conditions. Most of the Viking Network is lit up, enabling us to offer capacity as well as IP traffic and voice.

Goal: to be among Europe’s top three carriers

Telia owns more of its infrastructure than any other carrier in Europe and is the only European carrier with significant network resources in the United States. We have a competitive range of IP services and are a major distributor of trans-Atlantic IP traffic. In terms of sales, during 2001 we were fifth among European carriers.

Our customers have moved up the value chain in the current market turbulence and uncertainty. Customers who previously chose to buy unrefined products such as pure fiber are now demanding leased capacity, while many capacity customers now prefer to buy IP and voice transport. Telia is well placed to adapt to these new conditions. Most of the Viking Network is lit up, enabling us to offer capacity as well as IP traffic and voice.

Sales and production phase

Most of the Viking Network is already established. All that remains is to complete the buildout initiated in Eastern Europe, chiefly in Russia and the Baltic countries, where we decided to build our own infrastructure because of a shortage of fiber in the region.

The planned network buildout in Southern Europe will be effected by swapping capacity with other infrastructure owners.

Telia’s carrier business is currently moving from an investment phase into sales and production. This means that we are strengthening our marketing and sales resources and moving responsibility for sales closer to the market.

The international carrier network is monitored from network management centers in Jönköping, Stockholm and Washington DC.
Telia VisCom, a complete solution for visual communication over IP and ISDN, available directly to the user’s PC.
Fixed Networks

A mature business that must be managed efficiently

Fixed network operations are Telia’s original core business and our fixed networks are the foundation for a large part of all telecommunications in Sweden. We are currently refining our network platform for sophisticated services and developing new value-added services for retail and wholesale customers while continuing to streamline our operations.

Telia’s fixed network resources in Sweden are made up of a nationwide fiber-optic backbone network and logical networks for telephony, data communications and IP. Our fixed networks, including access networks, reach every household and business in Sweden.

The acquisition of the infrastructure company Powercom has enabled us to further strengthen our network in Denmark, where we have a nationwide fiber-optic backbone network, an IP network covering the six largest cities, a nationwide telephony network and fiber rings in 55 locations including Copenhagen.

Our fixed network is the foundation of the services that we develop for end-customers, operators and service providers. Operating in both the retail and wholesale markets enables us to reach large sections of the total market.

Telia is the fixed network leader in Sweden. We are the largest supplier of network products in the wholesale market and we have approximately 75 percent of telephony business in the retail market in terms of value.

In Denmark we are the second largest infrastructure owner and the largest network wholesaler. In the retail market we hold the number three position in fixed telephony.

We also have fixed network operations in Poland and the Baltic states through participating interests in national telecommunications companies.

Telia has an extensive customer base for fixed networks. In Sweden and Denmark combined we have 4.4 million residential customers, almost 600,000 business customers and some hundreds of wholesale customers.

The fixed network business is mature and prices have been slashed dramatically in recent years, making effective management and economies of scale essential. Cultivating and sustaining long-term relationships with our customers requires efficient operations, superior service and quality, and services that create value for large customer groups.

Growing wholesale business

Our wholesale operations have great potential. In 2001 our wholesale business represented 14 percent of revenues from fixed network operations. We are working to offer a wider range of services in the wholesale market.

Telia already has business relationships with most of the players in the Swedish and Danish markets.

In Sweden, operating under the brand Skanova, we offer everything from leased lines, network capacity and interconnect traffic, to copper products, broadband accesses and telephony services.

Telia opened its Swedish copper-based access
networks to other players in March 2000, actually before the EU regulation took effect. Today we have a broad spectrum of copper products that make it possible for other players to distribute their services on the copper line.

The most advanced of our wholesale services, TeleHost, enables companies to add fixed telephony to their regular product range. Skanova produces the service and provides billing data while the client company deals with the customers.

A substantial share of mobile traffic is carried over the fixed network. During the year Skanova signed agreements with 3GIS and Svenska UMTS-nät to deliver network capacity for their UMTS services in Sweden.

The acquisition of Powercom fortified our position in the Danish wholesale market during the year.

**Broad range on the retail market**

Telia has a very large range of services on the Swedish retail market. These many offerings are partly passed on from when we were the only operator on the market and were required to provide all communications needs regardless of their commercial value.

We are currently working to streamline our product portfolio by clearing out less profitable products and focusing on high-demand services with substantial value-added. Our objective is to develop more standardized services that can be integrated with each other and with the Group’s other offerings as customized total solutions.

Competition on the Danish market has caused a shakeout of smaller players. To increase the profitability of our Danish operations we are focusing on services and customer segments where we can be a strong competitor. We are also looking to increase sales to existing customers and improve customer service through new billing systems and efficient call center solutions.

During the year we laid the ground for continued positive development of our associated companies in the Baltic region. The fixed network operators in Estonia and Lithuania, Eesti Telecom and Lietuvos Telekomas respectively, are working on increasingly competitive markets and are continuing to show good customer growth.

Netia is positioned as a second operator in Poland. Netia is focusing on business customers in certain geographic regions in an effort to increase profitability.

Our objectives are to secure our position as the market leader in Sweden, boost our positions and strengthen profitability in Denmark and develop our investments in the Baltic region.

**Initiatives in corporate networks, conferencing services and voice control**

We are developing new services as we streamline our operations.

---

No more random slips of paper! With Telia Röstringning you can set up an address book at Mina Sidor (“My Pages”) and place voice-activated calls.

Major capacity reinforcements were made on the backbone network in southern Sweden during the year.
Corporate networks are more and more becoming the hub of business communications and Telia is undertaking major initiatives to develop effective network solutions. During the year we launched several services that facilitate teleworking, simplify network connections for small offices and enable companies to analyze and control the traffic in their networks.

The next step planned is to offer wireless broadband access to corporate networks and IP telephony, which is expected to surge in 2002.

Another strategic initiative involves conferencing services. More and more companies are holding conferences and meetings over the Internet instead of traveling. Demand for conferencing services, including basic telephony services as well as more sophisticated data-based solutions, showed strong growth in the autumn of 2001. During the year we launched VisCom, a conferencing service based on IP and ISDN that makes PC-based videoconferencing and teamwork possible.

Simplicity is a key concept to us, which is why voice control is our third major initiative. Our voice-activated calling service for residential customers is called Telia Röstringning. For business customers we have developed a voice-activated switchboard called DigiTala. It is based on SIP (Session Initiation Protocol), which enables it to satisfy a wide range of customer needs as well as connect to other operators’ IP and telephony networks in Sweden and abroad.

Fixed network based communications will continue to provide very reliable and affordable residential solutions in the foreseeable future. The focus of our continued service development is on mobility: services that provide freedom and flexibility for home use and wireless applications with user-friendly interfaces to other Telia products.

Three dimensions of network development
As demand for interactive broadband services climbs, we are refining our fixed networks in terms of capacity, functionality and traffic control. We are developing three dimensions of our networks:

1. **Increased capacity in the fiber-optic backbone network**
   Telia’s fiber-optic backbone network links 3,000 localities in Sweden that are home to 91 percent of households and 95 percent of businesses. We are installing additional fiber in our network to meet the growing demand for capacity.
   
   During the year we added substantial capacity to our network in southern Sweden and also laid fiber-optic cable between Stockholm and Haparanda.

2. **Increased capacity in access networks nearest the customer**
   Fiber-optic networks in larger Swedish cities have been expanded, primarily in Stockholm, Gothenburg and Malmö.

   Our major efforts to increase capacity nearest the customer are currently focusing on ADSL. At year-end we were able to offer ADSL to 70 percent of Swedish households and most businesses.
   
   Telia received a license during the year to build broadband access networks based on fixed radio. Radio solutions are mainly aimed at small and medium-size businesses, but have potential for residential use in the future as well as to mobile base stations.

3. **Technology shift to IP**
   Our long-range plans involve IP-based fixed networks, a technology that efficiently meets the increased demand for interactive broadband services. This change is underway and the pace will be set by market trends and technical requirements.

   The IP network in Sweden was expanded further and equipped with new functions such as Quality of Service, which will enable our customers to select their level of service quality and performance, and Multicast, which allows the IP network to be used for telephony and other real-time solutions such as television and radio broadcasts. In 2001 we began to implement IPv6 in the IP network. This protocol will resolve the current shortage of IP addresses.
Marketing

Entire sales force in Sweden gathered “under one roof”

Telia has structured its market organization to make it easy for customers to obtain good service and to enable Telia to market its services efficiently. Effective customer meetings are essential for building good customer relations. In Sweden, where we offer a wide range of services, all sales activities have been gathered under one roof.

The business areas are responsible for sales of their own products. This means that the business areas organize their own marketing and decide what sales channels are used on the various geographic markets.

Swedish market

Common unit for sales and customer care

In Sweden, where Telia markets a full, very broad range of services, the business areas have opted to set up a common market unit, Telia Sverige, for sales and marketing to end-customers.

Coordinating sales realizes benefits for both our customers and Telia. A common sales unit can coordinate its actions and tailor sales channels to different customer groups, making it easier for customers to find what they need from Telia. Gathering these functions in

Telia’s 83 retail outlets are making changes aimed at increased efficiency and profitability.
one unit also helps Telia reduce costs by eliminating redundant functions, such as duplicated support systems.

A common sales unit also centralizes our knowledge about the customer and provides an overview of our entire range in Sweden. This enables us to bundle and integrate our services as offerings that are better tailored to target groups and to specific customers, with a positive impact on sales.

Telia Sverige handles customer contact from sales to billing, claims, aftermarketing and customer care.

Telia Sverige handles contacts with 950 major companies and organizations, 58,000 medium-size companies, 325,000 small businesses and 4.5 million private individuals through its own sales channels and a network of external resellers throughout Sweden. In addition, Skanova (part of Telia Networks) and Telia International Carrier are active on the Swedish market, offering national and international network services respectively to operators and service providers.

Telia Sverige was formed at the same time as the launch of the new business area organization on April 1, 2001. Organization of the sales effort took place during the year. The policy is to sell standardized products and high-volume services, i.e. those that do not require in-person advisory services, electronically over the Internet and by telephone using interactive voice response, with more complex solutions being offered through personal sales.

Telia Sverige is open 24/7, 365 days per year.

Electronic channels for basic services
Telia began setting up electronic self-service channels during the year. A self-service website was launched at www.telia.se for consumers and for business customers. Interactive voice response self-service was also made available for consumers for basic fixed-telephony products and services.

We will continue developing our automated sales channels in 2002 with the goal of making www.telia.se the main gateway to our entire range of standardized services in Sweden for both consumers and companies.
Telia Netsales also engages in active selling by telemarketing and is planning to step up these activities. Telemarketing operations will be concentrated from 28 to 4 locations in order to create a more powerful organization.

**Customer service centers reorganized**

Our customer service centers, which provide direct sales by phone, have been reorganized as contact centers for greater efficiency. This means that contact with customers may take place not only by phone, but also via e-mail. New work methods have also been introduced, including specialist teams.

For further efficiency gains, Telia has decided to concentrate its contact center operations from 31 to 13 locations in Sweden.

As sales of high-volume and standardized services are automated, customer service centers will be handling increasingly sophisticated customer issues. Several actions were undertaken during the year to raise skill levels at the customer service centers.

**Upgrading retail outlets**

The 83 retail outlets managed by Telia throughout Sweden are also making changes aimed at increased efficiency and profitability. The product range, store locations and retail floorspaces are regularly modified in response to customer demand and changes in Telia’s product range.

Alongside Telia’s own stores, Telia Sverige has a nationwide network of 8,000 external resellers. We are seeking to increase sales via external resellers through more intensive cooperation with the leading resellers in Sweden.

**Enhancing skills for sophisticated customer solutions**

A special unit, Telia Partner, provides major business customers and organizations with more sophisticated communications solutions.

Telia Partner is now upgrading its competence for the development of solutions that integrate fixed and mobile, voice and data and is building up resources for offering effective international communications solutions for Swedish business customers.

Telia will broaden its system of designated contact persons, which was previously limited to the very largest business customers.

Infonet Svenska AB and Telia International Carrier are Telia Sverige’s specialist units for global data and telecommunications solutions, working in partnership with Telia Partner on the Swedish market.

**Continued customer loyalty initiatives**

The Swedish retail market is exposed to fierce competition. The introduction of carrier preselection and number portability makes it easy for customers to switch operators. Sweden is a key market for Telia.
It generates a large part of our revenues and is an important platform for our international initiatives.

Telia Fördel is a customer loyalty program that we have used in recent years to promote loyalty among private consumers. The program rewards high-volume consumers and those who choose Telia for multiple services. Program participants are awarded points that can be exchanged for Telia products and also receive special targeted offers. The program has enjoyed great success, with 700,000 private consumers joining so far. The program will be expanded further with more targeted offers and greater opportunities for members to earn points.

**Network services wholesaling within Skanova**

Skanova, which sells network capacity and network services as a wholesaler to operators and service providers in Sweden, has its own sales resources, mainly concentrated in Stockholm.

**Overseas market**

Telia offers a wide range of services in Denmark. Fixed and mobile services are mainly sold through external resellers and broadband Internet and cable television mainly through Telia Stofa’s own stores and the antenna associations. As in Sweden, Telia manages its own sales of network capacity and network services to operators and service providers in Denmark.

During the year Telia successfully bundled fixed and mobile services for consumers in its Telia Family product.

Sales of mobile services in Norway are managed through a well-developed network of external resellers.

Mobile services are sold in Finland through our own stores. Telia owns two retail chains in Finland. These are being combined into a single nationwide retail chain under the Telia brand in order to streamline the retail outlet business.

Sales of international carrier services are primarily handled by our own resources. Telia has its own sales force in some 20 countries worldwide, but also uses resellers, mainly in France, Poland and the U.K. During the year an agreement was concluded with Cisco for sales of IP-based carrier services in the United States and Europe.

*Telia Partner is upgrading its competence in order to satisfy the needs of major companies for more sophisticated communications solutions.*
Shareholders
Telia is listed on the A List of Stockholmsbörsen (the Stockholm Stock Exchange). The Swedish state is the largest shareholder with a 70.6 percent interest.

Somewhat over 68 percent of the remaining shares are owned by Swedish institutions and companies and approximately 19 percent by over 786,000 Swedish individuals. Non-Swedish shareholders represent slightly over 13 percent. At the Annual General Meeting the shareholders appoint Telia’s Board of Directors for a period of one year.

Board of Directors
Telia is led by a Board of Directors consisting of twelve ordinary members: eight external members (one vacant seat), Telia’s President/CEO and three union representatives.

The Board of Directors makes decisions on issues of strategy, investments, organization and financing. It also monitors Telia’s day-to-day operations and its executive management.

The Board of Directors appoints the President of Telia AB, who is also CEO of the Telia Group. The Board of Directors also appoints the Vice President.

The members of the Board of Directors are:
Lars-Eric Petersson, Chair of the Board. President and CEO of Skandia
Peter Augustsson, Chair of the Board and President of SAAB Automobile
Carl Bennet, Chair of the Board of Directors of Boliden, Elanders, Getinge and other companies
Ingvar Carlsson, former Prime Minister of Sweden, Chair of the Board of the Swedish Foundation for Strategic Research
Anders Igel, President and CEO of Esselte
Lars Olofsson, Executive Vice President Nestlé S.A.
Caroline Sundewall, independent business consultant
Marianne Nivert, President and CEO of Telia
Berith Westman, Chair of the Swedish Union of Clerical and Technical Employees in Industry, telecommunications section (SIF-TELE)
Elof Isaksson, Chair of the Union of Service and Communication Employees (SEKO) within Telia
Magnus Brattström, Vice-Chair of the Union of Service and Communication Employees (SEKO) within Telia

President and CEO
Marianne Nivert has been President and CEO of Telia since October 2000. The CEO is responsible for the Group’s strategic development and business control and manages and coordinates its day-to-day operations in accordance with the direction determined by the Board of Directors.
The CEO appoints business area heads and the Executive Committee and Group Management.

**Executive Committee**

The Executive Committee serves in an advisory role to the CEO on issues affecting the Group’s strategic development and business control and constitutes the steering committee for the Group’s business areas.

In addition to the CEO, the Executive Committee includes Bo Jacobsson, CFO and Head of Corporate Financial Control; Lars Härenstam with special responsibility for Corporate Development and Human Resources; and Jan Rudberg with special responsibility for new business.

The Executive Committee is supported in its tasks by Group staff units including specialists in accounting and finance, legal issues, strategy, communication and human resources.

**Group Management**

Group Management, which has an advisory role, deals with strategic issues of interest to the entire Telia Group.

In addition to the members of the Executive Committee, Group Management includes all of the business area heads, the head of Telia Sverige, Communications Director Michael Kongstad, and Joel Westin, business development manager within Telia Networks.

**Business areas**

Each core business is an independent business area. The business areas have total responsibility for their respective products on all geographic markets, from development to sales, operation and maintenance. For intercompany transactions, the business areas charge commercial prices for services and products included in the Group’s external range.

Telia Mobile is responsible for the mobile network, mobile services and services that integrate fixed and mobile voice communication. Business Area Head: Kenneth Karlberg

Telia Internet Services is responsible for Internet-based accesses and services. Business Area Head: Indra Åsander.
Telia International Carrier is responsible for international carrier operations. Business Area Head: Erik Heilborn.

Telia Networks is responsible for the fixed network, fixed telephony services and data communications services as well as for IP infrastructure in Sweden and Denmark. Business Area Head: Kennet Rådne.

**Telia Sverige**
A common sales and customer care unit, Telia Sverige, has been set up in the Swedish market. The common unit makes it possible to streamline customer contacts and tailor attractive offers for different customer groups. President: Anders Gylder.

**Product development**
Telia Research works on behalf of the business areas, its efforts focusing mainly on communications for the home and business, network services and personal communications. Director: Claes Nycander.

**Ethics council**
Telia has an ethics council made up of representatives of the management of each business area, the Director of Human Resources, the Communications Director and the Chief Attorney, headed by the Director of Ethics and Environmental Affairs. The staff organizations are represented on the council by Berith Westman.

**Telia Group Management:**
1. Marianne Nivert, President and CEO.
2. Eva Lindqvist, Head of Telia Equity, which is being transferred to Telia Holdings.
3. Bo Jacobsson, CFO and Head of Corporate Financial Control.
4. Kenneth Karlberg, Head of business area Telia Mobile.
5. Michael Kongstad, Communications Director.
6. Joel Westin, business development manager within business area Telia Networks.
7. Lars Härenstam, responsible for Group Development and Human Resources.
8. Anders Gylder, Head of Telia Sverige.
9. Kennet Rådne, Head of business area Telia Networks.
11. Erik Heilborn, Head of business area Telia International Carrier.
12. Indra Åsander, Head of business area Telia Internet Services.
The council has the task of ensuring that Telia acts in accordance with high ethical standards and complies with established guidelines.

17,150 employees
The Telia Group has 17,150 employees, of which 13,365 work in Sweden.

Auditors
Telia is audited by Ernst & Young, headed by Authorized Public Accountant Torsten Lyth, assisted by Authorized Public Accountants Gunnar Widhagen and Filip Cassel. Telia also has its own internal audit.
How to Reach Telia

President and CEO
Marianne Nivert
Mailing address: Telia AB, SE-123 86 Farsta, Sweden
Telephone: +46 (0)8 713 1000
Fax: +46 (0)8 713 3003
E-mail: marianne.a.nivert@telia.se

Telia Mobile
Head of business area
Kenneth Karlberg
Mailing address: Telia AB, SE-131 86 Nacka Strand, Sweden
Telephone: +46 (0)8 90 300
Fax: +46 (0)8 601 9738
E-mail: kenneth.b.karlberg@telia.se

Telia Networks
Head of business area Kennet Rådne
Mailing address: Telia AB, SE-123 86 Farsta, Sweden
Telephone: +46 (0)8 713 1000
Fax: +46 (0)8 605 4330
E-mail: kennet.k.radne@telia.se

Telia Internet Services
Head of business area Indra Åsander
Mailing address: Telia AB, Box 7735, SE-103 95 Stockholm, Sweden
Telephone: +46 (0)8 411 1520
Fax: +46 (0)8 411 1520
E-mail: indra.a.asander@telia.se

Telia Sverige
President Anders Gylder
Mailing address: Telia Sverige, SE-131 90 Nacka Strand, Sweden
Telephone: +46 (0)8 466 5500
Fax: +46 (0)8 466 9990
E-mail: anders.l.gylder@telia.se

Corporate Communications
Communications Director
Michael Kongstad
Mailing address: Telia AB, SE-123 86 Farsta, Sweden
Telephone: +46 (0)8 713 1000
Fax: +46 (0)8 713 6997
E-mail: michael.x.kongstad@telia.se

Investor Relations
and External Communications
Director Tobias Lennér
Mailing address: Telia AB, SE-123 86 Farsta, Sweden
Telephone: +46 (0)8 713 1000
Fax: +46 (0)8 713 6947
E-mail: tobias.a.lenner@telia.se

Telia International Carrier
Head of business area Erik Heilborn
Mailing address: Telia AB, SE-123 86 Farsta, Sweden
Telephone: +46 (0)8 713 1000
Fax: +46 (0)8 713 4366
E-mail: erik.heilborn@teliacarrier.com
Telia’s Businesses
This is a presentation of Telia’s strategy for developing our core businesses.

Telia’s Annual Report 2001
Here you will find the report of the Board of Directors, income statement, balance sheet, performance analyses for 2001 and more.

Telia’s Relationships
This contains information about Telia’s relationships and cooperation with important interest groups such as customers, suppliers and employees.

These publications can be ordered via tel. +46 (0)8 713 7143 or fax +46 (0)8 604 5472.
Our mission is to enable and inspire communication between people by developing communications services that create value and enrich and simplify life.