Annual Report 2005

The Nordic and Baltic
telecommunications leader

TeliaSonera

Contents

TeliaSonera's Annual Report is available at www.teliasonera.com/investorrelations under the Report section. Hardcopies of the Annual Report can be printed from the web or be ordered from the web or by phone at +46 (0) 372 851 42.

We also publish an Annual Review, which is a summary of the year. The Annual Review is available at www.teliasonera.com/investorrelations under the Report section. A printed version can be ordered from the web or by phone at +46 (0) 372 851 42.

TeliaSonera AB is a public limited liability company incorporated under the laws of Sweden. TeliaSonera was created as a result of the merger of Telia AB and Sonera Corporation in December 2002. In this annual report, references to "Group," "Company," "we," "our," "TeliaSonera" and "us" refer to TeliaSonera AB or TeliaSonera AB together with its subsidiaries, depending upon the context.

The Year in Brief

- Net sales increased 7.0 percent to SEK 87,661 million (81,937) driven by strong mobile and broadband growth.
- Strong customer growth year on year:
  – 2.7 million new customers in the majority owned Nordic, Baltic and Eurasian operations.
  – 14.8 million new customers in the associated companies MegaFon and Turkcell.
- Operating income, excluding non-recurring items, totaled SEK 20,107 million (20,859). International Mobile operations close to 30 percent of Group operating income.
- EBITDA margin, excluding non-recurring items, decreased to 33.6 percent (36.9) due to decreased earnings in Finland mobile and Sweden fixed. Mobile margins maintained in Sweden despite strong price pressure.
- Free cash flow increased to SEK 15,594 million (14,118).
- Net income totaled SEK 13,694 million (14,264) and earnings per share were SEK 2.56 (2.77).
- Proposed ordinary dividend of SEK 1.25 per share (SEK 5,613 million).
- In addition to the ordinary dividend, a distribution of SEK 10,104 million to the shareholders through an extraordinary dividend of SEK 2.25 per share is proposed.

Financial Highlights

SEK in millions, except per share data	**2005**	**2004**
Net sales	87,661	81,937
EBITDA excl. non-recurring items	29,411	30,196
Operating income	17,549	18,793
Operating income excl. non-recurring items	20,107	20,859
Net income	13,694	14,264
of which attributable to shareholders of the parent company	11,697	12,964
Earnings per share (SEK)	2.56	2.77

Please refer to page 96 for definitions.

Dear Shareholders,

2005 was another strong year for TeliaSonera. We posted a healthy 7 percent growth in revenue, welcomed more than 17 million new customers and earned an income of more than SEK 20 billion from our operations. TeliaSonera defended successfully its leading position on the market.

The development clearly shows our ability to deliver appreciated services to our customers and good results to our owners despite intense competition. I want to thank all employees for their excellent contributions in these challenging times.

Since the merger between Telia and Sonera three years ago, we have taken a number of important steps; acquisitions, improvements in efficiency and the launch of new services to name a few. During the past three years we have generated a positive cash flow of SEK 47 billion in a market characterized by fierce price pressure, increased competition and new technology. We have at the same time distributed SEK 22 billion to the shareholders.

I believe we have succeeded in finding the right balance between returns to shareholders and financial strength, which is required for us to take an even more active role in the future development of the telecom service industry.

Our strategy is built on creating profitable growth, both organically and through acquisitions, in each of the two regions we are focusing on, i.e. the home markets in the Nordic and Baltic countries and our eastern operations in Eurasia, Russia and Turkey.

On the home markets, we are in the middle of a major transformation that focuses on mobile and internet-based services at the same time as we are striving to maintain our good profitability. The challenge is to rapidly complete the extensive restructuring that all large incumbent telecom operators are currently dealing with.

We are also looking for complementary acquisitions building on our strength in the region. So far we have acquired Orange's Danish operations, Norwegian Chess and increased our shareholdings in several of our Baltic operations.

In the east, we aim for control. We have not yet been able to move our shareholding positions forward. We will, however, await the right opportunity since there is strong potential for value development. We will also continuously evaluate various acquisition opportunities to enhance our strength in the region.

By utilizing the opportunities available in our two regions, we are creating value that will give us the operational and financial strength to actively participate in due course in the consolidation of the European market, which will continue. In the telecom services market, the combination of local strength and global scale advantages will be of great importance.

During 2005, TeliaSonera continued to show strength in the market. Mobile operations in Norway, Denmark and the Baltics developed well. Our Swedish mobile operations showed very good earnings, despite a tough market with falling prices. We defended both our position as market leader and our margins.

The mobile markets in Russia, Turkey and Eurasia showed the strongest growth and continued high margins. These operations contributed to 30 percent of the Group's operating income, twice as much as at the TeliaSonera merger.

The market with the most difficult conditions during the year was the Finnish mobile market, which experienced extreme competition and price erosion of approximately 20 percent. Our market position was successfully defended, but at the cost of heavily decreased earnings. A turnaround program has been initiated to restore profits.

Fixed communications were, however, strong in Finland, Denmark and the Baltics. We maintained sales and improved margins in these areas. Substantially increased broadband volumes also generally offset decreased revenues for fixed voice, with the exception of Swedish fixed communications, where, despite strong growth in broadband, the migration to mobile voice and IP-based solutions still affected total revenues negatively.

During the year, we continued to renew and focus our service portfolio and launched a number of attractive mobile and internet-based services. I am referring to the possibility to access TV and music via the mobile, which was popular among customers. The mobile content services were gathered on a portal, SurfPort, and are therefore easily accessible, which increases our attractiveness as a distributor of content services. Surf-Port was launched in several countries.

We also introduced new broadband-based services in homes such as internet-based digital TV and a pilot program to make and receive calls with the mobile phone at a lower price over broadband when at home.

On the business market, our mobile Connect services have attracted a lot of customers. With Connect users can always connect their laptops using the best connection wherever they are, stay in touch with office IT resources and receive e-mails. We are also testing the possibility to use the mobile phone via wireless LAN in the office and as a normal mobile outside with a seamless handover, a so-called voice over IP service. We are the first in Europe to test this service.

All of these services have one common denominator – to be easy to use. We regard simplicity as the key to creating long-term growth and value. Our customers should experience an unparalleled level of simplicity that makes it possible to do completely new things with telecommunications, and this is just the beginning. Our telecommunications services should be useful, work well and provide the highest level of service.

Telecom services is a growing business, despite the fact that incumbent operators' revenues are currently under pressure. In the Swedish market, which has a legacy of fixed services, this pressure is all too evident. We decided therefore to take the lead in the transformation away from the legacy services.

The future is in mobile services, broadband for consumers and internet data communications for businesses, which are complemented by internet-based services, managed services for businesses and content services. This is by far a less complex world of services than what we have offered in the past. The challenge and opportunity lie in bringing simplicity to our customers and reducing complexity inside TeliaSonera.

The incumbent operators who have the capacity to quickly adapt to the new, simplified world will play an interesting role in the telecom industry's future.

We are right now implementing an efficiency program in all of our home markets, particularly in Sweden and Finland, to bring our costs to significantly lower levels. Our cost levels must be on par with the best in Europe to be able to compete in the future. Our progress so far with these efforts has been satisfactory.

The TeliaSonera Group successfully maintained its position as market leader during 2005 despite strong competition that included price pressure and comprehensive internal restructuring in the home markets. We have established a good operational and financial platform for 2006. I expect that we will continue to demonstrate sales growth, improved earnings and strong cash flow during the coming year.

Based on these expectations, the Board of Directors and I propose an increased dividend during 2006. In total, SEK 15.7 billion is proposed for distribution to the shareholders. If approved by the owners, TeliaSonera will be one of the highest yielding stocks in its industry in Europe.

Stockholm, March 2006

Anders Igel
President and CEO

Market leader in the Nordic and Baltic regions with strong positions in the international growth markets

TeliaSonera is the leading telecommunications company in the Nordic and Baltic regions with strong positions within mobile communications in Eurasia, Russia and Turkey.

Two markets – two possibilities

On the home markets in the Nordic and Baltic regions, TeliaSonera has a wide range of services within mobile, fixed voice, data communications and broadband. In Norway, we offer only mobile services. TeliaSonera has strong or leading positions in all of these markets. The majority of TeliaSonera's operations on the home markets are wholly owned.

The home markets are characterized by a high degree of maturity, high penetration and an increasing migration from fixed services to mobile and IP-based services. The overarching goal on the home markets is to create growth and maintain profitability. Within this framework, strategic prioritizations are made for each market and segment.

Outside of the Nordic and Baltic regions, TeliaSonera offers mobile services in a number of markets in Eurasia (Kazakhstan, Azerbaijan, Georgia and Moldova) and through associated companies in Russia and Turkey. Our positions in these markets are strong. The weak infrastructure for fixed communications in these countries results in strong demand for mobile services. In the International Mobile operations, the focus is on increasing the value of TeliaSonera's investments by taking advantage of the strong growth within mobile communications.

TeliaSonera had at the end of 2005 more than 23 million customers in the Nordic and Baltic regions and almost 57 million mobile customers in the international markets. Sales totaled SEK 87,661 million and operating income totaled SEK 20,107 million. An increasing part of Group earnings comes from the International Mobile operations, which represented almost 30 percent of the Group's operating income in 2005.

The TeliaSonera share is listed on Stockholm Stock Exchange and Helsinki Stock Exchange.

Country	Net sales (SEK in millions)	Ownership (%)	Trademarks	Services	Number of customers (thousands)	Market share (%)	Main competitors
Majority-owned companies							
Sweden	38,960	100.0	Telia, Halebop	Mobile	4,387	52	Tele2, Telenor
			Telia	Fixed Voice	5,036	53 [1]	Tele2, Telenor
			Telia	Datacom and Broadband	1,439	41 [2]	Telenor, ComHem, UPC
Finland	16,308	100.0	Sonera, Tele Finland	Mobile	2,507	47	Elisa, DNA
			Sonera	Fixed Voice	647	31	Elisa, Finnet
			Sonera	Datacom and Broadband	426	32 [2]	Elisa, Finnet, HTV
Norway	7,481	100.0	NetCom, Chess	Mobile	1,651	34	Telenor, Tele2
Denmark	7,178	100.0	Telia	Mobile	1,154	22	TDC, Sonofon, Debitel
			Telia	Fixed Voice	195	5	TDC, Tele2
			Telia, Telia Stofa	Cable TV, Datacom and Broadband	355	14 [2]	TDC, Cybercity, Tele2
Estonia	3,356	50.3 [3]	EMT, Diil	Mobile	677	47	Tele2, Elisa
			Elion	Fixed Voice	388	85	Tele2, Starman
			Elion	Datacom and Broadband	121	53 [2]	Starman, STV, Tele2
Latvia	2,252	60.3	LMT	Mobile	735	45	Tele2, Zetcom
Lithuania	2,302	100.0	Omnitel, Ezys	Mobile	1,889	49	Tele2, Bite
	1,970	60.0	Lietuvos Telekomas	Fixed Voice	798	99	Lietuvos Telekomas
			Lietuvos Telekomas	Datacom and Broadband	126	45 [2]	Skynet, Telerena, Balticum TV
Eurasia	6,367	74.0					
Kazakhstan			K'Cell	Mobile	3,320	67	K-Mobile
Azerbaijan			Azercell	Mobile	1,741	78	Bakcell
Georgia			Geocell	Mobile	715	49	Magticom
Moldova			Moldcell	Mobile	370	47	Voxtel
Associated companies							
Latvia		49.0	Lattelekom	Fixed Voice	624	98	
			Lattelekom	Datacom and Broadband	68	30 [2]	Baltkom, Izzi
Russia		43.8	MegaFon	Mobile	22,836	18	MTS, Vimpelcom
Turkey		37.3	Turkcell	Mobile	26,700	64	Telsim, AVEA
Ukraine [4]			Life	Mobile	1,205	7	Kyivstar, UMC

Information about market share is based on TeliaSonera's estimations. The market share is based on the number of customers, except for Sweden where the market share is based on net sales.

1) Traffic only
2) Consumer broadband
3) 53.7 percent as of March 2, 2006
4) Turkcell's GSM subsidiary in Ukraine, in which Turkcell holds a 54 percent indirect stake

Focusing our offers on services with large growth potential

TeliaSonera's overarching goal is to serve its customers in the best possible way and to create value for its shareholders.

Business concept

TeliaSonera offers reliable, innovative and user-friendly services for transferring and packaging of voice, images, data, information, transactions and entertainment. We are present in the Nordic and Baltic countries, selected markets in Eurasia, Russia and Turkey.

Vision: "Simplicity makes everything possible"

We see simplicity and service as the key to creating long-term growth and value. Our customers should experience an unparalleled level of simplicity that will make it possible to do completely new things with telecommunications. Our telecommunication services should be really useful, work well and provide the best level of customer service.

Strategic focus

TeliaSonera's strategy is based on dual opportunities stemming from operations in markets with different degrees of maturity. In the more mature home markets in the Nordic and Baltic countries the strategic priorities are to create growth via new mobile and IP-based services and offers, increase simplicity in services and consider selected acquisitions. In addition, we will maintain profitability via the ongoing programs to achieve competitive cost levels and the focusing of the service portfolio. In the more emerging International Mobile operations in Eurasia, Russia and Turkey the strategy is to exploit the inherent growth and enhance the value of the companies. Based on the current strengths in these regions, complementary acquisitions can be considered, which may lead to additional growth.

By taking advantage of the opportunities available in our two different markets, the Group creates value development that gives us the strength to actively participate in a future consolidation of the European market.

The strong multidomestic presence of our operations enhances our strength from a more global perspective and provides us with not only regional economies of scale but also the opportunity to lead the migration from fixed to mobile and IP-based services.

We are also focusing on developing the commercial competence that a customer-driven company with a focus on mobile and IP-based services requires.

Strategic priorities per market

Sweden

- Maintain profitability and create growth, long-term.
- Transform business and operations focusing on mobile and IP-based services.
- Create competitive cost levels.
- Develop strong marketing and market segmentation skills.
- Increase broadband market shares.

Finland

- Restore profitability.
- Create growth.
- Develop strong marketing and market segmentation skills.

Norway

- Continue to build profitable growth.

Denmark

- Continue to build growth and improve profitability.
- Challenge TDC for market leadership, long-term.

The Baltics

- Continue to build profitable growth.
- Increase shareholding.

Eurasia

- Secure market leadership in Azerbaijan and Kazakhstan and strengthen positions in Georgia and Moldova.
- Maintain profitable growth on all markets.
- Research expansion opportunities in the region.

Russia and Turkey

- Look for opportunities to enhance shareholding positions.

Strong volume growth within mobile communications and broadband

The telecommunications market continues to change at a rapid pace. The migration from fixed to mobile and IP-based services continued during the year. Fixed voice decreased in volume while the volumes within mobile communications and broadband rose sharply.

The consolidation within the European telecom market accelerated, evidenced by a number of cross-border acquisitions. Stronger balance sheets primarily among the large telecom operators, an ambition to achieve economies of scale and international growth opportunities are factors that were the catalysts behind the acquisitions and mergers during the year. TeliaSonera has participated in the cross-border consolidation in the Nordic region through the acquisitions of mobile operations in Denmark and Norway.

However, the development is not only moving towards fewer and larger actors. New actors from neighboring industries are also present. The nature of competition changes as the borders between different industries become lower and increasingly overlapping. On the business market, IT companies are competing more often with the telecom industry's actors and on the consumer market, the competition between TV, voice and broadband suppliers is becoming much more intense.

In addition, digitalization will impact the value chain and provide opportunities to utilize existing and new IP-based technologies to package and distribute content. This trend is clear and will impact the business models and earnings logic in many areas. TeliaSonera is well positioned to take advantage of this trend and has expressed its ambition in this ongoing transformation.

Increasing demand for combined solutions

The demand from both consumers and businesses for combined solutions is increasing. On the consumer market, the development is moving towards voice, Internet and TV in a single package while business customers to a greater extent are demanding combinations of fixed and mobile solutions and combinations of telecom and IT solutions. A new growth area is managed services, integrated telecom and IT services, where the supplier also manages the operation for the customer.

A breakthrough for mobile data services

Demand for mobile solutions continues to increase. Usage of mobile data services had its breakthrough during the year. The demand for this type of service is expected to increase sharply in the near future. The forces behind this increase are the desire to gain access to a company's internal network from outside the workplace and the possibility of accessing Internet via the mobile phone. In markets with weakly developed infrastructure for fixed services, for example in Eurasia, the demand for mobile services is even more pronounced.

Increasing investments in IP technology

Growth within consumer broadband and IP-VPN based solutions for businesses will continue to be good.

Increasing volumes and demand for integrated solutions for voice, text, data, TV and video are driving the operators' investments in networks and technology platforms based on the Internet protocol (IP). The migration to IP-based networks would mean lower costs for operation and maintenance and increased opportunities to supply new types of services with high quality and security.

Strong pressure on prices – but rising volumes compensate

Most of TeliaSonera's markets were characterized by falling prices during 2005. Price erosion was strongest within mobile communications. In Finland, mobile prices fell dramatically by 20 percent. Finland has been a unique mobile market with extreme competition and with one of the highest percentages of households with mobile-only voice solutions in Europe. The implementation of mobile number portability together with the fact that terminal subsidies were not allowed intensified competition and were the primary drivers for the substantial fall in mobile prices. However, pressure on prices decreased slightly toward the end of the year, and focus shifted from price to the contents of the offer.

Mobile price pressure was strong in Sweden and moderate in Norway during the year, but was considerably weaker in Denmark since the Danish prices finally stabilized after falling sharply over the past few years. Denmark, together with Finland, offers some of the lowest mobile prices in Europe. The price levels in the Baltics also fell during the year.

In Russia, the rapid build-out of mobile communications is taking place under strong competition, which led to significantly lower prices in 2005.

In Eurasia and Turkey, the price development was not as fierce, but price pressure is expected to increase in coming years.

Common for all markets except Finland is that good mobile volume growth offset the lower price levels.

Within fixed voice, both volumes and prices declined in almost all markets.

The broadband markets also were characterized by declining prices. The very strong volume growth, however, sufficiently offset the lower price levels.

Advanced positions within important growth areas

TeliaSonera increased its activity level during the year and took a more aggressive position on the market. A number of new services and offers were launched, which contributed to a 28 percent increase in the customer base in 2005.

Focusing the service portfolio on growth and profitability

The service portfolio that is now taking shape gives TeliaSonera increased competitiveness and new opportunities to create growth. A more focused service portfolio also means decreased complexity, which creates conditions for lower cost levels.

TeliaSonera's service portfolio can be divided into four categories.

Some services have a large share of the market and good margins, but limited growth opportunities. Examples of these are fixed voice and leased lines. The services will remain in the selection as long as they are commercially viable, but our investments in this area are restricted.

Other services are expected to have continued strong growth. These include broadband, mobile services for voice and data, IP-VPN services, managed services and content services. Even though there are as many different mobile subscriptions in the Nordic and Baltic regions as there are inhabitants, there is still growth potential since we on average only talk on our mobile telephones for a few minutes a day. Within mobile data, there is even more potential since the mobile data services are still in their infancy.

The third category includes services for which demand is expected to increase as the market matures. Some of these services can become tomorrow's big sellers and we place a lot of energy on developing and commercializing these services. This category includes mobile voice over broadband in the home, VoIP, IP-TV, the modular office where companies' communications solutions are built in modules, the digital home, security services and mobile services within machine-to-machine.

TeliaSonera implemented during 2005 successful tests with UMA (Unlicensed Mobile Access) technology, which means that mobile telephones can be used over broadband in the home, and the goal is to launch UMA-based services during 2006.

The fourth category includes services that will become mobile or IP-based or discontinued as soon as full replacement products are ready. Examples of this are ISDN, traditional data communications services and some PBX solutions on customer premises.

More IP-based services and increased common production

Focusing the service portfolio means that TeliaSonera is decreasing the total number of services at the same time as the percentage of mobile and IP-based services is increasing. We believe in the IP technology and see many possibilities for new types of services. TeliaSonera already has a large portion of IP-based solutions in its systems and is prepared to launch VoIP on a larger scale as soon as the market is ready and the business models are developed. TeliaSonera will be the first operator in Europe to test wireless VoIP for business customers. However, traditional fixed voice is expected to remain dominant within the foreseeable future.

Economies of scale are a strategically important part of the restructuring efforts. We intend to take advantage of the opportunity to create common production platforms and offer the same services in several or all of our home markets. One example of this is the wireless office where we today have different offers on different markets, but are currently gathering the offers onto a common production platform for the home markets. Another example is SurfPort, a portal for mobile services within information, news and entertainment. The portal was launched during the year in Sweden, Finland, Norway, Denmark and Lithuania. One-third of the content is common for all markets while the rest is country-specific. The portal provides access to TV in the mobile and TeliaSonera will be the first operator in the Nordic and Baltic regions to make two of the world's most popular chat and e-mail services, MSN Messenger and MSN Hotmail, available over the portal.

New services with large growth potential

During the year, many initiatives were taken and TeliaSonera launched a large number of mobile and IP-based services in the home markets.

In terms of the development of new services, the goal is that they will be easy to use, at the same time as our customers will always have the best possible connection. An example of this type of service is the mobile data service Connect, which was launched in Sweden, Finland, Norway and Lithuania. The service is easy to install and automatically connects portable computers to the fastest onsite connection.

TeliaSonera made large efforts during the year within the growth area managed services and offers complete solutions in operation, maintenance and upgrading of the company's communications platforms and IT services. A number of large customer contracts were signed and TeliaSonera is today a leading supplier in the Nordic region.

TeliaSonera also strengthened its position within IP-VPN with the launch of DataNet, virtual private networks based on the latest IP technology, which is a guarantee for high quality and functionality. A number of large customer agreements were also signed in this area, primarily in Sweden and Finland but also in Denmark.

During 2005, mobile data services had their commercial breakthrough and usage is rising sharply on all markets although from relatively low levels. During the year, we also launched push e-mail in Sweden, i.e. the possibility to quickly and easily receive and send e-mail via mobile telephones.

Demand for mobile data services is especially strong in areas with weak infrastructure for fixed services, for example in Eurasia, Russia and Turkey. In some areas, Internet access via mobile telephones is the only accessible alternative. On all of these markets, there is a large demand for mobile content services within information, news, entertainment, sports and gaming. For example, Turkcell chose to, together with a Greek company, build Inteltek, which has the right to provide betting services on sporting events. Inteltek's sales increased considerably during the year.

Continued strong growth in the customer base

TeliaSonera's strategy is based on dual opportunities stemming from operations in markets with different degrees of maturity. On the more mature home markets in the Nordic and Baltic countries, the strategic priorities are to create growth while the strategy in Eurasia, Russia and Turkey is to take advantage of the inherent growth.

TeliaSonera's total customer base increased 28 percent year on year. At year-end 2005, TeliaSonera had 29 million customers in the majority-owned operations and 51 million customers in associated companies. This has created a basis for continued good development during 2006.

Aggressive marketing investments increased the number of customers in the Nordic and Baltic regions by 0.5 million to 23.2 million customers. The increase was within mobile communications and broadband. The number of mobile customers increased by 1.5 million to 13 million and the number of broadband customers increased by 0.4 million to 1.5 million.

Within fixed voice, the number of customers continued to decrease on all home markets due to the migration to mobile and IP-based alternatives. The fall was sharpest in Sweden, where the total number of users of fixed voice traffic decreased by over 3 percent, which corresponds to approximately 180,000 users. Buyers of voice traffic from Telia decreased by less than 2 percent, or 61,000.

During the year, 850,000 end customer subscriptions in Sweden were transferred to wholesale. The background to this is that at the end of 2004, Telia opened the market for voice subscriptions, which gave operators the opportunity to buy subscriptions from Telia on a wholesale basis and resell them to end-customers. The majority of the end customer subscriptions that were transferred to wholesale were subscriptions where the customer already bought their voice traffic from other operators than Telia.

Continued strong growth within International Mobile

TeliaSonera continued to take advantage of the strong growth within International Mobile and during the year the number of customers rose by more than 17 million to almost 57 million, an increase of 43 percent from 2004.

Customer growth was strongest in Russia, where MegaFon's customer base rose by 9.2 million to 22.8 million, an increase of 67 percent from 2004. MegaFon is the third largest mobile operator in Russia. The company has licenses for all of the regions in Russia and can therefore develop a nation-wide network for Russias 143 million inhabitants. At year-end, MegaFon offered mobile services in 76 of Russia's 88 regions. Russia has undergone a phase of strong growth primarily in the two large cities Moscow and St. Petersburg, in which mobile penetration passed 100 percent. The continued growth is now taking place primarily in regions outside of the two large cities.

Strengthened position within basic mobile services

A large number of new service providers entered the mobile market in the past few years. The providers have small organizations, limited product development and offer basic mobile services based on capacity purchased from other mobile operators. The primary tool of competition is an attractive price for basic mobile services and the majority of providers focus on the consumer segment.

TeliaSonera has strengthened its position in this segment by launching its own services with new brands and competitive prices for basic mobile services. Examples of these investments are Halebop in Sweden, Tele Finland in Finland, Diil in Estonia, Ezys in Lithuania and Chess in Norway. The companies buy capacity from TeliaSonera, but work with their own offers, marketing and sales.

Supplementary acquisitions strengthen the market position

TeliaSonera has completed a number of supplementary acquisitions in the Nordic and Baltic regions that have advanced the company's market positions and supplemented the offers.

At year-end 2004, TeliaSonera increased its ownership in Eesti Telekom and the company is now consolidated in TeliaSonera's accounts. The acquisition of the mobile operator Orange in Denmark at the end of 2004 has considerably strengthened TeliaSonera's position on the Danish mobile market and the acquisition resulted in 630,000 new mobile customers. During 2005, the mobile service provider Chess in Norway was acquired, which brought 390,000 new customers and strengthened TeliaSonera's position as Norway's second largest mobile operator.

Strategic pricing a factor of success

Strategic pricing is becoming an increasingly important instrument to secure price levels, keep customers and stimulate the use of different services. During the year, TeliaSonera launched several new offers where price was the key factor. The focus was to simplify pricing, increase the customer's opportunity to gain control over costs and reward loyal and dedicated customers. At the same time we took advantage of the strength of our broad range of services and our geographical coverage and developed attractive combination offers.

TeliaSonera launched on the home markets several offers that are primarily built on fixed monthly fees. In Denmark, offers were launched with fixed monthly fees for both national and international voice. In Sweden, Telia introduced an offer based on a fixed monthly fee that includes both fixed and mobile communications and where the customer can call to all fixed telephones and to all Telia mobiles in Sweden without a per-minute charge.

Within mobile communications, we launched price offers where the customer does not need to pay per-minute charges for calls that are made within TeliaSonera's mobile network. Halebop in Sweden successfully developed a price plan where all Halebop customers call free of charge to one another. In Norway, NetCom launched an offer where up to six family members can call free of charge between each other within the country. A similar service for business customers was also launched.

Within broadband services, our customers received more for their money during the year since we either lowered the fixed price or increased the capacity at the existing price. We also gave the customers more to choose from in terms of price, speed and subscription periods. In Denmark, Telia Stofa developed a broadband offer where the customer chooses the size of the fixed monthly fee and based on that is allocated a certain amount of data traffic. In this way, even customers with relatively low usage can receive access to broadband connection with very high speed without needing to pay a high monthly fee.

In Sweden, IP-TV was launched during the year, i.e. digital TV over broadband, and Telia developed a price offer where broadband is combined with fixed voice and IP-TV. Telia also chose to add firewalls and anti-virus programs as standard in the broadband offer.

To stimulate usage of mobile data services, Telia launched fixed price offers for business customers who use the Connect service and added a maximum charge on traffic for customers that use the mobile Internet portal SurfPort.

During the year, a number of pan-Nordic price plans for fixed and mobile voice were launched for business customers with operations in several Nordic countries.

Efficient segmentation ensures customer satisfaction

Efficient market segmentation is becoming increasingly more important as the penetration and competition on the market increase. We have worked during the year to further segment the market to be able to focus our offers toward specific groups of customers.

To further improve their position and maintain profitability at a satisfactory level on markets that are becoming more and more competitive, mobile operators in Eurasia – K'Cell, Azercell, Geocell and Moldcell – developed a common model for segmentation, which serves as a basis for all marketing communications, development of new services and new offers. It is also an example of how increased cooperation between TeliaSonera's companies creates efficiency gains and competitive advantages. The mobile operators in the Baltics also worked actively with customer segmentation and launched during the year attractive offers directed at, among others, students, first graders and parents.

Service and simplicity the foundation for everything we do

During the year, TeliaSonera strived to make things simpler for customers and increase service in all markets. We focused on a number of different fronts – simplified use of services, simplified pricing and improved communication with customers, to name a few.

The Connect service is an example of how a technically advanced service can be designed in a simple, functional manner. Another example is SurfPort, where the customers have fast access to a selection of attractive mobile content services. A third example of simplicity is a solution for VoIP where the customer does not need to invest in new equipment during the migration from a traditional PBX solution.

During the year, large investments were made to improve service for the customers. This particularly applies in Sweden where large investments were made in both the stores and on the website to help customers use mobile functions such as sending SMS and MMS, use voicemail or surf the Internet. Telia also worked to improve communication with customers and conducts regular customer surveys to determine how businesses and consumers want to use communications services to simplify their daily lives.

Loyalty programs

To secure growth and profitability, telecom operators focused on attracting new customers. However, due to falling prices, it is becoming more and more important to keep existing customers since the relative cost of taking in a new customer rose.

TeliaSonera works with different types of loyalty programs. On the Swedish market, Telia has worked with customer loyalty for several years. In Finland, Sonera launched Kestoetu during 2005, the first full-scale loyalty program on the Finnish telecom market. The program has become very popular and has increased customer loyalty both within mobile communications and broadband.

Loyalty programs in Finland may become especially effective since bundling, subsidization of new mobile telephones and binding subscriptions are not allowed. However, at the beginning of 2006, a new law was passed that opens the possibility for subsidization of 3G terminals as of April 1.

Interim goals to secure service and simplicity

"Simplicity makes everything possible" is the core of TeliaSonera's vision for 2010. We will by then be a genuine service company with simplicity as our strongest competitive tool. The vision is embedded in everything we do and is of importance in the refocusing of our service portfolio and the development of new services.

To ensure that we develop in the proper direction, we set up interim goals for the end of 2005. We should have by then achieved a position where a majority of the customers perceive TeliaSonera as the company that best fulfilled their main customer needs (Best served customers).Two of ten should perceive TeliaSonera as a service company with an unparalleled level of simplicity in its range of services (Easy to use services). Comparisons are made not only with other telecom operators, but also with the entire service sector, including financial companies, travel agencies and media companies.

We have so far completed three surveys. The first two were conducted during 2004. The third was conducted at the end of 2005 to evaluate our position in relationship to our interim goals for the year. In the category Easy to use services, all of our companies in the home markets achieved the interim goal for 2005. The companies in the Baltics received the highest score from customers and in particular the fixed network companies significantly improved their positions during the past year. Our Norwegian mobile operator NetCom achieved the interim goal with a comfortable margin and received the highest score out of all of our Nordic companies in terms of user-friendliness.

None of our companies succeeded in achieving the interim goal for Best served customers. Sonera, which received low scores in the first survey, gradually improved, while Telia, which already received high scores one year ago in the second survey lost some ground. One contributing factor is believed to be the comprehensive disruptions as a result of storm Gudrun in the beginning of 2005. The companies in the Baltics were very close to the interim goal.

Steps towards increased cost efficiency

Competitive cost levels are a prerequisite for TeliaSonera's success. We have therefore implemented several savings initiatives over the past few years. During 2005, additional measures were taken to lower costs on our home markets.

Immediately after the merger between Telia and Sonera, we began the implementation of the planned synergy effects. Thereafter we initiated a comprehensive restructuring of our service portfolio, from which we expect substantial cost savings. In parallel with this, we are now implementing a third step of cost lowering measures, where the objective is common production.

We are implementing these measures at a high speed; it is important that the cost reductions occur quickly and from TeliaSonera's current strong position. It is also important that costs are reduced in all operations. The fall in prices that has characterized the market in recent years has put pressure on TeliaSonera's margins despite good results from implemented market initiatives and savings initiatives. TeliaSonera's cost levels must therefore be lowered permanently and structurally to considerably lower levels than where they are today.

A part of these efforts is the continuous benchmarking of our costs. Comparisons show that a number of our operations, for example NetCom in Norway and Omnitel in Lithuania, have overall very competitive cost levels even if there are savings opportunities within certain areas. In the Swedish and Finnish operations, there are opportunities for savings in all areas.

Merger synergy target met

To reach the synergy goals that were set at the time of the merger between Telia and Sonera, the first step was to lower the Group's costs. These goals of SEK 2.7 billion cost and CAPEX savings have been fulfilled in their entirety and, in addition, faster than anticipated. The savings have primarily affected purchasing, administration, service development, IT systems and networks.

Focused service portfolio and substantial efficiency measures in the Nordic region

In the beginning of 2005, the second large step was taken and efforts to focus the service portfolio were started. With a fewer number of services and an increased percentage of Group-wide services, the number of technical platforms and IT systems can be reduced and development and operating costs can be spread across more of our markets.

At the same time as the work with the service portfolio was started, extensive efficiency measures were introduced in Sweden and Finland. The measures include practically all parts of TeliaSonera's operations in these markets.

The Swedish restructuring program proceeds according to plan

The restructuring program in Sweden is estimated to lower annual costs by SEK 4–5 billion as of 2008. The changes are expected to decrease the number of employees by approximately 3,000. The restructuring costs are estimated at approximately SEK 5 billion and are reported as non-recurring items.

The program in Sweden is progressing according to plan. At the end of the year, 802 employees had accepted the early retirement offer and 560 employees were transferred to the redeployment unit. Hired personnel decreased by 400. During 2005, the number of employees and hired personnel was reduced by a total of 15 percent in the operational units.

The effects of the cost savings for 2005 are estimated at approximately SEK 800 million. The measures that were taken during the year are estimated to give an annual savings effect of SEK 1.6 billion as of 2006.

Non-recurring items for the restructuring totaled SEK –2,509 million, of which a provision for redundancy was SEK –1,837 million and impairment charges on the network and costs for surplus office space totaled SEK –672 million.

Program launched to restore profitability in Finland

In Finland, the measures implemented during 2005 are estimated to decrease annual costs by SEK 1 billion as of 2006. In 2005, savings totaled approximately SEK 250 million. The implementation costs were SEK 111 million and were reported as a non-recurring item. The savings entail a reduction in the number of employees by 650.

At the end of the year, additional initiatives were taken in Finland and a program was launched to secure future growth and restore profitability. A new business organization was introduced. The program accelerates the focusing of the service portfolio and the migration to the IP-based network through investments in infrastructure and services. Additional efficiency measures will be implemented to achieve competitive cost levels. The program is expected to reduce annual costs by an additional SEK 2 billion as of 2008. The costs for the implementation are estimated to reach SEK 1–1.5 billion and CAPEX is estimated to reach approximately SEK 0.5 billion.

Cost efficiency programs also in Norway, Denmark and the Baltic operations

In Denmark, the goal is to lower annual costs by approximately SEK 110 million as of 2006 through the integration of the mobile operations Telia Mobile and the fixed network operations Telia Networks, which is estimated to decrease the number of full-time positions by approximately 110. The costs for implementing the changes are estimated at approximately SEK 106 million, of which SEK 54 million were reported as a non-recurring item during 2005.

In Norway, NetCom launched at the end of the year an efficiency program and a new organization was introduced, which decreases the number of employees by 78. The annual cost savings are estimated at approximately SEK 60 million as of 2006. A provision for redundancy of SEK 42 million was made in 2005 (not reported as a non-recurring item).

Cost efficiency measures are also being implemented in the operations in the Baltics. The fixed network operator Lietuvos Telekomas has in a short time undergone a strong development. On a market with strong competition from the mobile sector, Lietuvos Telekomas has succeeded in reversing a previously negative trend into a positive development in regards to both sales and earnings through goal-oriented cost efficiency measures and the launching of new offers within growth areas such as the Internet, broadband and data communications.

Common production

Many of our services will in the future be jointly produced and then offered on several markets at the same time. One example of this is the common production of messaging services such as MMS and e-mail that has already started.

Initially, we are concentrating on the wholly owned operations in the Nordic and Baltic regions. To streamline internal efforts, a Group-wide system for finance, purchasing, personnel administration and common support for work stations and internal communication was established.

Continued initiatives for Group-wide organization development

TeliaSonera operates in a quickly changing industry, which places high demands on our ability to adapt to new circumstances. Therefore, we invest a significant amount of our resources in the development of our employees and organization.

TeliaSonera is an international telecommunications company with 28,175 employees in wholly owned and majority-owned operations at year-end 2005. Today, we are in the middle of a restructuring where the conditions for our company are changing at a rapid pace. TeliaSonera is determined to lead the migration from traditional fixed services to mobile and IP-based services. This means that we at all times must have access to the resources and competences that are needed to ensure the company's development. We are, therefore, making large investments in competence development. That is also why we prioritize efforts to create one Group with shared values and shared working procedures.

Shared Values a success

Our values – Add value, Show respect, Make it happen – guide our employees in their daily work and decision-making. The Shared Values were established in 2003 and our surveys show that our employees have embraced them and a majority of TeliaSonera's employees consider them to be an important contribution to TeliaSonera's success.

Extensive Group-wide investments

The Group-wide efforts with competence and organization development focus primarily on general management development, technological competence, sales and marketing competence and cross-border and multinational competence.

During 2005, TeliaSonera initiated its first Group-wide leadership development program, TeliaSonera Business School, with the aim of strengthening and developing the leadership of managers and key personnel. During the year, resources were also focused on formalizing succession management in order to ensure TeliaSonera's supply of future managers.

Other examples of Group-wide initiatives are TeliaSonera's Top Talent Program, which focuses on developing potential top-level managers.

A large part of the work within competence development is handled locally. A few examples of such programs are TeliaSonera School in Sweden and Sales Academy in Finland. At Omnitel in Lithuania, there is a program focused on sales, products and services. The Danish operations have focused on leadership development and Norwegian NetCom has focused on brand building.

Systematic plan for equal opportunity

TeliaSonera has stated that one of its goals is to improve equal opportunity and equal treatment. In the wholly and majority-owned operations, the number of women increased at the end of the year to 46 percent. TeliaSonera follows a systematic Equality plan, where one of the goals is to increase the number of female managers. The Equality plan has largely been successful. For example, the percentage of female employees in Finland increased to 44 percent.

Established routines for handling redundancy

TeliaSonera has established efficient processes for handling situations where there no longer is a need for an employee's competence in their current position. In Denmark and Norway, redundant personnel have been offered severance pay and outplacement services. In Finland, a competence pool was established to support redundant personnel in their search for new employment both inside and outside TeliaSonera.

Early retirement, internal placement agencies, personnel pools, competence development and assistance with the search for employment both inside and outside of TeliaSonera were offered in Sweden.

As a leader, it is important to set a good example

TeliaSonera aspires to be a "good corporate citizen" by acting ethically and responsibly and promoting sustainable development within the marketplace, the workplace, the environment and the community at large. The goal is to belong to the industry's highest ranked companies in sustainability indexes.

The foundation of TeliaSonera's CSR policy is to recognize and honor the United Nations' Universal Declaration on Human Rights and the fundamental ILO conventions and to encourage and assist our suppliers, sub-contractors and associated companies to do the same. TeliaSonera respects national and international legislation and shall only undertake activities and operate businesses that we are willing to submit to public scrutiny and debate.

Policies and guidelines adopted by the Board of Directors

To ensure this, the Group applies a number of policies and guidelines that have been adopted by the Board of Directors and that must be observed by everyone in the organization. The guidelines apply to the wholly owned operations, but we also strive to apply our approach even in those businesses where we do not hold 100 percent of the shares. Our business units regularly report their progress in CSR, which means that TeliaSonera can share best practices with all employees and other stakeholders.

Ethical and responsible behavior

Business as such has to follow a number of commonly accepted ethical principles and employees' working conditions are of crucial importance. As an important player in building the information society, TeliaSonera aims to act ethically and responsibly. This entails the protection of private and personal data and the prevention of abusive or illegal use of telecommunications services.

TeliaSonera annually produces a CSR report that elaborates on our progress within the CSR area. The report is based on the international reporting standard GRI. For more information on CSR at TeliaSonera, please visit www.teliasonera.com, where we also publish a report that describes how the Fintur companies work with CSR related issues in Eurasia.

TeliaSonera's Business Ethics

As a consequence of our values and our corporate social responsibility in conducting business, we will ad-here to the following principles:

- Deal respectfully, honestly and in good faith with those within and outside the Group who are affected by our operations.
- Pursue no business that requires the violation of law or of these corporate policies.
- Undertake only those business activities that we are willing to submit to public scrutiny and debate.
- Treat each other with mutual trust and respect and provide an environment where individuals may question a Group practice without suffering any repercussions.
- Follow local and international competition laws.
- Not make or receive payments of any description which are illegal and/or unethical in the territory concerned.
- Not make political contributions.

Distribution of additional capital to shareholders through an extraordinary dividend

The Board of Directors and the CEO propose to the Annual General Meeting (AGM) an increase of the ordinary dividend to SEK 1.25 per share (1.20) due to the strong earnings in 2005 and the expected earnings improvement for 2006. The proposed dividend totals SEK 5,613 million, which is in line with the company's policy to distribute 30–50 percent of net income, excluding minority interests. The Board of Directors and the CEO also recommend an extraordinary dividend of SEK 2.25 per share as a part of the distribution of capital to shareholders.

TeliaSonera has previously communicated that the company, in addition to the ordinary dividend, plans to distribute SEK 30 billion to shareholders during the period 2005–2007. The amount may be adjusted if attractive investment opportunities arise that are beyond the current plan.

As a first step, SEK 10,163 million was distributed during 2005 through the repurchase of shares in a public offer that entitled shareholders to sell every twenty-fifth share at a price of SEK 55 per share, which corresponded to a premium of approximately 33 percent. A total of 184,774,856 shares were sold by shareholders in the repurchase offer, representing a response rate of 98.8 percent. The payments for the repurchased shares were made in the beginning of July 2005. The Board of Directors proposes to the AGM that the shares acquired through the repurchase offer be cancelled.

As a second step in the distribution of capital to shareholders, the Board of Directors and the CEO decided to propose to the AGM a transfer of SEK 10,104 million to shareholders during 2006. The method proposed for the distribution is an extraordinary dividend of SEK 2.25 per share. Payment of the extraordinary dividend is proposed to take place at the same time as the ordinary dividend.

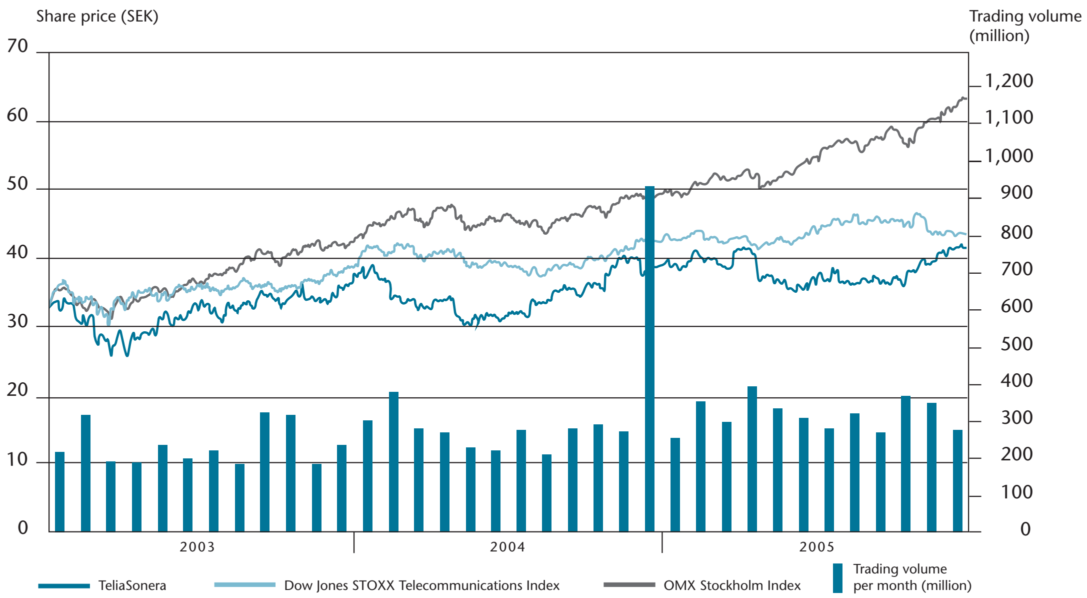
Price development and trading volumes

TeliaSonera's share price on Stockholm Stock Exchange rose during 2005 from SEK 39.80 to SEK 42.70. On average 15 million shares were traded per trading day, corresponding to a value of SEK 585 million per day.

TeliaSonera's market capitalization totaled SEK 200 billion at year-end, which is 5.7 percent of the total value of Stockholm Stock Exchange. The development of the share price during 2005 and during the three-year period between 2003–2005 was weaker than Stockholm Stock Exchange on average. On Dow Jones STOXX Telecommunications index, which includes the larger telecom operators in Europe, the TeliaSonera share measured over a three-year period was approximately in line with the industry index.

The number of shareholders decreased during the year from 822,306 to 745,172. TeliaSonera acquired 4.0 percent of the total number of shares through the repurchase offer, which decreased the number of outstanding shares to 4,490,457,213. The Swedish and Finnish states' holdings as a percentage of the outstanding shares remained unchanged, 45.3 and 13.7 percent, respectively. Holdings outside of Sweden and Finland increased from 12.1 percent to 12.8 percent. At year-end, Swedish private investors owned 3.2 percent (3.5) and Finnish private investors 2.2 percent (2.4) of the outstanding shares. Swedish institutional investors owned 19.7 percent (19.1) of the outstanding shares and Finnish institutional investors owned 3.2 percent (3.9).

Share price development and trading volume 2003–2005



The TeliaSonera Share

Listing: Stockholm Stock Exchange and Helsinki Stock Exchange

Stockholm Stock Exchange	
Ticker symbol	TLSN
Highest price 2005	SEK 43.40
Lowest price 2005	SEK 35.50
At close 2005	SEK 42.70
Shares traded 2005, volume	3,786 million
Shares traded 2005, value	SEK 148 billion
Market capitalization Dec 31, 2005	SEK 200 billion
Helsinki Stock Exchange	
Ticker symbol	TLS1V
Shares traded 2005, volume	361 million
Shares traded 2005, value	EUR 1.5 billion

Nasdaq

TeliaSonera terminated the listing of the company's ADSs (American Depository Shares) on Nasdaq on August 6, 2004, in light of the low trading level and high costs.

The Largest Countries by Number of Shares

As of December 31, 2005

Country	Number of outstanding shares	Percent of outstanding shares/votes
Sweden	3,059,125,066	68.1
Finland	857,792,137	19.1
United States	176,243,877	3.9
United Kingdom	173,614,375	3.9
Luxembourg	49,442,905	1.1
France	24,174,952	0.5
Germany	22,846,455	0.5
Netherlands	20,441,256	0.5
Norway	15,264,871	0.3
Ireland	14,640,829	0.3
Total others	76,870,490	1.7
Total shares outstanding	**4,490,457,213**	**100.0**

Source: Swedish Central Security Depository (VPC)

The Largest Shareholders

As of December 31, 2005

Shareholder	Number of outstanding shares[1]	Percent of outstanding shares/votes
Swedish State[2]	2,033,547,131	45.3
Finnish State[2]	616,128,221	13.7
Robur funds	113,463,161	2.5
SHB/SPP funds	84,566,646	1.9
SEB funds	80,575,748	1.8
Nordea funds	50,897,140	1.1
Skandia Liv	49,447,181	1.1
SEB-Trygg Försäkring	45,775,720	1.0
Alecta	44,330,000	1.0
AFA Försäkring	42,179,250	0.9
Shareholders outside Sweden and Finland[3]	573,540,010	12.8
Total other shareholders	756,007,005	16.8
Total shares outstanding	**4,490,457,213**	**100.0**
Repurchased shares (treasury shares)[4]	184,774,856	
Total shares issued	**4,675,232,069**	

Source: SIS Ägarservice AB

1) Each share of TeliaSonera represents one vote at the general meeting of shareholders and no shareholder has any special voting rights.

2) In connection with the merger between Telia and Sonera, the Kingdom of Sweden and the Republic of Finland entered into a shareholders' agreement with respect to their shareholdings in TeliaSonera and consult with each other from time to time on certain matters related to their shareholdings.

3) Of which as nominees: State Street Bank and Trust 79,088,636 shares and JP Morgan Chase Bank 74,898,436 shares.

4) The Board of Directors proposes to the AGM that the shares acquired through the repurchase offer be cancelled.

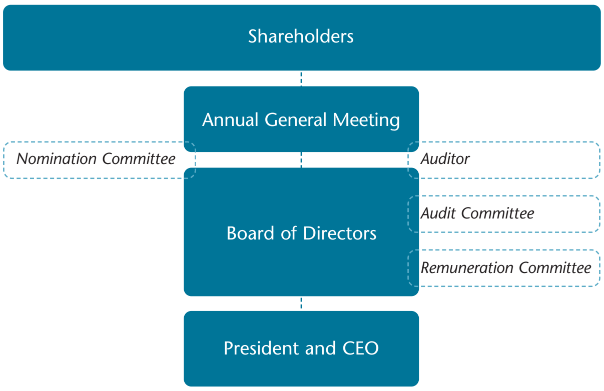
Changes in Issued Share Capital

	Number of shares	Par value, SEK/share	Share capital, SEK thousand
Share capital, Dec 31, 2001	3,001,200,000	3.20	9,603,840
New share issue, Dec 3, 2002	1,604,556,725	3.20	5,134,582
Share capital, Dec 31, 2002	4,605,756,725	3.20	14,738,422
New share issue, Feb 10, 2003	69,475,344	3.20	222,321
Share capital, Dec 31, 2003	4,675,232,069	3.20	14,960,743
Share capital, Dec 31, 2004	4,675,232,069	3.20	14,960,743
Share capital, Dec 31, 2005[1]	**4,675,232,069**	**3.20**	**14,960,743**

1) Includes 184,774,856 treasury shares, which the Board of Directors proposes to the AGM be cancelled. In case the cancellation is approved by the AGM, share capital will decrease by SEK 591,280 thousand.

Corporate Governance Report

Ownership Control



According to the Board of Directors, sound principles for corporate governance are an important prerequisite for building trust between TeliaSonera and its stakeholders and securing shareholder value. Owners, investors, customers, employees and other key parties should always be confident that TeliaSonera's business activities are characterized by reliability, control, transparency and high ethical standards.

As of July 1, 2005, TeliaSonera follows the Swedish Code of Corporate Governance. In the opinion of the Board, the company has not deviated from the Code with regards to those parts that were applicable during the second half of 2005. In 2006, however, the company deviates from the Code's guidelines concerning the following items:

The Board does not issue a special report on how the internal control regarding financial reporting is organized and how well it has functioned (the Code's item 3.7.2). No examination of such a report has been done by the company's auditors.

The Board has chosen to include a description of how the internal control is organized in this corporate governance report since the Board considers the internal control to be an integrated part of corporate governance. A separate declaration about how well the internal control functioned has not been given, in accordance with the statement from December 15, 2005 from The Swedish Corporate Governance Board. The description of the internal control is not examined by the company's auditors with reference to the same statement.

The Board of Directors also deviates from the Code's guidelines since the Board and the CEO do not give a special declaration regarding the company's Annual Report immediately before signing it (the Code's item 3.6.2). According to the Board, the Board and the CEO are responsible for the correctness of the Annual Report which is confirmed by the signatories in the report. A special declaration in accordance with the Code does not according to the Board bring any added value to the governance of the company but brings unnecessary bureaucracy.

Finally, the Board of Directors deviates from the Code's guidelines by not proposing that the Annual General Meeting adopt principles for remuneration to the management (the Code's item 4.2.2). The Board has adopted a policy for remuneration to the Executive Management which is described in this corporate governance report. One of the most important tasks for the Board is to continuously make sure that the company has a management which, considering the company's line of business and strategic development, is highly qualified to manage the company. The Board has also to make sure that the costs for running the company are kept on reasonable levels. This applies to both the costs for employees as well as other costs. The Board is of the opinion that it is not appropriate to change the responsibility of the Board in this respect.

The corporate governance report does not form part of the official Annual Report and has not been examined by the company's auditors.

Shareholders' General Meeting

TeliaSonera is a Swedish, public, limited liability company and is governed by the Swedish Companies Act and the company's Articles of Association. According to the Companies Act, the shareholders' general meeting is the company's highest decision-making forum where the owners exercise their shareholder power.

The TeliaSonera share is listed on the Stockholm and the Helsinki Stock Exchanges. TeliaSonera has only one type of shares. Each share of TeliaSonera represents one vote at the general meeting of shareholders. TeliaSonera had approximately 745,000 shareholders at year-end 2005.

The company announced in connection with its third quarter report that the Annual General Meeting (AGM) will be held on April 27, 2006, in Stockholm.

Information about the shareholders' right to have an issue addressed at the general meeting and the deadline for when such a request must have been received by the company to ensure that it is included in the notice of the ordinary AGM can be found on the company's website.

Shareholders had the opportunity to register for the AGM 2005 in several ways, for example via e-mail and on the company's website.

Because of the company's large number of shareholders in Finland, the Board considered holding the AGM 2005 simultaneously in Stockholm and Helsinki via satellite link. However, due to the extended length of the AGM, the time difference between Sweden and Finland and high costs, the Board decided that the AGM 2005 would only be held in Stockholm and that a shareholder meeting in Helsinki would be held the following day, at which the company's management and parts of the Board attended.

The entire Board of Directors, all members from the Executive Management and the chief auditors attended the AGM 2005. After nomination from the Nomination Committee, attorney Sven Unger was elected chairman of the AGM 2005. Olof Neiglick, representing Nordea Kapitalförvaltning, and Dick Bergkvist, representing Handelsbankens Fonder, were appointed to approve the minutes. None of them were members of the Board or employees in the company.

The AGM was held in Swedish and the materials for the meeting were in Swedish. Due to the company's international ownership, the meeting was simultaneously interpreted to Finnish and English and the material for the meeting was also available in Finnish and English. The shareholders were given the opportunity to ask questions, comment and make proposals for decisions. The minutes from the meeting are available on the company's website in Swedish and English.

The Board of Directors has established principles for remuneration and other terms of employment for the Executive Management. These principles were presented at the meeting.

Nomination Committee

The AGM 2001 resolved to establish a Nomination Committee, which consisted of the Chairman of the Board Tom von Weymarn and the Deputy Chairman of the Board Carl Bennet the year before the AGM 2005. After the AGM 2005, the Nomination Committee consists of the company's four largest shareholders at the time of the notice of the AGM and the Chairman of the Board. The AGM resolved at the same time to adopt an instruction for the Nomination Committee. The Nomination Committee currently consists of Jonas Iversen, chairman (the Swedish state), Markku Tapio (the Finnish state), KG Lindvall (Robur), Lennart Ribohn (SEB) and the Chairman of the Board Tom von Weymarn. Information about the Nomination Committee's composition and changes in the composition has been made public when they have occurred.

The Nomination Committee shall in accordance with its instruction nominate the Chairman and other members of the Board as well as propose the Board remuneration that is divided among the Chairman and other members and remuneration for serving on committees. The Nomination Committee shall also nominate the Chairman of the AGM and the auditors. The Nomination Committee has reported to the company that the Committee is following the Code's guidelines and that it intends to report its activities at the AGM and on the company's website.

Shareholders are welcome to send nomination proposals to the Nomination Committee. Proposals can be sent by e-mail to "forslagtillstyrelseledamot@teliasonera.com". The Nomination Committee's proposals shall in accordance with the instruction be made public at the latest in connection with the notice of the AGM.

External auditors

PricewaterhouseCoopers AB was appointed auditor at the AGM 2004 and Göran Tidström (born 1946) is the auditor in charge.

PricewaterhouseCoopers AB is often engaged by the company's largest shareholder, the Swedish state, for both audit and advisory services. Current audit assignments include Apoteksbolaget and Samhall.

Göran Tidström is also an auditor of Securitas, Trelleborg and Arla Foods. He is the Chairman of the Board of PricewaterhouseCoopers AB, the Nordic audit profession's Board representative in International Federation of Accountants, IFAC, and the former president of its European counterpart, FEE.

During 2005, PricewaterhouseCoopers provided non-audit services for a fee of SEK 14 million. See Note 33 to the consolidated financial statements.

Board of Directors

TeliaSonera's Board of Directors consists as of the AGM 2005 of eight members elected by the AGM, serving one-year terms, and three employee representatives from the Swedish operations. An additional Finnish employee representative is present at Board meetings, but without voting rights. The AGM 2005 elected Tom von Weymarn as Chairman of the Board and Carl Bennet as Deputy Chairman.

The Board of Directors' composition is presented on pages 20–21. The members elected by the AGM are considered to be independent in relation to the company and to the shareholders.

The Board of Directors is responsible for the company's organization and the management of the company's business, which means that the Board of Directors determines the general strategy for the business and makes strategic decisions of greater importance.

The Board of Directors appoints the Chief Executive Officer (CEO). The Board of Directors issues guidelines for the management of the Group and evaluates continuously the CEO's performance.

The guidelines for the work of the Board of Directors are set down in standing orders. The standing orders contain rules regarding the number of ordinary Board meetings (at least five per calendar year), the agenda items for ordinary Board meetings, responsibilities within the Board, including the tasks of the Chairman of the Board, the division of responsibilities between the Board and the CEO and how work is carried out in committees.

To improve efficiency of Board work, the Board has appointed a Remuneration Committee and an Audit Committee.

The Remuneration Committee handles issues regarding salary and other remuneration to the CEO, Executive Management and others reporting directly to the CEO and incentive programs that target a broader group of employees. The committee consists of Tom von Weymarn (chairman), Carl Bennet, Lennart Låftman and Timo Peltola.

The Audit Committee reviews the company's external financial reporting, internal financial reporting processes and systems for internal financial controls. The committee consists of Caroline Sundewall (chairman), Eva Liljeblom, Sven-Christer Nilsson and Tom von Weymarn.

The Board of Directors' committees prepare decisions for the Board. The Remuneration Committee has the authority to approve remuneration to persons who report directly to the CEO. The Audit Committee – and in some cases its chairman – has the right to make decisions regarding purchasing of services from the company's auditors within the framework decided by the Board.

TeliaSonera's General Counsel Jan Henrik Ahrnell served as secretary at the Board's and its committees' meetings.

Work of the Board of Directors during 2005

The Board of Directors held seven ordinary meetings during 2005 as well as ten extra meetings.

In addition to following up on the day-to-day business of the Group, the Board of Directors paid special attention to:

- Value-creating strategic options
- Defining targets for the operations
- Associated companies in Russia and Turkey
- Control over financial reporting
- Restructuring of the operations in Sweden and Finland
- Development of competencies and succession planning
- Company acquisitions
- Remuneration issues

The Board of Directors implemented a systematic and structured evaluation of its internal work. The result of this evaluation was reported to the Nomination Committee.

Remuneration to the Board of Directors

At the AGM 2005, annual remuneration to the Chairman of the Board of Directors was set at SEK 750,000 and SEK 550,000 to the Deputy Chairman. Other Board members elected by the AGM receive annual remuneration of SEK 400,000. No remuneration is paid to members who are employed within the TeliaSonera Group.

The AGM furthermore determined to set annual remuneration to the chairman of the Board's Audit Committee at SEK 150,000 and to other members of the Audit Committee at SEK 100,000. The chairman of the Remuneration Committee should be paid an annual fee of SEK 40,000 and other members of the Remuneration Committee an annual fee of SEK 20,000.

Internal controls

Internal control over financial reporting is an integral part of TeliaSonera's corporate governance. It includes methods and procedures to safeguard the Group's assets, to ensure and control the reliability and correctness of financial reporting in accordance with applicable legislation and guidelines, to improve operational efficiency, and to minimize the level of risk in the business operations.

According to the company policy adapted by the Board of Directors, the financial reporting of TeliaSonera shall be in line with high professional standards and be full, fair, accurate, punctual and understandable.

During 2004, an internal controls project was started with the intention of further improving the control environment and ensuring that the Group fulfills future demands on internal control over financial reporting, among others according to Section 404 of the U.S. Sarbanes-Oxley Act.

By end of 2005, a new policy for internal control over financial reporting was finalized. This policy is based on the international COSO internal control framework. It is intended to further improve the control environment and clarify roles, responsibilities and necessary measures.

Control environment

TeliaSonera's Corporate Policy states and communicates the foundations for the Group's control environment. Derived from the Corporate Policy, TeliaSonera has a number of additional Group policies, guidelines and governance documentation that are intended to support effective internal controls. The Corporate Policy also includes a Code of Ethics, promoting good ethical business standards. There is a possibility for employees to report suspected deficiencies in TeliaSonera's internal controls and financial reporting to the chairman of the Audit Committee.

The rapid changes in the market require a flexible planning system. Planning and follow-up are done in rolling seven-quarter plans. The CEO sets goals for the operations based on the guidelines of the Board of Directors. To ensure performance, managers have targets for their particular operations.

Each unit of operations has a controller responsible for ensuring that the monthly and quarterly financial reporting follows policies and that the reports are delivered on time, that sufficient internal controls exist, and that larger business and financial risks are identified and reported.

TeliaSonera is currently implementing a project to introduce a common system in all larger wholly owned units of operation for standardized control and reporting.

Risk management

Risk management is an integral part of the Group's business control and follow-up. Risks that may pose a threat to attaining business objectives are identified and measures to minimize these risks are introduced. As a part of the internal controls project in 2005, a process has been set up to regularly identify risks that could lead to material misstatements of financial information.

The Group's security unit works with preventive security measures and crisis management to protect the Group's assets, IT systems, personnel and for safeguarding telecom networks, services and customers against infringements and fraud. The Group's insurance coverage is managed by central guidelines.

Control activities

To mitigate risks, TeliaSonera performs control activities, both automated and manual, to ensure that necessary actions are taken to either prevent or detect material misstatements and to safeguard the assets of the company.

During 2005, the internal controls project has concentrated on describing processes in a common and structured way, and identifying and documenting such key controls that are critical in mitigating the financial risks. During 2005, testing activities have also been started, to assure that these key controls are functioning as intended. Testing activities are performed by the Group's internal audit function, on behalf of management. The scope and detail of the documentation and testing activities have been determined based on the future demands according to, among others, Section 404 of the U.S. Sarbanes-Oxley Act.

Follow-up of control activities

The Board of Directors actively participates in the control of the financial reporting in the Group, specifically through the Audit Committee.

The Board of Directors receives monthly financial reports from the CEO. The Board of Directors and its Audit Committee go through all external financial reports before they are made public. The Audit Committee receives direct reports from the external and internal auditors and discusses and follows up on viewpoints stated by the external and internal auditors. Both the external and internal auditors are represented at the meetings of the committee. At least once a year, the entire Board of Directors meets with the external auditors, in part without the presence of the management.

The Board of Directors and its Audit Committee receive regularly special risk reports. Every year, the Audit Committee also meets and talks with responsible persons from TeliaSonera's risk management, business control, treasury control, legal department and representatives for the control of the financial reporting from the largest profit centers. Among other issues, the Audit Committee goes through impairment tests and interpretations of accounting principles of special importance for the Group.

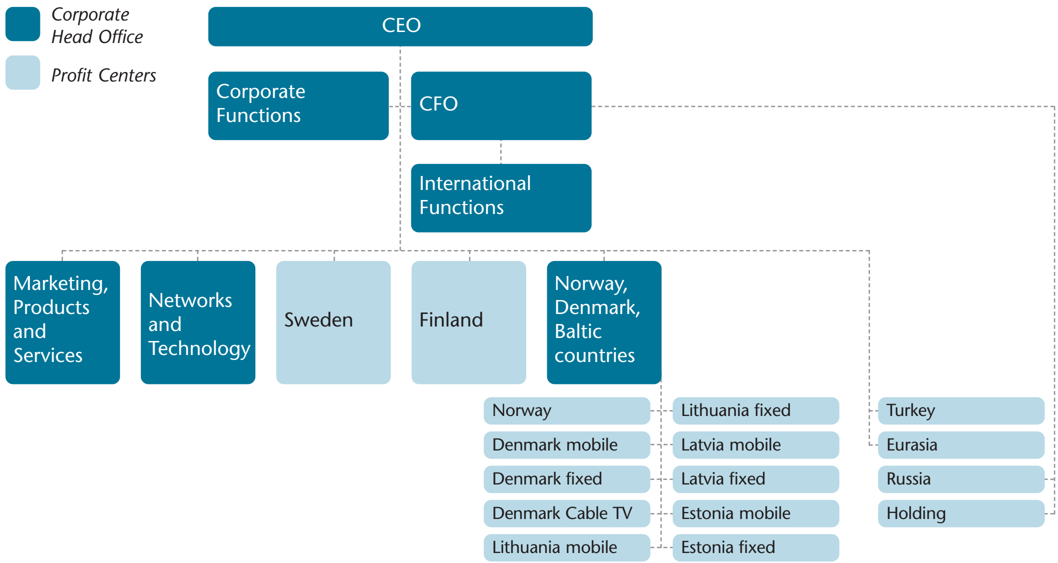
TeliaSonera also has an internal disclosure committee that reports to the CEO and CFO and that exercises additional control over TeliaSonera's responsibilities regarding external financial reporting. This committee includes responsible persons from corporate control, internal audit, legal department, corporate finance and treasury, risk management and investor relations.

At the beginning of 2006, a framework of a structured monitoring process, systematic testing activities of key controls, and periodic reporting on internal controls at both the profit center and the Group level was established.

Internal audit

The Group has an internal audit function that reviews various parts of the Group's operations and proposes measures to improve internal controls, to streamline processes and to increase efficiency. In addition to testing of key controls over financial reporting, the internal audit function has during 2005 ensured the quality in the Group's internal controls project by reviewing selected parts of the project and recommending improvements. To meet increased future requirements, the resources of the internal audit function have been increased during 2005.

Organization and Management



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

The TeliaSonera Group consists of country-based profit centers and a corporate head office. The Group is managed as an integrated company with strong central control in Group-wide issues.

The country-based profit centers act within the framework of the Group-wide guidelines. The profit centers have profit responsibility for their respective operations and have operational responsibility for marketing, sales, network operations and product and service development except when decisions are made to utilize Group synergies and economies of scale.

The corporate head office issues guidelines and coordinates Group-wide business. Two Group-wide units: Marketing, Products and Services and Networks and Technology are responsible for utilizing synergies and economies of scale.

Remuneration structure in TeliaSonera

According to the remuneration policy established by the Board of Directors, TeliaSonera shall offer a competitive package of rewards and remuneration to executives, managers and employees without being market leaders in this area.

The salary consists of a base part and a variable part. The base salary follows the salary structure in each respective country while the objectives of the variable salary are established in a plan for each calendar year are based on the Group's financial performance, the profit center's financial performance and individual performance objectives. The level of the variable salary varies depending on the employee's position in the company.

There is currently no share or share price related incentive programs at TeliaSonera.

The Board of Directors determines the base salary and other remuneration for the CEO. The Remuneration Committee approves, after proposals from the CEO, base salaries and other remuneration to those persons who report directly to the CEO.

Remuneration to the CEO and Executive Management

During 2005 the CEO had a base salary of SEK 6,490,000 and the Executive Vice President SEK 3,570,000. The other six members of Executive Management in total had base salaries of SEK 14,728,804 during 2005.

The CEO's variable salary may be a maximum of 50 percent of the base salary, while the Executive Vice President and others within Executive Management may receive a variable salary of a maximum of 35 percent of the base salary.

The CEO's base salary in 2006 amounts to SEK 6,814,500. The base salary for the Executive Vice President amounts to SEK 3,800,000, and to SEK 18,470,127 in total for the other members of Executive Management.

Other benefits are a number of taxable benefits, e.g. car benefits.

Pensions

The retirement age of the CEO and the Executive Vice President is 60 years. Between 60 and 65, the pension benefits shall equal 70 percent of the pensionable salary for both.

From 65 onwards, the CEO benefits shall be paid in accordance with the ITP plan with supplementation of benefits for that part of the salary exceeding 20 income base amounts, so that the total pension equals 50 percent of the pensionable salary.

From 65 onwards, the Executive Vice President benefits shall be paid according to the ITP plan plus 32.5 percent of that part of the pensionable salary above 20 income base amounts.

Pensionable salary corresponds to the base salary.

The retirement age for other members of Executive Management varies between 60 and 65 years.

Severance pay

Both the company and the CEO have a six-month notice of termination of employment. If the company terminates the employment, the CEO is entitled to severance pay of 24 months of the monthly base salary.

The Executive Vice President and the other members of Executive Management have a six-month notice period to the company when terminating employment. The company has a 12-month notice period when terminating employment. If the company terminates the employment, the employee is entitled to severance pay of 12 months of the base salary.

For all concerned, any other income shall be deducted from the severance amount. Severance pay is not paid in cases of self-declared termination.

Board of Directors

- *Tom von Weymarn* is the Chairman of the Board of TeliaSonera. Mr. von Weymarn was elected to the Board of Directors of TeliaSonera in 2002. He has participated in all 17 meetings of the Board of Directors of TeliaSonera in 2005. Mr. von Weymarn is the Chairman of the Remuneration Committee of TeliaSonera and has participated in all three meetings of the Committee in 2005. Mr. von Weymarn is also a member of the Audit Committee of TeliaSonera and has participated in all six meetings of the Committee in 2005. In addition to being a member of the Board of Directors of TeliaSonera, Mr. von Weymarn is the Chairman of the Board of Directors of Lännen Tehtaat Oyj and Turku Science Park Oy, a board member of OKO Bank Oyj, Kaukomarkkinat Oy, CPS Color Group Oy, Hydrios Biotechnology Oy, a member of the Supervisory Board of Industri Kapital and a shareholder and board member of Boardman Oy. Mr. von Weymarn served as the President and Chief Executive Officer of Oy Rettig Ab between 1997 and 2004, as Executive Vice President of Cultor Oyj between 1991 and 1997 and as a Director of Oy Karl Fazer Ab between 1983 and 1991, the last two years as President and Chief Executive Officer of Oy Karl Fazer Ab. Mr. von Weymarn's principal education is Master of Science in Chemical Engineering. Born 1944. Number of shares in TeliaSonera: 4,316.

- *Carl Bennet* is the Vice Chairman of the Board of Directors of TeliaSonera. Mr. Bennet was elected to the TeliaSonera Board of Directors in 2000. Mr. Bennet has participated in all 17 meetings of the Board of Directors of TeliaSonera in 2005. Mr. Bennet is a member of the Remuneration Committee of TeliaSonera and has participated in all three meetings of the Committee in 2005. In addition to being a member of the Board of Directors of TeliaSonera, Mr. Bennet is the Chairman of the Boards of Directors of Elanders AB, Getinge AB, Lifco AB, Sorb Industri AB and the Swedish National Agency for Higher Education and the Vice Chairman of the Boards of Directors of Boliden AB and SNS (Center for Business and Policy Studies). Mr. Bennet is a member of the Board of AMS (the National Labor Market Board) and SSAB and also a member of the Swedish Government's Research Advisory Council. Mr. Bennet served as President and Chief Executive Officer of Getinge AB between 1989 and 1997. Mr. Bennet's principal education is Bachelor of Science in Economics. Born 1951. Number of shares in TeliaSonera: 10,560*.

- *Eva Liljeblom* was elected to the Board of Directors of TeliaSonera in 2002. Ms. Liljeblom has participated in all 17 meetings of the Board of Directors of TeliaSonera in 2005. Ms. Liljeblom is a member of the Audit Committee of TeliaSonera and has participated in all six meetings of the Committee in 2005. In addition to being a member of the Board of Directors of TeliaSonera, Ms. Liljeblom is Professor of Finance and the Head of the Department of Finance and Statistics at the Swedish School of Economics and Business Administration in Helsinki, Finland. Furthermore, Ms. Liljeblom is a member of the Boards of Directors of Stockmann Oyj, Fennia Mutual Insurance Company and Municipal Finance (Kuntarahoitus). Ms. Liljeblom is also the Official Controller of the HEX-indexes for the OMX and Chairman of the Investment Committee of the Finnish Government Pension Fund. Ms. Liljeblom is also a member of the investment committee for the State Pension Fund Global in Norway. Ms. Liljeblom's principal education is Doctor in Economics. Born 1958. Number of shares in TeliaSonera: 999.

- *Lennart Låftman* was elected to the Board of Directors of TeliaSonera in 2004. Mr. Låftman has participated in all 17 meetings of the Board of Directors of TeliaSonera in 2005. Mr. Låftman is a member of the Remuneration Committee of TeliaSonera and has participated in all three meetings of the Committee in 2005. In addition to being a member of the Board of Directors of TeliaSonera, Mr. Låftman is the Chairman of the Pension Fund of Vattenfall, Stiftelsen Framtidens Kultur, Stadshagen Fastighets AB, Intervalor AB and Plena AB. He is also a Deputy Chairman of the Board of Directors of the Swedish Foundation for Strategic Research and a non-executive director of several non-listed companies and foundations. Mr. Låftman served as Chief Executive Officer of Affärsvärlden between 1977 and 1984 and in the management of pension funds between 1984 and 1991 and between 1996 and 1998. Mr. Låftman's principal education is Bachelor of Science in Economics. Born 1945. Number of shares in TeliaSonera: 0.

- *Sven-Christer Nilsson* was elected to the Board of Directors of TeliaSonera in 2003. Mr. Nilsson participated in all 17 meetings of the Board of Directors in 2005. Mr. Nilsson is a member of the Audit Committee of TeliaSonera and has participated in all six meetings of the Committee in 2005. He has held various executive positions within Saab-Scania AB, Computer and Electronics Group and Telefonaktiebolaget LM Ericsson, where he served as Chief Executive Officer and President 1998–1999. In addition to being a member of the Board of Directors of TeliaSonera, Mr. Nilsson is a member of the Boards of Directors of Assa Abloy AB, CEVA, Inc., I3 Micro Technologies AB, and Innovationsbron AB. Mr. Nilsson also serves as the Chairman of the Boards of Directors of Swedish ICT Research AB and the Swedish Public Broadcasting Foundation. Mr. Nilsson was born in 1944 and holds a Bachelor of Science degree. Number of shares in TeliaSonera: 0

- *Timo Peltola* was elected to the Board of Directors of TeliaSonera in 2004. Mr. Peltola has participated in 15 of the 17 meetings of the Board of Directors of TeliaSonera in 2005. Mr. Peltola is a member of the Remuneration Committee of TeliaSonera and has participated in all three meetings of the Committee in 2005. In addition to being a member of the Board of Directors of TeliaSonera, Mr. Peltola has been the President and CEO of the packaging company Huhtamäki Oyj until 2004. He is also the Chairman of the Board of Directors of Neste Oil Oyj and AW-Energy Oy, Deputy Chairman of the Board of Directors of Nordea Bank AB, member of the Board of Scandinavian Airlines, Chairman of the Management Council for Keskinäinen Vakuutusyhtiö Ilmarinen, as well as a member of the Management Council for Suomen Messut. Mr. Peltola is also a member of the Advisory Board of CVC Capital Partners. Mr. Peltola holds a Doctor degree in Economics hc. Born 1946. Number of shares in TeliaSonera: 3,000.

- *Paul Smits* was elected to the Board of Directors of TeliaSonera in 2003. Mr. Smits has participated in 16 of the 17 Board of Directors meetings of TeliaSonera in 2005. Mr. Smits was the Chairman of the Board of Directors and Chief Executive Officer of Royal KPN N.V. between 2000 and 2002. In addition to being a board member of TeliaSonera, Mr. Smits is Chairman of the Supervisory Board of Telfort N.V. (Amsterdam), a member of the Supervisory Boards of Enertel B.V. Rotterdam, Unit 4 Agresso, Byelex B.V. Rotterdam and Feyenoord Rotterdam N.V., Chairman of the Advisory Board of Media Plaza, and Chairman of the Board of Stichting Centrale Discotheek Rotterdam. Mr. Smits principal education is Master of Electronic Engineering. Born 1946. Number of shares in TeliaSonera: 0.

- *Caroline Sundewall* was elected to the TeliaSonera Board of Directors in 2001. Ms. Sundewall has participated in 16 of the 17 Board of Directors meetings of TeliaSonera in 2005. Ms. Sundewall is a Chairman of the Audit Committee of TeliaSonera and has participated in all six meetings of the Committee in 2005. In addition to being a member of the TeliaSonera Board of Directors, Ms. Sundewall is a board member of Föreningssparbanken AB, Electrolux AB, Strålfors AB, Haldex AB, Lifco AB and Aktiemarknadsbolagens Förening. Ms. Sundewall has previously served as business editor for Finanstidningen and business commentator and business editor of Sydsvenska Dagbladet. Ms. Sundewall has also held the position of business controller of Ratos AB. Ms. Sundewall holds a Bachelor of Science in Economics. Born 1958. Number of shares in TeliaSonera: 2,000.

- *Yvonne Karlsson*, an employee representative, was appointed by the trade union to the Board of Directors of TeliaSonera in 2002. Ms. Karlsson has participated in 14 of the 17 Board of Directors meetings of TeliaSonera in 2005.In addition to being a member of the Board of Directors of TeliaSonera, Ms. Karlsson is the Vice Chairman of the Swedish Union of Clerical and Technical Employees in Industry, telecommunications section (SIF-TELE). Born 1959. Number of shares in TeliaSonera: 175.

- *Berith Westman*, an employee representative, was appointed by the trade union to the Board of Directors of TeliaSonera in 1993. Ms. Westman has participated in 13 of the 17 Board of Directors meetings of TeliaSonera in 2005. In addition to being a member of the Board of Directors of TeliaSonera, Ms. Westman is the Chairman of SIF-TELE and a board member of Telia Pension Fund. Born 1945. Number of shares in TeliaSonera: 1,000.

- *Elof Isaksson*, an employee representative, was appointed by the trade union to the Board of Directors of TeliaSonera in 2000. Mr. Isaksson has participated in all 17 meetings of the Board of Directors of TeliaSonera in 2005. In addition to being a member of the Board of Directors of TeliaSonera, Mr. Isaksson is the Chairman of the Union of Service and Communication Employees within TeliaSonera, SEKO TELE, and a board member of the Telia Pension Fund. Born 1942. Number of shares in TeliaSonera: 750*.

Deputy members of the TeliaSonera Board of Directors:

- *Magnus Brattström*, an employee representative, was appointed by the trade union SEKO TELE to serve as a deputy member of the Board of Directors of TeliaSonera in 2001. Born 1953. Number of shares in TeliaSonera: 0.

- *Stefan Carlsson*, an employee representative, was appointed by the trade union SIF-TELE to serve as a deputy member of the Board of Directors of TeliaSonera in 2002. Born 1956. Number of shares in TeliaSonera: 650.

- *Arja Kovin*, an employee representative, was appointed by the trade union SIF-TELE to serve as a deputy member of the Board of Directors of TeliaSonera in 2002. Born 1964. Number of shares in TeliaSonera: 0.

*) Including shareholdings by spouse and minors.

Executive Management and Group Vice Presidents

- *Anders Igel* is President and Chief Executive Officer of TeliaSonera. Mr. Igel previously served as CEO of Esselte AB and, before that, as Executive Vice President of Telefonaktiebolaget LM Ericsson. While at Ericsson, Mr. Igel was, over the course of his career, the Head of Infocom Systems, which was one of Ericsson's three global business areas comprising fixed networks, Internet and IP communication, the Head of Ericsson's Public Networks business area, the Head of Ericsson UK and an operations executive for Ericsson in the Middle East, Southeast Asia and Latin America. Mr. Igel left Ericsson to become the CEO of Esselte in 1999. Mr. Igel holds a Master of Science in Engineering and a Bachelor of Science in Business Administration and Economics. Born 1951. Number of shares in TeliaSonera: 33,696.

- *Kim Ignatius* is Executive Vice President and Chief Financial Officer of TeliaSonera. Mr. Ignatius was appointed Executive Vice President and Chief Financial Officer of Sonera in 2000. Prior to joining Sonera, Mr. Ignatius was Chief Financial Officer and a member of the executive board of Tamro Corporation. Mr. Ignatius has also held various management positions at Amer Group Plc. Mr. Ignatius holds a Bachelor of Science in Business Administration and Economics. Born 1956. Number of shares in TeliaSonera: 3,028.

- *Jan Henrik Ahrnell* is Group Vice President and General Counsel of TeliaSonera. Mr. Ahrnell has been employed by TeliaSonera since 1989 and has served as General Counsel since 1999. Prior to his service as General Counsel, Mr. Ahrnell was the head of various legal departments within the TeliaSonera Group and served as corporate counsel in various TeliaSonera companies. Mr. Ahrnell holds a Master of Laws. Born 1959. Number of shares in TeliaSonera: 2,500.

- *Terje Christoffersen* is Group Vice President and head of the Group-wide unit Marketing, Products and Services. Mr. Christoffersen has been employed by TeliaSonera since 2001. Mr. Christoffersen previously served as President of Telia Danmark, CEO of NetCom in Norway and country manager for Hewlett-Packard in Norway and Sweden. Mr. Christoffersen holds a Master of Business Administration. Born 1952. Number of shares in TeliaSonera: 0.

- *Håkan Dahlström* is Group Vice President and head of the Group-wide unit Networks and Technology. Mr. Dahlström has been employed by TeliaSonera since 1998 and has served as the Head of Mobile Networks in TeliaSonera Sweden and Head of Wireless Communication at Telia Research AB. Mr. Dahlström previously served as an officer in the Swedish Royal Navy with the rank of Commander. Mr. Dahlström holds a Master of Science in Engineering. Born 1962. Number of shares in TeliaSonera: 1,600*.

- *Marie Ehrling* is President of TeliaSonera Sweden. Ms. Ehrling was employed by TeliaSonera in 2003 and previously held the position of Deputy Chief Executive Officer of SAS AB and Head of SAS Airlines. In addition, Ms. Ehrling has served as Information Officer at the Swedish Ministry of Finance and the Swedish Ministry of Education and Science and as a financial analyst for the Fourth National Pension Insurance Fund (Fjärde AP-fonden). Ms Ehrling is a member of the Board of Directors of Securitas AB. Ms. Ehrling holds a Bachelor of Science in Business Administration and Economics. Born 1955. Number of shares in TeliaSonera: 2,000.

- *Kenneth Karlberg* is President of TeliaSonera Norway, Denmark and the Baltic countries. Mr. Karlberg has been employed by TeliaSonera since 1987. Mr. Karlberg previously held several executive positions in Telia, including Executive Vice President of Telia and head of the Telia Mobile business area. Mr. Karlberg holds a Senior Officer examination from the Swedish Military Academy. Born 1954. Number of shares in TeliaSonera: 1,600*.

- *Michael Kongstad* is Group Vice President and head of Corporate Communications. Mr. Kongstad joined TeliaSonera in 2001. He has served as managing director of Swedish Operations for Burson-Marsteller International Inc. and as communications director for Posten AB, WASA Insurance Group and the OM Group. Mr. Kongstad holds a Bachelor of Science in Business Administration and Economics. Born 1960. Number of shares in TeliaSonera: 2,000.

- *Juho Lipsanen* is President of TeliaSonera Finland. Mr. Lipsanen has been employed by TeliaSonera since 2005. Mr. Lipsanen was previously President and CEO of Alma Media Corporation. He has held several management positions at ABB Ltd Switzerland and ABB Finland, including President of ABB New Ventures Ltd and Chief Financial Officer of Automation Segment. Mr. Lipsanen holds a Master of Science in Business Administration and Economics. Born 1961. Number of shares in TeliaSonera: 8,000.

- *Rune Nyberg* is Group Vice President and head of Corporate Human Resources. Mr. Nyberg was employed by TeliaSonera in 2003. Prior to joining TeliaSonera, Mr. Nyberg was Group Vice President of Human Resources at Sandvik AB, President of Pair Ltd. and Personnel Manager at Sandvik Coromant, JS Saba and Distributions AB DAGAB. Mr. Nyberg holds a Bachelor of Science in Business Administration and Economics. Born 1949. Number of shares in TeliaSonera: 1,000.

*) Including shareholdings by spouse and minors.

Report of the Directors

Introduction

The following information summarizes the results of operations of TeliaSonera in 2005, when TeliaSonera increased its customer base by 2.7 million in majority-owned operations and by 14.8 million in associated companies, increased net sales by 7 percent, and recorded operating income of SEK 17.5 billion and free cash flow of SEK 15.6 billion.

Merger of Telia and Sonera

The merger of Telia and Sonera, first announced on March 26, 2002, was carried out through an exchange offer in which Sonera shareholders received shares in Telia. Upon completion of the exchange offer in December 2002, Telia changed its name to TeliaSonera. The merger has been accounted for as an acquisition by TeliaSonera of Sonera using the purchase method of accounting.

In connection with the merger, a goal was set to reach an annual rate of SEK 2.7 billion of pre-tax cash flow synergy savings at the end of 2005. Actions in 2003 and 2004 resulted in a rate of annual cost savings of SEK 1.8 billion and annual capital expenditure savings of SEK 0.9 billion, totaling SEK 2.7 billion, measured at the end of 2004. This means that the goal that was set in connection with the merger was reached a year early.

Restructuring and Streamlining Measures

In 2004 and 2005, TeliaSonera has taken several actions to restructure and streamline its operations and improve its efficiency. For instance, in Sweden and Finland, transition programs have been launched to keep the profitability by achieving competitive cost levels and focusing the service offerings. In Sweden, the restructuring program is expected to reduce annual costs by SEK 4–5 billion as of 2008, and to reduce the amount of personnel by approximately 3,000. In Finland, streamlining efforts initiated in 2005 are expected to lower annual costs by SEK 1 billion as of 2006. Late in 2005, additional initiatives were taken and a turn-around program was launched in Finland, with estimated additional annual cost reduction of SEK 2 billion as of 2008.

Financial Results

SEK in millions, except earnings per share and margin	2005	2004
Net sales	87,661	81,937
Operating expenses (except depreciation, amortization and impairment losses)	–60,153	–51,096
Depreciation, amortization and impairment losses	–13,188	–15,596
Income from associated companies	3,229	3,548
Operating income	17,549	18,793
Financial revenues and expenses	–530	–1,345
Income after financial items	17,019	17,448
Income taxes	–3,325	–3,184
Net income	13,694	14,264
Attributable to:		
Shareholders of the parent company	11,697	12,964
Minority interests in subsidiaries	1,997	1,300
Earnings per share (SEK)	2.56	2.77
EBITDA excluding non-recurring items[1]	29,411	30,196
Margin (%)	33.6	36.9
Operating income excluding non-recurring items[1]	20,107	20,859

1) For details of non-recurring items, see "Non-recurring items" below.

Net sales

Net sales increased 7.0 percent to SEK 87,661 million. Acquisitions and divestitures affected positively by 5.9 percent and exchange rate fluctuations by 1.2 percent.

Strong volume growth within mobile communications and broadband increased net sales in most operations despite overall price pressure. In Sweden, the development within mobile communications was slightly positive but decline in fixed voice communications was considerable. In Finland, the strong mobile volume growth could not balance the effect of significantly lower price levels (–20 percent year on year).

The acquisition of Orange in Denmark, the consolidation of Eesti Telekom in Estonia in late 2004 and the acquisition of Chess in Norway in late 2005 affected net sales positively.

In the International Mobile operations, net sales climbed sharply in all markets.

The customer base increased 28 percent year on year. At the end of 2005, TeliaSonera had 29 million customers in the majority-owned operations and 51 million customers in associated companies. Intake of mobile and broadband customers was strong.

Profitability

Operating income excluding non-recurring items totaled SEK 20,107 million (20,859). Earnings improved in most operations but weakened in Finland due to the substantially lower mobile price levels and in Sweden due to lower fixed voice sales. In the international mobile operations, earnings improvement was robust in all markets.

Non-recurring items totaled SEK –2,558 million (–2,675, including –609 within financial items) mainly attributable to restructuring costs in Sweden.

EBITDA margin (excluding non-recurring items) decreased to 33.6 percent (36.9) mainly due to the decline in earnings in Finland and Sweden.

Financial items improved to SEK –530 million (–1,345), of which non-recurring items were SEK 0 million (–609).

Tax expenses totaled SEK 3,325 (3,184). The effective tax rate increased only slightly to 19.5 percent (18.2).

Net income attributable to shareholders of the parent company decreased to SEK 11,697 million (12,964) and earnings per share were SEK 2.56 (2.77).

Cash flows and balance sheet

CAPEX increased to SEK 11,583 million (10,331) mainly due to investments in the mobile network in Eurasia, Denmark and the Baltics and also due to the consolidation of Eesti Telekom.

Free cash flow increased to SEK 15,594 million (14,118). Lower tax payments and positive changes in working capital had a stronger effect than lower EBITDA and higher CAPEX. Utilization of restructuring provisions affected cash flow negatively by SEK 747 million (674).

Divestitures and acquisitions caused a net cash outflow of SEK 116 million, the repurchase of shares a cash outflow of SEK 10,218 million, the ordinary dividend a cash outflow of SEK 5,610 million and the net effect of dividends paid to minority shareholders of subsidiaries, changes in financial receivables, etc., a cash outflow of SEK 961 million.

Net debt increased from SEK 7,062 million to SEK 8,373 million.

The equity/assets ratio decreased from 63.8 percent to 58.9 percent in 2005.

Non-recurring items

The following table presents non-recurring items for 2005 and 2004:

SEK in millions	2005	2004
Within EBITDA	**–1,903**	**645**
Restructuring charges, synergy implementation costs, etc.:		
Sweden	–2,104	–96
Finland	–111	–35
Denmark	62	–142
International Carrier	216	50
Other	–27	0
Certain pension-related items:		
Sweden	–	741
Impairment losses:		
International Carrier	–	–394
Capital gains:		
Telia Finans, Sonera Zed	61	521
Within Depreciation, amortization and impairment losses	**–636**	**–3,694**
Impairment losses, accelerated depreciation:		
Sweden	–405	–
Norway	–121	–92
Denmark	40	–497
Estonia	–	–104
International Carrier	–150	–3,001
Within Income from associates	**–19**	**983**
Capital gains/losses, provisions and other		
Telefos	–	983
Infonet Services	–19	–
Within Financial net	**–**	**–609**
Impairment losses, provisions:		
Xfera (3G Spain)	–	–609
Total	**–2,558**	**–2,675**

The restructuring and streamlining programs have led to significant implementation costs and provisions in 2004 and 2005, mainly related to a SEK 0.6 billion restructuring charge in 2004 to integrate the Danish mobile operations with Orange Denmark operations which were acquired in 2004, and a SEK 2.6 billion restructuring charge in 2005 for redundancies and other streamlining in Sweden and Finland. For a detailed discussion of each of these restructuring and streamlining efforts, see Note 32 to the consolidated financial statements.

In 2004, TeliaSonera also recorded a SEK 3.3 billion impairment loss on the International Carrier operations. For a detailed discussion of this and other impairment losses, see Notes 11 and 12 to the consolidated financial statements.

Review of the Profit Centers

Strong customer intake and volume growth in mobile and broadband maintained Telia's leading market position in Sweden

- The launch of new, attractive offers helped Telia maintain its leading position on the Swedish market in 2005 despite intensive competition and regulatory constraints.

Mobile communications

- Strong volume growth, of which outgoing traffic increased 17 percent, and efficiency effects maintained net sales and earnings year on year despite substantially lower price levels.
- The number of customers increased by 144,000, mainly through Halebop, and traffic volume per customer and month rose 6 percent. Usage of mobile data services increased significantly during the year but from relatively low levels.

SEK in millions, except margins, ARPU and number of customers	2005	2004
Net sales	38,960	40,448
EBITDA excl. non-recurring items	15,255	16,730
Margin (%)	39.2	41.4
Operating income	8,359	12,696
Operating income excl. non-recurring items	10,869	12,051
Mobile communications		
Net sales	12,104	12,059
EBITDA excl. non-recurring items	5,081	5,129
Margin (%)	42.0	42.5
CAPEX	787	615
ARPU (SEK)	213	227
Number of customers, end of period (thousands)	4,387	4,243
Fixed communications		
Net sales	26,856	28,389
EBITDA excl. non-recurring items	10,174	11,601
Margin (%)	37.9	40.9
CAPEX	3,280	3,334
Number of customers, end of period (thousands):		
Retail excl. broadband	5,758	6,932
Broadband	717	533
Wholesale PSTN subscriptions	858	8
Wholesale copper access, LLUB	374	210

- Higher CAPEX due to expanded capacity, investments in EDGE and roll-out of the GSM network with the goal of extending the geographic coverage from 70 percent to 90 percent. The associated company Svenska UMTS-nät AB has invested SEK 3.5 billion in the 3G infrastructure in Sweden by the end of fourth quarter. Magazine Mobil's tests show that Telia has the best coverage and the most consistent quality. This applies to normal voice calls and video calls as well as other mobile data services.

Fixed communications

- The migration from fixed to mobile and IP based services continued. In 2005, the total the number of fixed voice callers (PSTN) in the Swedish market decreased by more than 3 percent, corresponding to a decrease of approximately 180,000 callers. However, the reduction for callers with Telia was less than 2 percent or 61,000.
- During the year, 850,000 retail subscriptions were transformed into wholesale subscriptions, of which 85,000 in the fourth quarter. The major part is related to customers that already had their voice traffic subscriptions with other operators.
- Together with lower price levels, this caused net sales for fixed communications to fall 5 percent despite continued strong growth within broadband.
- The number of broadband customers climbed by 184,000 to 717,000.
- Decreased sales and increased costs by SEK 400 million from storm damages in January 2005 weakened the EBITDA margin despite positive effects from the ongoing restructuring. The storm also resulted in approximately SEK 100 million in re-investments and impairment losses from the network during the year.

New services and offers

- A large number of new services were launched, including SurfPort (Portal for mobile content services), IP-TV (Digital TV over broadband), Mobile TV, e-mail on the mobile and DataNet (IP-VPN services based on the latest technology).
- To stimulate the use of mobile, fixed and broadband services and to promote customer loyalty, a wide range of price plans and combination offers were introduced.
- Telia strengthened its position within managed services and IP-VPN services and a number of major customer agreements were signed.
- For the delivery of a platform for voice over IP, an agreement was signed with the City of Malmö.

Restructuring progressing according to plan

- The restructuring program in Sweden is expected to reduce annual costs by SEK 4–5 billion as of 2008. The changes are expected to result in a reduction of approximately 3,000 employees. The restructuring cost is estimated at around SEK 5 billion to be reported as non-recurring.
- The program is proceeding as planned. At year-end, 802 employees had accepted the early retirement offer and 560 employees were transferred to the redeployment unit. The number of hired personnel decreased by 400. In total, employees and hired personnel in the operative units decreased by 15 percent during 2005.
- The effects of cost savings in 2005 are estimated to be approximately SEK 800 million, of which about SEK 400 million in the fourth quarter. The measures that were taken during the year are estimated to give an annual savings effect of SEK 1.6 billion as of 2006.
- Non-recurring items for the restructuring totaled SEK 2,509 million, of which redundancy provisions were SEK 1,837 million and SEK 672 million were impairment charges for the network and costs for surplus office space.

Turnaround program launched to restore profitability in Finland. Highest number of mobile customers since introduction of number portability

- The mobile market in Finland was characterized by aggressive competition, which resulted in substantially reduced price levels and high churn. TeliaSonera Finland maintained its position in the very turbulent market but at the cost of a sharp fall in earnings.
- At the end of the year, focus was moved from market share and price to customer loyalty, quality and services.
- In order to restore profitability, a turnaround program has been launched in Finland.

Mobile communications

- TeliaSonera regained customers during the year through a renewal of the service portfolio and the introduction of attractive loyalty programs as well as the acquisition of ACN customers earlier in the year. The number of end customers increased by 210,000 to 2,507,000 and is for the first time higher than before the introduction of number portability in 2003.

SEK in millions, except margins, ARPU and number of customers	2005	2004
Net sales	16,308	18,267
EBITDA excl. non-recurring items	3,618	6,663
Margin (%)	22.2	36.5
Operating income	321	3,278
Operating income excl. non-recurring items	432	3,313
Mobile communications		
Net sales	9,993	11,937
EBITDA excl. non-recurring items	1,985	5,068
Margin (%)	19.9	42.5
CAPEX	763	1,056
ARPU (EUR)	30.1	37.5
Number of customers, end of period (thousands)	2,507	2,297
Fixed communications		
Net sales	6,315	6,330
EBITDA excl. non-recurring items	1,633	1,595
Margin (%)	25.9	25.2
CAPEX	1,151	1,319
Number of customers, end of period (thousands)	1,073	1,096

- Customer growth and increased usage per customer was not enough to outweigh the negative effects of lower price levels, Saunalahti's withdrawal from Sonera's network and the new fixed-to-mobile pricing regime. Net sales fell 18 percent in local currency.
- Lower price levels and falling wholesales strongly affected EBITDA and the EBITDA margin. Cost for the compensation for historical interconnect fees (SEK 388 million) and costs for the takeover of mobile customers from the service provider ACN also burdened earnings. The turbulent market conditions and high churn brought significantly higher costs for sales year on year.
- Compensation from Saunalahti for early termination of the MVNO agreement totaled SEK 101 million, which had a positive effect on EBITDA.
- Decreased CAPEX due to increased purchasing efficiency and more focused investments.
- Legislation opening for subsidies for 3G mobile terminals was passed on January 20, 2006. Subsidizing is allowed from April 1, 2006.

Fixed communications

- Strong broadband growth and increased wholesales compensated for most of the decline in fixed voice. In local currency, net sales decreased 2 percent.
- The number of broadband customers increased by 107,000 to 350,000.
- The streamlining measures that were initiated began to yield results, which improved earnings.
- Improved network capacity usage in broadband lowered CAPEX.

New services and offers

- A number of new services and price plans were launched, including SurfPort, DataNet, the high-speed data service Connect, broadband services for 12 Mbps and 24 Mbps and home video-on-demand. Sonera piloted the interactive Visual Radio service and participated in one of the first mobile TV pilots in the world, based on DVB-H standard.
- To award long-time customers who use Sonera for mobile and broadband services, the loyalty program Sonera Etu was launched.
- Several large pan-Nordic and domestic customer agreements for voice and managed services were signed.
- Agreements for broadband delivery were signed with several additional municipalities.

Turnaround program launched

- Streamlining efforts initiated in 2005 are expected to lower annual costs by SEK 1 billion as of 2006.
- In 2005 cost savings totaled about SEK 250 million of which all in the fourth quarter. Implementation costs were SEK 111 million, reported as non-recurring items.
- Late in the year, additional initiatives were taken in Finland and a turnaround program was launched to ensure future growth and restore profitability. A new business organization was introduced. The program accelerates the focusing of the service portfolio and the migration to the IP based network technology through investments in infrastructure and services. At the same time, additional efficiency measures were implemented to achieve competitive cost levels in the operations.
- The program is estimated to result in an additional annual cost reduction of SEK 2 billion as of 2008. The implementation costs are estimated to reach SEK 1–1.5 billion and CAPEX is estimated to be about SEK 0.5 billion.

Improved profitability and market position in Norway

- The acquisition of the mobile service provider Chess was concluded in the fourth quarter after approval from competition authorities. TeliaSonera now owns 100 percent of the company. The acquisition has provided 390,000 additional customers and strengthened TeliaSonera's number two position on the Norwegian mobile market. Chess will continue to function under its own brand name and will primarily concentrate on the consumer segment.

- Increased usage per customer, the acquisition of Chess (consolidated as of November 7) and exchange rate effects improved sales and earnings year on year. In local currency, sales increased 12 percent.
- NetCom's enhanced focus on the business segment was successful and during the year the number of postpaid customers increased by 9 percent. Mandatory registration of prepaid card customers caused, however, NetCom's total customer base to decrease somewhat year on year.
- Investments in 3G and EDGE and the extension of the GSM 900 license for another twelve years increased CAPEX.
- During the year, NetCom opened its 3G network for commercial use, first for high speed data mobile services and later for voice services.

SEK in millions, except margins, ARPU and number of customers	2005	2004
Mobile communications		
Net sales	7,481	6,299
EBITDA excl. non-recurring items	2,614	2,059
Margin (%)	34.9	32.7
Operating income	1,682	1,183
Operating income excl. non-recurring items	1,803	1,275
CAPEX	876	866
ARPU (NOK)*	338	339
Number of customers, end of period (thousands)	1,651	1,308

* Refers to NetCom

- A number of new services were launched, including SurfPort and Connect. For families with a maximum of six users, Wireless Family was introduced, offering free domestic calls within the user group. A similar service for business customers was also launched.
- In the fourth quarter, NetCom launched an efficiency program and a new organization, which will reduce the number of employees by 78. The annual cost savings are estimated at approximately SEK 60 million as of 2006. A provision for redundancy of SEK 42 million was made in the fourth quarter (not reported as a non-recurring item). Cost savings for 2005 were marginal.
- The Norwegian regulatory authority decided in 2005 to reduce mobile interconnect fees for NetCom and Telenor. NetCom appealed the decision and the implementation of the new fees was put on hold.

Integration successfully completed – improved market position in Denmark

- The acquisition of Orange (consolidated as of October 11, 2004) and good organic growth in all operations improved sales and earnings year on year. The integration of Telia and Orange is completed and Telia now operates one network and one service portfolio. The acquisition has substantially strengthened Telia's position on the Danish mobile market.
- To further improve efficiency in the Danish operations, the mobile operations Telia Mobile and the fixed network operations Telia Networks are being integrated. The integration will decrease annual costs by approximately SEK 110 million as of 2006 and reduce the number of full-time positions by approximately 110. The implementation cost is estimated at approximately SEK 106 million, of which a provision of SEK 54 million was made in the fourth quarter (reported as a non-recurring item).

Mobile communications

- Net sales increased by almost 100 percent, of which 16 percent was organic growth. Strong new customer intake in the fourth quarter. Focus throughout the year was on postpaid customers and the share of postpaid customers increased. The total numbers of customers increased by 39,000, whereas post-paid customers increased by 82,000 during the year.
- The test and evaluation of an UMA (Unlicensed Mobile Access) based IP mobile service was carried out during the year and the plan is to launch UMA based services in 2006. The service makes it possible to use the mobile phone over broadband at home.
- SurfPort and a high-speed mobile data service based on GPRS/EDGE were introduced on the market.

SEK in millions, except margins, ARPU and number of customers	2005	2004
Net sales	7,178	4,495
EBITDA excl. non-recurring items	817	414
Margin (%)	11.4	9.2
Operating income	–174	–909
Operating income excl. non-recurring items	–277	–270
Mobile communications		
Net sales	4,965	2,491
EBITDA excl. non-recurring items	391	50
Margin (%)	7.9	2.0
CAPEX	682	312
ARPU (DKK)	247	256
Number of customers, end of period (thousands)	1,154	1,115
Fixed communications		
Net sales	2,213	2,004
EBITDA excl. non-recurring items	426	364
Margin (%)	19.2	18.2
CAPEX	151	173
Number of customers, end of period (thousands)	550	539

- CAPEX increased due to the integration of the two mobile networks, increased geographical extension and roll-out of EDGE functionality.
- The Danish regulatory authority, has decided to reduce the mobile interconnect fees for TDC, Sonofon and Telia. The price reduction will be carried out in three steps starting May 1, 2006. The annual negative impact on earnings is estimated at SEK 60 million per step. Telia is considering to appeal the decision.

Fixed communications

- Net sales and earnings improved due to increased demand for wholesale services, IP-VPN services and broadband. The launch of DataNet has strengthened Telia's competitiveness on the business market and a number of contracts were signed.
- To strengthen its competitiveness on the Danish broadband market, Telia introduced ADSL in major cities.
- Flat rate offerings were launched for both domestic and international voice. Voice over IP was introduced for business customers.

Turnaround in fixed communications and continued mobile growth in the Baltic operations

- Positive development in all operations and increased ownership to over 50 percent in the mobile operator EMT and the fixed network operator Elion in Estonia at the end of 2004 had a positive effect on sales and earnings in the Baltic region year on year.

Mobile communications

- Net sales improved due to strong customer growth in all three operations and the consolidation of EMT despite lower price levels in all Baltic markets. The number of mobile customers increased by 719,000 year on year. Customer growth was strongest in Lithuania, where the customer base increased by 551,000 customers.

- Increased customer acquisition costs decreased EBITDA margin in Latvia and Lithuania. In Estonia, the margin has slightly decreased year on year.
- Increased CAPEX due to the consolidation of EMT, investments in EDGE and capacity expansion in the GSM networks in all countries.
- The mobile operators have worked actively with customer segmentation and launched attractive offers directed to, among others, students, first graders and parents. In Lithuania, an electronic signature was launched allowing mobile telephones to be used for bank transactions.
- SurfPort was launched in Lithuania and the portal was upgraded with a number of new services, including Mobile TV, which resulted in a strong increase in mobile data traffic. Mobile TV was also launched in Latvia.
- The 3G network was commercially launched in Estonia and Latvia.

SEK in millions, except margins and number of customers	2005	2004
Net sales	9,293	5,868
EBITDA excl. non-recurring items	4,255	2,795
Margin (%)	45.8	47.6
Income from associated companies	220	494
Operating income	2,303	1,799
Operating income excl. non-recurring items	2,303	1,903
Mobile communications		
Net sales	6,380	4,183
of which Lithuania	2,302	2,134
of which Latvia	2,252	2,049
of which Estonia	1,826	–
EBITDA excl. non-recurring items	2,799	1,973
Margin (%), Lithuania	40.1	42.8
Margin (%), Latvia	49.4	51.7
Margin (%), Estonia	41.8	–
CAPEX	667	520
Number of customers, end of period (thousands)	3,301	2,582
Fixed communications		
Net sales	3,500	1,906
of which Lithuania	1,970	1,906
of which Estonia	1,530	–
EBITDA excl. non-recurring items	1,473	887
Margin (%), Lithuania	48.3	46.5
Margin (%), Estonia	34.1	–
CAPEX	418	197
Number of customers, end of period (thousands)		
in subsidiaries	1,433	1,430
in associated companies	692	670

Fixed communications

- The development within fixed communications has been very good despite strong competition from the mobile sector.
- Through efficiency measures and the development of new offerings within the growth areas Internet, broadband and data communications, the fixed network operator Lietuvos Telekomas in Lithuania has successfully reversed a previously negative trend and shows improvements in sales, earnings and the margin year on year.
- Lietuvos Telekomas launched VPN Access over the Internet and high speed wireless Internet access in hot spot areas in major cities.
- In Elion (Estonia), net sales decreased slightly primarily due to the divestiture of a non-core construction and maintenance company at the end of 2004. The EBITDA margin improved due to cost efficiency measures.
- Elion introduced Digital TV in selected residential areas, which means that the company can offer triple play; voice, TV and Internet access over a single connection. Elion also launched high speed wireless Internet access in hot spot areas in major cities.
- During the year, the total number of broadband customers in Lietuvos Telekomas and Elion increased by 85,000 to 212,000 while the fixed voice customer base decreased by 59,000 to 1,186,000.
- Increased CAPEX due to the consolidation of Elion.
- In order to strengthen their positions in systems integration and managed services, the fixed network operators acquired a 96 percent stake in MicroLink, the leading Baltic IT service group.
- In the associated company Lattelekom (Latvia), sales were at the same level as in 2004 while operating income decreased somewhat. TeliaSonera's income from Lattelekom was SEK 220 million (219).
- The Latvian government decided in July 2005 to look into the possibility of selling its stakes in LMT and in Lattelekom. TeliaSonera is interested in increasing its ownership in the companies and has started discussions with the government. TeliaSonera owns, directly and indirectly, 60.3 percent of LMT and 49 percent of Lattelekom.

International Mobile close to 30 percent of Group operating income

- The majority-owned operations in Eurasia, Fintur (74 percent holding) and the associated companies MegaFon in Russia and Turkcell in Turkey reported continued strong development, which led to the strong improvement of operating income in International Mobile. In 2005, International Mobile contributed close to 30 percent of Group operating income.
- The International Mobile operations, especially in Eurasia and Russia, are in a build-up phase with network rollout and introduction of new services. Due to the companies' strong earnings trend, the expansion has largely been financed with own funds, resulting in a strong financial position.

SEK in millions, except margins and number of customers	2005	2004
Net sales	6,367	4,084
of which Kazakhstan	3,509	2,119
of which Azerbaijan	1,902	1,324
of which Georgia	719	470
of which Moldova	243	175
EBITDA excl. non-recurring items	3,519	2,322
Margin (%), total	55.3	56.9
Margin (%), Kazakhstan	55.8	58.4
Margin (%), Azerbaijan	63.2	60.3
Margin (%), Georgia	46.6	38.5
Margin (%), Moldova	52.3	58.9
Income from associated companies	2,937	1,625
of which Russia	1,176	653
of which Turkey	1,761	972
Operating income	5,692	3,429
Operating income excl. non-recurring items	5,692	3,429
CAPEX	2,449	1,710
Number of customers, end of period (thousands)		
Eurasia	6,146	3,866
Russia	22,836	13,648
Turkey	26,700	22,300

Eurasia

- Continued strong sales and earnings growth year on year.
- Net sales climbed 55.9 percent due to strong customer growth. In local currency, the increase was 49 percent.
- During the year, the Eurasian operators developed a shared model for efficient market segmentation that forms a basis for all market communication, development of services and new offers.
- The number of customers climbed by 2.3 million to 6.1 million. At year-end, K'Cell (Kazakhstan) had 3.3 million customers, Azercell (Azerbaijan) 1.7 million, Geocell (Georgia) 0.7 million and Moldcell (Moldova) 0.4 million.
- The average penetration in Eurasia reached 29.8 percent compared to 18.2 percent in 2004.
- Increased CAPEX due to network roll out, mainly in Kazakhstan and Azerbaijan.

Russia

- MegaFon (associated company, 43.8 percent holding) showed strong sales and earnings growth and TeliaSonera's income from Russia is estimated to SEK 1,176 million (653), an increase by 80 percent year on year.
- The company's customer base increased by 9.2 million to 22.8 million. Growth was strongest in the regions outside Moscow and St. Petersburg, where the number of customers increased by 7.4 million to 16.8 million.
- MegaFon maintained its overall Russian market share of customers at 18 percent but strengthened its position in revenue terms during the year. In Moscow, the company improved its market share of customers from 11 percent to 14 percent.
- During the year, MegaFon launched mobile services in six additional regions and now operates in 76 of Russia's 88 federal regions. MegaFon has licenses for all of the regions, which include 143 million inhabitants.
- In 2005, the total Russian mobile market grew by 52 million to 126 million customers. Mobile penetration exceeded 100 percent in Moscow and St. Petersburg, while the average penetration in the regions outside the two largest cities was around 78 percent.

Turkey

- Turkcell (associated company – 37.3 percent holding, reported with a one-quarter lag) showed a considerable improvement in both sales and earnings, which, despite negative effects from fluctuations in exchange rates and inflation adjustments, increased TeliaSonera's income from SEK 972 million to SEK 1,761 million year on year. The comparable year was negatively affected by provisions in Turkcell.
- Strong network coverage and investments in EDGE technology enabled Turkcell to offer high speed, value added services throughout Turkey, which combined with campaigns and new price options and a segment-based approach has given Turkcell a very strong position on the market.
- The number of customers increased by 4.4 million to 26.7 million year on year. Turkcell maintained its leading position with a market share of approximately 65 percent.
- The Turkish mobile market has undergone a period of very strong growth, with a penetration rate approaching 60 percent. Competition is expected to increase in 2006 due to the new ownership structures of two major competitors.
- During the year, Turkcell successfully launched mobile operations in Ukraine. The network roll-out has been very fast and the customer base is already more than 1.2 million.
- In March 2005, TeliaSonera entered into an agreement with the Turkish Cukurova Group on the sale of Cukurova's 27 percent interest in Turkcell for cash consideration of USD 3.1 billion. Cukurova has since then failed to fulfill its responsibilities as per the agreement. TeliaSonera considers Cukurova to be bound by the agreement and believes that the interests in Turkcell should be transferred to TeliaSonera.
- TeliaSonera has therefore initiated arbitration proceedings in Geneva concerning Cukurova's breach of the agreement and arbitration proceedings in Vienna concerning Cukurova's breach of commitments in the Shareholders' Agreement between TeliaSonera and Cukurova.

Other operations*)

- In TeliaSonera Holding, net sales decreased due to divestitures. EBITDA increased to SEK 48 million (–5) year on year.
- During 2005, an additional 16 shareholdings were divested generating a net capital gain of SEK 293 million (of which SEK –20 million was reported as non-recurring items and SEK 131 million was reported in the financial items) and a cash inflow of SEK 1,632 million.
- Operating income excluding non-recurring items declined to SEK 124 million (374), partly attributable to the downward adjustment of TeliaSonera's holdings in Telefos by SEK 110 million. Capital gains affected by SEK 182 million (185).
- As of July 1, 2005, the role of TeliaSonera International Carrier was redefined as a common operations unit supporting TeliaSonera's business in the Nordic and Baltic home markets. While all net sales from international carrier activities continue to be reported under Other operations, the results from activities that support the home markets are allocated back to the profit centers. The remaining amount, which represents the profitability of the capacity network outside the home markets, continues to be reported under Other operations.

SEK in millions	2005	2004
Net sales	4,922	5,422
of which International Carrier	4,139	3,952
EBITDA excl. non-recurring items	102	162
of which International Carrier	54	167
Income from associated companies	84	1,413
Operating income	130	–1,764
Operating income excl. non-recurring items	23	78
CAPEX	233	212

*) Include TeliaSonera Holding and TeliaSonera International Carrier

- In International Carrier net sales increased due to higher demand for voice services, but earnings were negatively impacted mainly due to strong price pressure on IP traffic and capacity as well as the allocation back to profit centers.

Liquidity and Capital Resources

Cash Flows

SEK in millions	2005	2004
Cash from operating activities	26,990	24,403
Cash used in capital expenditure	–11,396	–10,285
Free cash flow	*15,594*	*14,118*
Cash used in/from other investing activities	–840	2,294
Cash flow before financing activities	14,754	16,412
Cash used in financing activities	–15,653	–11,102
Cash and cash equivalents, opening balance	17,245	12,069
Net cash flow for the period	–899	5,310
Exchange rate difference in cash and cash equivalents	488	–134
Cash and cash equivalents, closing balance	16,834	17,245

Cash flow from operating activities increased in 2005, mainly due to lower tax payments than in 2004, a positive change in working capital compared to a negative change in 2004, and the consolidation of Eesti Telekom.

Cash used in capital expenditure increased in 2005, mainly due to investments in the mobile network in Eurasia, Denmark and the Baltics, and also due to the consolidation of Eesti Telekom.

Free cash flow (cash flow from operating activities less capital expenditure) increased in 2005 due to higher cash flow from operating activities, partly offset by higher capital expenditures.

Net cash was used in other investing activities in 2005, due to the cash payment for the Chess acquisition exceeding the effects from asset sales during the year.

Net cash used in financing activities increased in 2005, due to higher dividends paid and the SEK 10.2 billion repurchase of shares in 2005, partly offset by net borrowings of new loans as compared to net repayment of loans in 2004.

Acquisitions, Investments and Divestitures

TeliaSonera has made a number of significant acquisitions and divestitures since the beginning of 2004.

- In March 2004, TeliaSonera sold its Telia Finans AB leasing portfolio and operations to De Lage Landen International B.V. for approximately SEK 6.2 billion, and recorded a gain of SEK 0.4 billion from the sale.
- In October 2004, TeliaSonera acquired France Telecom's Danish subsidiary, the mobile operator Orange A/S, for a purchase price of EUR 606 million.
- In February 2005, TeliaSonera sold its 20 percent holding in Infonet Services Corporation to British Telecom for SEK 1.3 billion, and recorded a capital loss of approximately SEK 20 million on the sale. TeliaSonera had in 2003 recorded a SEK 1.0 billion impairment loss on its investment in Infonet.
- On November 7, 2005, TeliaSonera acquired 91.2 percent of the mobile service operator Vollvik Gruppen AS in Norway, subsequently renamed TeliaSonera Chess Holding AS. After making a voluntary offer for the remaining shares, TeliaSonera owned all but a small fraction of the shares at December 31, 2005. TeliaSonera paid SEK 2.0 billion as purchase consideration and expects to pay an additional purchase consideration of SEK 0.2 billion, subject to certain conditions.

Credit Facilities

TeliaSonera believes that its bank credit facilities and open-market financing programs are sufficient for the present liquidity requirements. TeliaSonera's cash and short-term investments totaled SEK 18.4 billion as of December 31, 2005. In addition, the aggregate principal unutilized amount available under the committed credit facilities amounted to SEK 10.3 billion as of December 31, 2005.

TeliaSonera currently has a credit rating from Moody's Investors Service of A2 for long-term borrowing and Prime-1 for short-term borrowing. From Standard & Poor's Ratings Services TeliaSonera has a rating of A- for long-term borrowing and A2 for short-term borrowing.

TeliaSonera generally seeks to arrange its financing through the parent company TeliaSonera AB. The primary means of external borrowing are described in Note 22 "Financial Instruments and Financial Risk Management" under subsections "Liquidity and bank credit facilities" and "Open-market financing programs".

Contractual Obligations

The table below sets forth certain information on TeliaSonera's contractual obligations as of December 31, 2005, including scheduled payment dates:

SEK in millions	Total amount outstanding	Within 1 year	More than 1 year but within 3 years	More than 3 year but within 5 years	After 5 years
Long term loans	20,520	–	1,789	3,409	15,322
Short term loans[1]	6,215	6,215	–	–	–
Operating leases	9,817	1,876	2,602	1,790	3,549
Financial leases	390	181	192	14	3
License fees	456	73	141	157	85
Unconditional purchase obligations	2,088	513	452	452	671
Other contractual obligations	4,704	2,944	1,528	38	194
Total contractual obligations	44,190	11,802	6,704	5,860	19,824

1) Including short-term portion of long-term loans.

See Notes 22, 25, 27 and 28 to the consolidated financial statements for more details.

The table below sets forth certain information on TeliaSonera's other commercial commitments as of December 31, 2005:

SEK in millions	Total amount committed	Within 1 year	More than 1 year but within 3 years	More than 3 year but within 5 years	After 5 years
Credit and performance guarantees[1]	2,581	451	1,922	1	207

1) Guarantees, for which we have recorded a provision, are not included in the table.

See Note 28 to the consolidated financial statements for more details.

Financial Risk Management

TeliaSonera's financial policy contains guidelines for interest rates and the average maturity of borrowings. TeliaSonera's current policy is that the duration of interest bearing loans should be from six months to four years. Management arrived at this duration interval by balancing the estimated running cost of borrowing and the risk of a significant negative impact on earnings should there be a sudden, major change in interest rates. TeliaSonera's basic goal is to optimize interest rate risk for the TeliaSonera group as a whole. TeliaSonera uses Swedish krona as its accounting currency. TeliaSonera's borrowings are therefore normally swapped into or denominated in Swedish krona, unless directly linked to international operations. If the available loan form does not directly reflect the desired loan portfolio structure, in terms of interest or currency, various forms of derivative instruments are used to adapt the structure in terms of duration and currency. This adaptation is achieved chiefly through interest rate swaps and foreign currency interest rate swaps. Foreign currency interest rate swaps, normally, relate to loans denominated in foreign currencies that are swapped into Swedish krona, and thus do not entail any currency risk.

TeliaSonera typically uses its open-market financing programs for the financing needs.

See Note 22 to the consolidated financial statements "Financial Instruments and Financial Risk Management" under subsection "Foreign exposure/Foreign exchange derivatives" for further reference regarding TeliaSonera's portfolio of foreign currency interest rate swaps and our portfolio of foreign exchange derivatives hedging loans, investments and operational transaction exposure, as of December 31, 2005.

TeliaSonera's operational currency ***transaction exposure*** is not significant at present, but it is expected to increase over time. Assuming an operational transaction exposure equivalent to that for the applicable year and provided that no hedging measures were taken and not including any potential impact on income due to currency translation of other income statement items, the negative impact on pre-tax income would have been approximately SEK 13 million for the year 2005 and SEK 17 million for the year 2004 on a full-year basis if the Swedish krona weakened by one percentage point against all the transaction currencies, provided that no hedging measures were taken and excluding any potential impact on income due to currency translation of other income statement items. Applying the same assumptions, the positive impact on income would have been approximately SEK 17 million for both 2005 and 2004 on a full-year basis, should the euro have weakened by one percentage point against all of the transaction currencies.

TeliaSonera's ***conversion exposure*** is expected to continue to grow due to the ongoing expansion of business operations outside Sweden. Any loss in value of currencies of such areas against the Swedish krona will have a negative impact on the shareholders' equity in TeliaSonera's Swedish krona-denominated financial statements. TeliaSonera does not typically hedge its conversion exposure, unless the exposure is short-term and relates to a large amount of a freely convertible foreign currency of a country with smoothly functioning financial markets.

As of December 31, 2005, the conversion exposure amounted to approximately SEK 143 billion (and as of December 31, 2004 to approximately SEK 123.5 billion). As of December 31, 2005, TeliaSonera did not hedge its conversion exposure. The negative or positive impact on the TeliaSonera group's equity would have been approximately SEK 1.4 billion as of December 31, 2005, and approximately SEK 1.2 billion as of December 31, 2004, if the Swedish krona had strengthened or weakened, respectively, by one percentage point against all currencies in which TeliaSonera has conversion exposure. This impact on the TeliaSonera group's equity does not include any potential positive or negative impact, respectively, due to the operational need to net purchase foreign currency.

The ***credit risk*** with respect to TeliaSonera's trade receivables is diversified among a large number of customers, both private individuals and companies in various industries. Solvency information is required for credit sales to minimize the risk of unnecessary bad debt expense and is based on group internal information on payment behavior and, if necessary, credit and business information derived from external sources. Bad debt expense in relation to consolidated revenues was 0.3 percent, 0.3 percent and 0.7 percent in 2005, 2004 and 2003, respectively.

As of December 31, 2005, TeliaSonera had ***pension obligations*** with a net present value of SEK 22,036 million. To secure these obligations TeliaSonera maintains pension funds, with plan assets equivalent to SEK 18,480 million based on market values as of December 31, 2005. The pension funds assets are used as the primary funding source for the pension obligations, and at the end of 2005, these assets consisted of approximately 61 percent of fixed income instruments and approximately 39 percent of shares and other investments. The expected return on plan assets is approximately 4.3 percent annually.

The pension obligations would have been SEK 3,200 million higher if the weighted average discount rate had been one percentage point lower than the 3.5 percent that was used as of December 31, 2005. Such an increase in the pension obligations, were interest rates to fall, would be partly offset by a positive impact from the fixed income assets in the pension funds. Based on the duration of the pension funds' fixed income portfolios (including index linked bonds) as of December 31, 2005, and assuming that the value of the other assets in the pension funds were unchanged, a similar reduction in interest rates is estimated to increase the value of the pension funds' assets by some SEK 1,000 million.

Other Risks and Uncertainties

TeliaSonera operates in a broad range of geographic product and service markets in the highly competitive and regulated telecommunications industry. As a result, TeliaSonera is subject to a variety of risks and uncertainties. Refer to "Risk Factors" for a description of some of the factors that may affect TeliaSonera's business, financial condition and results of operations.

Critical Accounting Policies, Estimates and Assumptions

The preparation of financial statements requires management and the Board of Directors to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These estimates are based on historical experience and various other assumptions that management and the Board believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, significantly impacting our earnings and financial position.

Management believes that the following significant accounting policies comprise its most critical estimates and assumptions used in the preparation of the financial statements:

- revenue recognition,
- income taxes,
- valuation of intangible and other non-current assets,
- collecting trade receivables,
- provisions for pensions,
- restructuring activities, and
- contingent liabilities and litigation,

all of which are discussed and separately marked in the respective sections of Note 4 to the consolidated financial statements.

Legal and Regulatory Proceedings

TeliaSonera is involved in a number of legal proceedings in the ordinary course of its business. These proceedings primarily involve claims arising out of commercial law issues and regulatory matters. TeliaSonera is also involved in administrative proceedings relating principally to telecommunications regulations, competition law and consumer protection issues. In particular, TeliaSonera is involved in numerous proceedings related to interconnection fees, which affects future revenues. Except for the proceedings described below, TeliaSonera or its subsidiaries are not involved in any legal, arbitration or regulatory proceedings which management believes could have a material adverse effect on TeliaSonera's business, financial condition or results of operations.

The following is a brief summary of certain regulatory proceedings to which TeliaSonera or one of its subsidiaries is a party:

- The administrative courts in Sweden have ruled that Telia shall reimburse Tele2 for all traffic transferred by Telia to Tele2's mobile network, while Telia is entitled to be reimbursed by the originating operators who have transferred traffic on Telia's network. In connection with the proceedings above, Tele2 brought an action in the Swedish civil courts against Telia claiming SEK 1,000 million and accrued interest for interconnection fees for the period September 1998 June 2004. The action has been stayed pending the administrative procedures. Presently the level of the interconnection fee is still pending in the county administrative court. TeliaSonera has made provisions with an amount management believes to be sufficient.

- Telia is in disputes with Tele2 and Vodafone in Sweden regarding the level of interconnection fees for calls terminated in their respective mobile networks. The NPTA has decided that Tele2 and Vodafone were entitled to charge Telia approximately SEK 0.97 per minute until July 5, 2004 and thereafter SEK 0.80 per minute. Tele2 and Vodafone claim that the interconnection fees should be approximately SEK 1.40 per minute, while Telia claims that the fees should be substantially lower than the NPTA has decided. The issues are presently pending in the courts.
- During the second half of 2001, a number of operators filed complaints against Telia with the Swedish Competition Authority and the Swedish Competition Authority initiated an investigation regarding Telia's pricing of ADSL services. The complaints suggest that the difference between Telia's wholesale prices and retail prices is too low to effectively enable competition in the retail market. In December 2004 the Competition Authority sued Telia at the Stockholm District Court claiming that Telia has abused its dominant position. The Authority demands a fee of SEK 144 million. Telia's position is that it has not engaged in any prohibited pricing activities. Following the Competition Authority's lawsuit, Tele2 has on April 1, 2005 claimed damages from Telia due to the alleged abuse of dominant position. Telia will vigorously contest Tele2's claim.

The following is a brief summary of certain legal proceedings to which TeliaSonera or one of its subsidiaries is a party:

- TeliaSonera is currently involved in litigations with former shareholders of the Brazilian mobile operator Tess relating to such shareholders' disposal of their investment in Tess as well as certain call options and subscription rights in Tess. The litigations, which were initiated in 1998, are still in the procedural stage.
- Companies within the Alfa Group have sued the parties to the MegaFon shareholders' agreement in the Court of Khanty-Mansi Autonomous Area and asked the Court to declare most of the shareholders agreement, including for example, sections regarding board representation for TeliaSonera null and void. In its ruling in December 2004, the Court declared the relevant sections null and void. TeliaSonera and other shareholders have appealed this decision. The Alfa Group is also contesting the validity of the shareholders' agreement in an arbitration proceeding in Stockholm, Sweden.

Research and Development

In a changing business environment, the role of research and development is very important. In order to create sustainable growth, a strategic renewal of TeliaSonera's research and development has been initiated. TeliaSonera aims to have cost-efficient innovative service development by establishing partnerships with key external competences and resources across the globe as well as the required local value-chain actors. In 2005, TeliaSonera incurred research and development expenses of SEK 2,875 million as compared to SEK 2,783 million for 2004.

In 2005, the research and development activities have also been preparing TeliaSonera for communication technology disruption. IP multimedia communication affects not only the services provided to customers, but also all parts of the value chain for a telecommunication service.

TeliaSonera has also been active in ensuring that new IP communication services are easy to use and that they work seamlessly between different operator networks. There are more than 50 telecom operators and vendors participating in a GSM Association project lead by TeliaSonera.

Mobile video and broadcasting has been one of the focus areas in TeliaSonera's research and development work. In 2005, some of the results of this work were seen, with TeliaSonera deploying its 3G mobile video services and actively driving mobile broadcasting services on DVB-H (Digital Video Broadcast – Handheld) networks, and running a mobile TV trial with 500 customers in the Helsinki area together with broadcasters, telecom operators and device vendors.

As of December 31, 2005, TeliaSonera had approximately 650 patent "families" and approximately 2,400 patents and patent applications, none of which, individually, is material to its business.

Environment

In 2005, TeliaSonera Sweden decided to broaden the coverage of its combined environmental/quality certification ISO 14001/9001 from network issues to the customer front. The decision was made because a great number of TeliaSonera's large business customers demand that suppliers have environmental and quality certification.

Parent Company

The parent company's financial statements are prepared and presented in accordance with the Swedish Annual Accounts Act, other Swedish legislation, and standard RR 32 and statements issued by the Swedish Financial Accounting Standards Council and its Emerging Issues Task Force.

Net sales were SEK 21,363 million (SEK 21,601 million in 2004), of which SEK 16,046 million (16,892) was billed to subsidiaries. Earnings before appropriations and taxes increased to SEK 11,526 million (3,970), due to increased group contributions from subsidiaries. Earnings after appropriations and taxes were SEK 1,853 million (10,467).

The balance sheet total increased to SEK 142,400 million (138,967). Following the repurchase of shares in 2005, shareholders' equity decreased to SEK 83,656 million (97,644). Retained earnings amounted to SEK 63,432 million (25,153). SEK 52,681 million was transferred to retained earnings from the share premium reserve, as decided by the 2005 AGM.

Free cash flow improved to SEK 8,478 million (8,072), while cash flow before financing activities was SEK 6,753 million (11,555). Net debt increased to SEK 20,901 million (6,596). Cash and cash equivalents totaled SEK 12,528 million (13,125).

The equity/assets ratio (including the equity component of untaxed reserves) was 54.8 percent (67.9).

Total investments amounted to SEK 7,009 million (14,472), including SEK 2,927 million (2,941) in property, plant and equipment, primarily fixed-line installations. Other investments totaling SEK 4,082 million (11,531) were mainly attributable to acquisitions and capital infusions in subsidiaries and associated companies. Of the capital infusions to subsidiaries, SEK 921 million (14) was provided through debt conversion.

Due to operations transferred to a subsidiary and accepted early retirement offers, the number of employees at December 31, 2005 was 2,503 compared to 3,867 at year-end 2004.

Outlook for 2006

Strategy

TeliaSonera's strategy is based on dual opportunities stemming from operations in markets with different degrees of maturity. In the more mature home markets in the Nordic and Baltic countries the strategic priorities are to create growth via new mobile and IP based services and offerings, increased simplicity in services as well as selected acquisitions, and to keep the profitability via the ongoing programs to achieve competitive cost levels and focusing of the service offerings. In the more emerging International Mobile operations in Eurasia, Russia and Turkey the strategy is to exploit the inherent growth and enhance the value of the companies. Based on the current strengths in the regions, complementary acquisitions can be considered, which may lead to additional growth.

Group outlook

Despite tough competition and price pressure in the home markets, TeliaSonera has been able to keep its leading position during 2005, which provides a good platform for development in 2006. Group net sales and results before tax are expected to grow. CAPEX is mainly driven by capacity and customer needs and CAPEX to sales ratio is expected to be somewhat higher than for 2005. Free cash flow will remain strong. Changes in the competitive landscape, currency fluctuations and political uncertainties, including tax and regulatory conditions, may impact the reported figures.

Home markets

The migration from traditional fixed voice to mobile and IP based services is estimated to continue. Competition in all product areas will remain strong in the home markets. Mobile and broadband volume growth is expected to be significant.

In **Sweden,** the migration to mobile and IP based services is most evident. This is expected to result in a continued decline in fixed voice sales. Mobile and broadband volumes are expected to show continued significant growth whereas prices will be under pressure. Still 2006, total sales are expected to decline. The ongoing restructuring program will affect positively but not offset the impact on EBITDA excluding non-recurring items.

In **Finland**, focus has been shifted from market share and price to customer loyalty, quality and services. However, in the short term the average price is still expected to decrease due to historical price changes. New possibilities to subsidize 3G mobile terminals may accelerate the use of mobile services. Subsidies should, however, be at moderate levels allowing for profitable growth. Streamlining initiatives taken in 2005 are expected to lower annual costs in 2006. Additional initiatives were taken and a turnaround program was launched to ensure future growth and restore profitability.

In **Norway**, organic growth is estimated to continue and the consolidation of Chess will increase sales. The margin will be impacted by the lower margin level of Chess and the synergies from the Chess transaction, which are mainly related to increased utilization of NetCom's network. Before implementation costs the transaction is expected to result in an annual EBITDA improvement of about SEK 0.8 billion from mid 2006.

In **Denmark**, the sales growth is estimated to continue. The integration of Orange is completed successfully. The increased volumes and internal efficiency improvements will impact profitability positively.

In the **Baltic countries**, competition and price pressure within the mobile operations is expected to increase, which will affect margins. This will to some part be compensated by the expected continued mobile volume growth. In the fixed operations, expected decline in fixed voice sales is estimated to be offset by continued growth in broadband.

International Mobile operations

The income from International Mobile operations is expected to grow in 2006.

In the **Eurasian** operations, strong sales growth is expected to continue, but a tougher competitive environment is estimated to impact sales and margins.

In **Turkey**, the competitive environment will change significantly due to new market entrants. In **Russia**, the increased penetration is expected to lead to increased price competition. TeliaSonera views both Turkcell and MegaFon to be well positioned to meet the new challenges in the respective markets.

In light of the prevailing uncertainties regarding ownership issues in both Turkcell and MegaFon, TeliaSonera reiterates its commitment to the Turkish and Russian markets and its interest and ambition to increase the ownership in both operators, should an opportunity arise.

Treasury Shares

As of December 31, 2005, TeliaSonera AB held 184,774,856 treasury shares, as a result of a share repurchase program decided by the Annual General Meeting of shareholders on April 26, 2005. The transaction was concluded in July 2005. The price paid for each repurchased share was SEK 55.00 in cash and pre-tax transaction costs amounted to SEK 55 million, reducing retained earnings within shareholders' equity by SEK 10,203 million in total.

The repurchased shares represent 3.95 percent of all shares issued. The Board of Directors proposes to the Annual General Meeting of 2006 that the treasury shares be cancelled.

See "The TeliaSonera Share" and Note 21 to the consolidated financial statements.

Ordinary Dividend and Capital Distribution to Shareholders

TeliaSonera's dividend policy is to distribute 30–50 percent of net income excluding minority interest in subsidiaries. For 2005, the Board of Directors and the CEO propose to the Annual General Meeting (AGM) an ordinary dividend of SEK 1.25 per share, totaling SEK 5,613 million.

The increase in the proposed dividend is made in light of the strong results in 2005 and the expected growth in results in 2006. The dividend level is in accordance with TeliaSonera's dividend policy.

In addition to the ordinary dividend, TeliaSonera has communicated that it is planning to distribute SEK 30 billion to its shareholders during the period 2005–2007. As a first step, approximately 10 billion of this SEK 30 billion was distributed in 2005 by repurchasing shares through a public offer with tradable rights. The Board of Directors and CEO propose to the AGM, as a second step, an extraordinary dividend of SEK 2.25 per share, totaling SEK 10,104 million.

See "Proposed Appropriation of Earnings."

Risk Factors

We operate in a broad range of geographic product and service markets in the highly competitive and regulated telecommunications industry. As a result, we are subject to a variety of risks and uncertainties. Set forth below is a description of some of the factors that may affect our business, financial condition and results of operations.

Competition from a variety of sources, including current market participants, new entrants and new products and services, may adversely affect our results of operations.
We are subject to substantial and historically increasing competition and price pressure. Competition has led to an increased customer churn and a decrease in customer growth rates as well as to declines in the prices we charge for our products and services and may have similar effects in the future.

Virtually all of our markets are characterized by direct and indirect competition. We have, for example, experienced significant competition in mobile voice services from new market entrants such as Hi3G Access AB (operating under the brand name "3"), which owns a UMTS license in Sweden, Norway and Denmark. We are also experiencing increased competition from non-traditional operators, including service providers and mobile virtual network operators (MVNOs), which are telecommunications service providers that typically do not own their own network infrastructure but, rather, lease capacity from network operators. In addition, our fixed network businesses face competition from mobile operators as a result of the trend of traditional users of fixed network services switching some or all of their demand to mobile phone services. Our mobile operations may also be affected by how successful we are in implementing new technologies and capabilities, such as High-Speed Downlink Packet Access (HSDPA).

Our fixed network businesses also face increasing competition from cable TV companies, broadband companies, internet service providers and companies like Skype, which provide voice over Internet. There is also a risk that our revenues will decline as market prices for services decrease further. Furthermore our conversion to IP technology may not result in corresponding savings in our production cost and that traffic might be redirected to such new or existing competitors that provide IP networks at a much lower cost. The reduction in traffic and revenues may also lead to impairment losses on the existing platforms.

In order to meet the increased competition we have launched a program to focus our service portfolio to reduce technical and organizational complexity, with the aim to seek growth in the selected services and to achieve a competitive cost level. There is, however, a risk that we will not be successful in implementing our program due to operational or regulatory reasons or otherwise.

Further, our International Carrier business has historically been subject to fierce competition and severe price pressure, which may continue.

We face structural impediments in continuing to grow our Nordic telecommunications business.
The telecommunications industry in the Nordic countries is mature relative to many other European countries. In particular, each of Sweden, Finland, Norway and Denmark has among the highest mobile penetration rates and lowest mobile calling tariffs in the world. The high penetration rate in the Nordic countries for many of our products and services may make it more difficult for us to match our previous subscriber growth or to achieve growth rates that are comparable to less developed markets.

We operate in a highly regulated industry and changes in, or adverse applications of, the regulations affecting us could harm our business, financial condition and results of operations.
Our mobile and fixed line telecommunications operations are subject to regulatory and licensing requirements at both the national level and the transnational level, such as by the European Union. If we are found not to have complied with applicable regulations, we may be subject to damage awards, fines, penalties, injunctions or suspensions.

The regulations to which we are subject impose significant limits on our flexibility to manage our business. For example, in both Sweden and Finland, we have been designated as a party with significant market power in certain markets in which we operate, including the fixed and mobile telecommunications markets. As a result, we are required to provide certain services on non-discriminatory, cost-based and transparent terms, which may differ from the terms on which we would otherwise have provided those services.

Changes in legislation, regulation or government policy affecting our business activities, as well as decisions by competition and other regulatory authorities or courts, including granting, amending or revoking of licenses to us or other parties, could adversely affect our business and results.

We have only limited control of our associated companies and the success of our investments in these companies depends on the actions of our co-owners.
We conduct some of our activities, particularly outside of the Nordic region, through associated companies in which we do not have a controlling interest, such as Turkcell Iletisim Hizmetleri A.S. in Turkey, OAO MegaFon in Russia and Lattelekom SIA in Latvia and, as a result, we have limited influence over the conduct of these businesses. Under the governing documents for certain of these entities, our partners have control over or share control of key matters such as the approval of business plans and budgets, and decisions as to timing and amount of cash distributions. The risk of actions outside our or our associated company's control and adverse to our interests or disagreement or deadlock is inherent in jointly controlled entities. In Russia for instance, certain shareholders of MegaFon are involved in a dispute relating to the ownership of a 25.1 percent interest in MegaFon.

As part of our strategy we may, where practical, increase our shareholdings in our associated companies. The implementation of such strategy, however, may be difficult due to a variety of factors, including factors beyond our control, such as willingness on the part of other existing shareholders to dispose or accept dilution of their shareholdings and, in the event we gain greater control, our ability to successfully manage the relevant businesses. For example, we have initiated arbitration proceedings with the Cukurova Group as we claim that Cukurova has breached an agreement to sell an indirect shareholding in Turkcell to us and as we claim that Cukurova has breached the shareholders agreement with us in connection with the purported sale by Cukurova of a portion of its indirect shareholding in Turkcell to the Alfa Group.

We are subject to emerging market risks including that the value of our investments in telecommunications companies may be adversely affected by political, economic and legal developments.

We have made a number of significant investments in telecommunications providers with operations in countries such as Turkey, Russia, Kazakhstan, Azerbaijan, Georgia and Moldova. The political, economic and legal systems in these countries historically have been less predictable than in countries with more developed institutional structures. Each of these nations has in the past experienced financial difficulties, including weak local currencies and high external debt, and there is a risk that these types of issues may arise in the future. For example, the political situation in each of the Eurasian countries in which Fintur has operations has been unstable in the past and may also be in the future.

Other risks associated with operating in emerging market countries include foreign exchange restrictions, which could effectively prevent us from receiving profits or selling our investments. While none of the countries in which our international subsidiaries or associated companies are located currently have foreign exchange controls that affect us significantly, all of these countries have had such controls in the recent past and we cannot assure you that they will not reinstitute such controls in the future. Another risk is the potential establishment of foreign ownership restrictions.

Changes in the economic, political, legal and regulatory environment and in our business plans or the business plans of our associated companies could cause us to record impairment losses or otherwise adversely affect our results of operations and financial condition.

Factors generally affecting the telecommunications and technology markets, including significant declines in stock prices and market capitalizations of market participants, and changes in the economic, regulatory, business or political environment, as well as our ongoing review and refinement of our business plans could adversely affect our affairs. In the future we may be required to recognize additional impairment losses with respect to assets if our expectations of future cash flows attributable to these assets change, including but not limited to goodwill and fair value adjustments we have recorded in the merger of Telia and Sonera, in our acquisitions of NetCom, Orange Denmark and Chess, and in connection with other acquisitions we have made or may make in the future.

In the past, we have also undertaken a number of restructuring and streamlining initiatives, including the restructuring and streamlining of our Swedish and Finnish operations and the restructuring of our international carrier and Danish operations, which have resulted in substantial restructuring and streamlining charges. We may undertake similar initiatives in the future.

In addition to affecting our results of operations, these actions may adversely affect our ability to pay dividends. Under Swedish law, the amount of dividends that we may pay is generally limited to profits and other non-restricted reserves available at the end of the preceding fiscal year for our parent company. Any write-down of intangible or other assets would have the effect of reducing, or possibly eliminating, our dividend capacity.

We may not realize the benefits we expect to derive from our investments in licenses and new technologies, including UMTS.

We have made investments in UMTS licenses and have invested and expect to invest substantial amounts over the next several years in the upgrading and expansion of our networks. The success of these investments will depend on a variety of factors beyond our control, including the availability of new and attractive services, the costs associated with providing these services, the timing of their introduction and competition. For example, we cannot be certain that multimedia services will achieve acceptance in the market, or that the demand for such services will justify the related costs to develop, upgrade and maintain our networks, including our UMTS networks.

Moreover, competition in this market could prove to be intense as a result of (1) new entrants such as MVNOs, which typically do not have their own network infrastructure and thus would not have our fixed cost burdens, (2) Wireless Local Area Network (WLAN) services, which are based on wireless short distance transmission networks and may be able to deliver wireless data services at a lower cost than UMTS in concentrated areas, and (3) operators using non-UMTS technological standards to deliver competitive services.

Under the terms of our UMTS licenses and the licenses of our joint venture UMTS investments, we have agreed to make significant investments in UMTS networks. If we or our UMTS joint ventures do not fulfill the conditions under such UMTS licenses or obtain their modification, such licenses could be revoked or, in certain cases, we could be subject to monetary penalties. For example, we have significant ongoing investment and guarantee obligations in connection with our investment in Xfera Móviles S.A. in Spain.

Our cooperation with Tele2 in connection with the build out and operation of a UMTS network in Sweden may not be successful.

While we were not awarded a UMTS license in Sweden in connection with a license tender held by the Kingdom of Sweden in 2000, we have entered into a cooperation arrangement with Tele2 to build and operate a UMTS network in Sweden through our 50 percent owned associated company Svenska UMTS-nät AB, which has rights to the Swedish UMTS license originally granted to Tele2. We have made significant investments in and financial commitments to this venture. As this is a jointly controlled venture, there is a risk that the partners may disagree on important matters, including the funding of the company. This risk may be magnified because TeliaSonera and Tele2 are significant competitors. A disagreement or deadlock regarding the company or a breach by one of the parties of the material provisions of the cooperation arrangements could have a negative effect on our ability to pursue our UMTS strategy. In addition, the current exemption for Svenska UMTS-nät from the prohibition against anti-competitive agreements included in the Swedish Competition Act will expire in 2007. Thereafter, a reassessment of the cooperation will be made from a competition law perspective. Accordingly, there can be no assurance that the Swedish Competition Authority will not in the future change its view on the cooperation, which could have a material adverse effect upon Svenska UMTS-nät and our operations.

As part of our strategy, we may seek to participate in the consolidation of the telecommunications industry through acquisitions, strategic alliances or business combinations. A failure to participate successfully in the consolidation of the industry could harm our business and results of operations.

Our consolidation strategy entails a variety of risks that could negatively affect our business, our results of operations and our financial position. For example, due to competition in the identification of acquisition opportunities or strategic partners, we may make an acquisition or enter into a strategic alliance on unfavorable terms. There are also the risks that we will not be able to successfully integrate and manage any acquired company or strategic alliance, the acquisition or strategic alliance will fail to achieve the strategic benefits or synergies sought, and that management's attention will be diverted away from other ongoing business concerns. In addition, any potential acquisition could negatively affect our financial position, including our credit ratings, or, if made using our shares, dilute our existing shareholders.

We are reliant upon a limited number of suppliers for the provision of important equipment and services.
We are reliant upon certain suppliers, of which there are a limited number, to manufacture and supply network equipment and related software as well as handsets in our markets, to allow us to develop our networks and to offer our services on a commercial basis. We cannot be certain that we will be able to obtain network equipment or handsets from alternative suppliers on a timely basis if our existing suppliers are unable to satisfy our requirements. In addition, like our competitors, we currently outsource many of our key support services, including network construction and maintenance in most of our operations. The limited number of suppliers of these services, and the terms of our arrangements with current and future suppliers, may adversely affect us, including by restricting operational flexibility.

MegaFon, our associated company operating in Russia, may not obtain future financing on satisfactory terms and may be adversely affected by weaknesses in its internal controls.
MegaFon, a GSM operator in Russia in which we hold a 43.8 percent interest, may have to secure additional financing if it is to implement its current strategy of becoming a provider of nationwide GSM services in Russia. If MegaFon is unable to secure such financing on satisfactory terms or if the company is adversely affected by weaknesses in its internal controls, this may adversely affect MegaFon's growth prospects as well as the value we derive from our investment.

We may not be able to fully realize anticipated tax benefits resulting from earlier recorded impairment losses.
We have a significant deferred tax asset resulting from an impairment loss on Sonera's UMTS investments in Germany and Italy in 2002. The major part of the deferred tax asset relates to tax loss carry forwards in Finland, which expire after ten years, while the remaining part of the tax asset is related to temporary differences between carrying value and tax value on assets in Finland. Although we currently estimate that the tax losses related to the impairment loss will be realized in eight to nine years from 2002 under different scenarios, there can be no assurance of sufficient taxable income in Finland within this period.

We also have deferred tax assets in other jurisdictions, especially related to our international carrier and Danish operations. There can be no assurance that we will be able to use these tax assets in full to reduce our tax obligations in the future.

We may not be able to remain competitive and implement our strategy, or adapt to changing technologies, if we cannot recruit and retain skilled personnel.
To remain competitive and implement our strategy, and to adapt to changing technologies, we will need to recruit, retain, and where necessary, retrain highly skilled employees with particular expertise. In particular, competition is intense for qualified telecommunications and information technology personnel in the Nordic countries and elsewhere. To a considerable extent, our ability to recruit and retain skilled personnel for growth business areas and new technologies will depend on our ability to offer them competitive remuneration packages. If we cannot implement competitive remuneration packages, we may be unable to recruit and retain skilled employees, which may limit our ability to develop our high growth business areas and new business areas or remain competitive in our traditional business areas.

Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to decreased mobile communications usage.
Concerns have been expressed that the electromagnetic signals from mobile handsets and base stations, which serve as the platform for transmitting radio signals, may pose health risks and interfere with the operation of electronic equipment. These concerns may intensify with time and as new products are introduced. Actual or perceived risks of mobile handsets or base stations and related publicity or litigation could reduce the growth rate, customer base or average usage per customer of our mobile communications services, may result in significant restrictions on the location and operation of base stations or could subject us to claims for damages, any of which could have a negative impact on our business, financial condition and results of operations.

Our affairs and the market prices of our shares could be influenced significantly by actions of the Kingdom of Sweden and the Republic of Finland, whose interests may be different from other shareholders.
The Kingdom of Sweden holds approximately 45.3 percent and the Republic of Finland holds approximately 13.7 percent of our outstanding shares. The Kingdom of Sweden and the Republic of Finland have, furthermore, agreed to consult each other with respect to voting on matters to be resolved by the shareholders at general meetings of the company. Accordingly, the Kingdom of Sweden, acting alone, may have and the Kingdom of Sweden and the Republic of Finland, if they should choose to act together, will have the power to influence matters submitted for a vote of shareholders, including the approval of the annual financial statements, declarations of dividends, capital increases in connection with acquisitions, and the election and removal of members of our Board of Directors. The interests of the Kingdom of Sweden and the Republic of Finland in deciding these matters and the factors they consider in exercising their votes could be different from the interests of our other shareholders.

In addition, the Kingdom of Sweden and the Republic of Finland are not under any contractual commitment that would restrict their ability to sell any shares. It is currently not possible to assess the precise timing and manner of any future sales, if any, by the Kingdom of Sweden or the Republic of Finland of our shares. However, any sale by the Kingdom of Sweden or the Republic of Finland of a significant number of our shares, or the public perception that these sales could occur, may cause the market price of our shares to decline significantly and may also make it more difficult for us to issue new shares.

Consolidated Income Statements

			January–December	
SEK in millions, except per share data	**Note**	**2005**	**2004**	**2003**
Net sales	7, 30	87,661	81,937	82,425
Costs of production	8, 11	–47,287	–43,104	–46,688
Gross income		**40,374**	**38,833**	**35,737**
Sales, administrative, and research & development expenses	8, 11	–23,706	–21,367	–23,161
Other operating revenues	9	1,031	1,474	2,743
Other operating expenses	9, 11	–3,379	–3,695	–991
Income from associated companies	12, 30	3,229	3,548	382
Operating income	30	**17,549**	**18,793**	**14,710**
Financial revenues and expenses	13	–530	–1,345	–811
Income after financial items		**17,019**	**17,448**	**13,899**
Income taxes	14	–3,325	–3,184	–3,850
Net income		**13,694**	**14,264**	**10,049**
Attributable to:				
Shareholders of the parent company		11,697	12,964	9,080
Minority interests		1,997	1,300	969
Shareholders' earnings per share (SEK)	21			
Basic		2.56	2.77	1.95
Diluted		2.56	2.77	1.95

Consolidated Balance Sheets

		December 31,		
SEK in millions	**Note**	**2005**	**2004**	**2003**
Assets				
Goodwill and other intangible assets	15	74,367	69,534	61,820
Property, plant and equipment	16, 27	48,201	47,212	49,161
Investments in associated companies	12	25,208	19,613	20,401
Deferred tax assets	14	12,305	12,381	14,960
Other financial assets	17, 22, 27	3,013	3,359	6,700
Total non-current assets		**163,094**	**152,099**	**153,042**
Non-current assets held-for-sale		**186**	–	–
Inventories	18	765	655	501
Trade and other receivables	19, 27	18,919	20,007	20,156
Current tax assets		1,570	725	244
Interest-bearing receivables	20, 22, 27	2,407	1,241	4,048
Cash and cash equivalents	20, 22, 27	16,834	17,245	12,069
Total current assets		**40,495**	**39,873**	**37,018**
Total assets		**203,775**	**191,972**	**190,060**
Equity and liabilities				
Share capital		14,961	14,961	14,961
Other contributed capital		60,538	70,741	70,741
Reserves		12,115	2,215	1,752
Retained earnings		39,435	33,216	24,939
Total shareholders' equity		127,049	121,133	112,393
Minority interests in equity		8,645	6,934	3,441
Total equity		**135,694**	**128,067**	**115,834**
Long-term loans	22, 27	20,520	12,942	25,867
Provisions for pensions and employment contracts	23	–	–	522
Deferred tax liabilities	14	9,578	7,906	8,537
Other provisions	24	5,370	4,983	5,564
Other long-term liabilities	25, 27	2,343	2,450	2,489
Total non-current liabilities		**37,811**	**28,281**	**42,979**
Short-term loans	22, 27	6,215	11,733	4,687
Short-term provisions	24	616	513	674
Current tax liabilities		706	647	2,338
Trade payables and other current liabilities	26, 27	22,733	22,731	23,548
Total current liabilities		**30,270**	**35,624**	**31,247**
Total equity and liabilities		**203,775**	**191,972**	**190,060**
Unrecognized contingent assets	28	–	–	–
Unrecognized collateral pledged	28	1,584	1,675	2,789
Unrecognized contingent liabilities	28	2,581	2,289	3,099

Consolidated Cash Flow Statements

		January–December		
SEK in millions	**Note**	**2005**	**2004**	**2003**
Net income		13,694	14,264	10,049
Adjustments:				
Amortization, depreciation and impairment losses		13,211	15,726	18,248
Capital gains/losses on sales/discards of fixed assets		–43	–1,468	–2,618
Income from associated companies net of dividends		–2,470	–1,790	251
Pensions and other provisions		343	–1,611	–2,880
Financial items	29	150	–435	363
Income taxes	29	1,278	52	2,542
Miscellaneous non-cash items		–5	–52	9
Cash flow before change in working capital		**26,158**	**24,686**	**25,964**
Increase (–)/Decrease (+) in operating receivables		1,693	728	1,423
Increase (–)/Decrease (+) in inventories etc.		–88	–37	125
Increase (+)/Decrease (–) in operating liabilities		–773	–974	–1,069
Change in working capital		**832**	**–283**	**479**
Cash flow from operating activities		**26,990**	**24,403**	**26,443**
Intangible assets and property, plant and equipment acquired	29	–11,396	–10,285	–9,092
Intangible assets and property, plant and equipment divested		208	130	358
Compensation received for divested IRUs		–	8	10
Compensation paid for acquired IRUs		–	–1	0
Shares, participations and operations acquired	29	–1,770	–6,169	–2,188
Shares, participations and operations divested	29	1,654	6,795	3,902
Loans made and other investments		–119	–10	–172
Repayment of loans made and other investments		131	1,128	1,215
Investment in finance lease receivables		–249	–458	–2,962
Amortization of finance lease receivables		285	823	3,400
Compensation from/Payment to pension fund		100	–	1,000
Net change in advances and short-term loans to associated companies etc.		–1,080	48	1,086
Cash flow from investing activities		**–12,236**	**–7,991**	**–3,443**
Cash flow before financing activities		**14,754**	**16,412**	**23,000**
Purchase of treasury shares including transaction costs		–10,218	–	–
Dividend to shareholders		–5,610	–4,675	–1,870
Transactions with minority shareholders		–1,087	–441	–468
Loans raised		13,126	260	374
Loans amortized		–11,791	–8,544	–6,272
Net change in interest-bearing liabilities with short maturities		–73	2,298	–8,176
Cash flow from financing activities		**–15,653**	**–11,102**	**–16,412**
Cash flow for the year		**–899**	**5,310**	**6,588**
Cash and cash equivalents, opening balance		**17,245**	**12,069**	**5,465**
Cash flow for the year		–899	5,310	6,588
Exchange rate differences in cash and cash equivalents		488	–134	16
Cash and cash equivalents, closing balance	20	**16,834**	**17,245**	**12,069**

Consolidated Statements of Changes in Equity

SEK in millions	Note	Share capital	Other contributed capital	Reserves	Retained earnings	Total share-holders' equity	Minority interests in equity	Total equity
Closing balance, December 31, 2002	21	**14,738**	**68,913**	**7,436**	**17,742**	**108,829**	**5,120**	**113,949**
Reporting financial instruments at fair value	21	–	–	–10	–	–10	–	–10
Exchange rate differences	21	–	–	–8,101	–	–8,101	–314	–8,415
Inflation adjustments	21	–	–	2,427	–	2,427	–	2,427
Transactions with non-related parties		–	–	–	–13	–13	–2,065	–2,078
Net income recognized directly in equity		–	–	*–5,684*	*–13*	*–5,697*	*–2,379*	*–8,076*
Net income		–	–	–	9,080	9,080	969	10,049
Total recognized net income		–	–	*–5,684*	*9,067*	*3,383*	*–1,410*	*1,973*
Dividends	21	–	–	–	–1,870	–1,870	–269	–2,139
New share issue at a premium	21	223	1,828	–	–	2,051	–	2,051
Closing balance, December 31, 2003		**14,961**	**70,741**	**1,752**	**24,939**	**112,393**	**3,441**	**115,834**
Revaluing fair values of net assets in business combinations	21	–	–	1,098	–	1,098	1,857	2,955
Reporting financial instruments at fair value	21	–	–	146	–	146	–	146
Exchange rate differences	21	–	–	–2,233	–	–2,233	–164	–2,397
Inflation adjustments	21	–	–	1,452	–	1,452	–	1,452
Transactions with non-related parties	21	–	–	–	–12	–12	968	956
Net income recognized directly in equity		–	–	*463*	*–12*	*451*	*2,661*	*3,112*
Net income		–	–	–	12,964	12,964	1,300	14,264
Total recognized net income		–	–	*463*	*12,952*	*13,415*	*3,961*	*17,376*
Dividends	21	–	–	–	–4,675	–4,675	–468	–5,143
Closing balance, December 31, 2004		**14,961**	**70,741**	**2,215**	**33,216**	**121,133**	**6,934**	**128,067**
Fair value amortization of revalued net assets	21	–	–	–132	132	–	–	–
Reporting financial instruments at fair value	21	–	–	46	–	46	–	46
Exchange rate differences	21	–	–	8,809	–	8,809	732	9,541
Inflation adjustments	21	–	–	1,177	–	1,177	–	1,177
Transactions with non-related parties	21	–	–	–	–	–	–12	–12
Net income recognized directly in equity		–	–	*9,900*	*132*	*10,032*	*720*	*10,752*
Net income		–	–	–	11,697	11,697	1,997	13,694
Total recognized net income		–	–	*9,900*	*11,829*	*21,729*	*2,717*	*24,446*
Dividends	21	–	–	–	–5,610	–5,610	–1,006	–6,616
Treasury shares (repurchase decided by the AGM in 2005)	21	–	–10,203	–	–	–10,203	–	–10,203
Closing balance, December 31, 2005		**14,961**	**60,538**	**12,115**	**39,435**	**127,049**	**8,645**	**135,694**

Notes to Consolidated Financial Statements

Contents

1. Basis for Preparation

General

TeliaSonera's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and, given the nature of TeliaSonera's transactions, in accordance with IFRSs as adopted by the European Union (EU).

In addition TeliaSonera complies with the Swedish Financial Accounting Standards Council's standard RR 30 "Supplementary Rules for Consolidated Financial Statements" and certain statements issued by the Council's Emerging Issues Task Force concerning purely Swedish circumstances. RR 30 is applicable to Swedish legal entities whose equities are listed on a Swedish stock exchange or authorized equity market place on the balance sheet date and specifies supplementary rules and disclosures in addition to IFRS requirements, caused by provisions in the Swedish Annual Accounts Act.

Consolidation and accounting principles

Applied consolidation and accounting principles are described below. Discrepancies between TeliaSonera accounting principles and U.S. GAAP are discussed in a separate note.

Amounts and dates

Unless otherwise specified, all amounts are in millions of Swedish kronor (SEK) or other currency specified and are based on the twelve-month period ended December 31 for income statement items and as of December 31 for balance sheet items, respectively.

New accounting standards

Summary

On January 1, 2005, a number of new or revised IFRSs, IASs, IFRICs and SICs became effective, the adoption of which did not entail such a change in accounting principles that require restatement of comparative figures. However, the revisions to IAS 1 involved reporting minority interests as a component of net income and equity, respectively, and the revised IAS 27 affected computation of certain financial key ratios. Comparative figures have been reclassified accordingly.

On December 9, 2004, IFRS 6 "Exploration for and Evaluation of Mineral Resources" was issued. IFRS 6 is effective for annual periods beginning on or after January 1, 2006. Earlier application is encouraged, and if an entity pre-adopts IFRS 6, transitional relief is available for some comparative disclosures.

On December 16, 2004, an amendment to IAS 19 "Employee Benefits" was issued. Previously, IAS 19 required actuarial gains and losses to be recognized in profit or loss, either in the period in which they occur or spread over the service lives of the employees. Under the amendment, entities that at present spread the gains and losses are not required to change their approach, but are now free to choose to do so and recognize actuarial gains and losses in full in the period in which they occur, outside profit or loss. The amendment also (a) specifies how group entities should account for defined benefit group plans in their separate or individual financial statements and (b) requires additional disclosures. The amendment to IAS 19 is effective for annual periods beginning on or after January 1, 2006, with earlier application encouraged.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" on intragroup hedges of forecast transactions and to the fair value option were published on April 14 and June 16, 2005, respectively. The amendments are effective January 1, 2006, with earlier application encouraged.

On June 30, 2005, amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and the Basis for Conclusions on IFRS 6 "Exploration for and Evaluation of Mineral Resources" were issued.

On August 18, 2005, IFRS 7 "Financial Instruments: Disclosures", an amendment on capital disclosures to IAS 1 "Presentation of Financial Statements" and limited amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 4 "Insurance Contracts" were issued. IFRS 7 adds certain new disclosure requirements and compiles all financial instruments disclosure requirements into one standard. Henceforth, IAS 32 deals only with financial instruments presentation matters. The amendments to IAS 39 and IFRS 4 are intended to ensure that issuers of financial guarantee contracts include the resulting liabilities in their balance sheet. IFRS 7 and the amendment to IAS 1 will be effective for annual periods beginning on or after January 1, 2007. Earlier application is encouraged, and if an entity pre-adopts IFRS 7, some relief is given with respect to comparative prior period disclosures. The amendments to IAS 39 and IFRS 4 must be applied for annual periods beginning on or after January 1, 2006. Earlier application is encouraged.

On December 15, 2005, a limited amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates" was issued, available for adoption with immediate effect. The amendment clarifies, as regards a monetary item that forms part of an entity's investment in a foreign operation, that the accounting treatment in consolidated financial statements should not be dependent on the currency of the monetary item. Also, the accounting should not depend on which entity within the group conducts a transaction with the foreign operation.

On December 2, 2004, IFRIC 3 "Emission Rights" and IFRIC 4 "Determining whether an Arrangement contains a Lease" were issued. IFRIC 3 specifies the accounting for companies participating in government schemes aimed at reducing greenhouse gas emissions. IFRIC 4 gives guidance on determining whether arrangements that do not take the legal form of a lease should, nonetheless, be accounted for in accordance with IAS 17 "Leases." On December 16, 2004, IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds" was issued. IFRIC 5 explains how to treat expected reimbursements from funds set up to meet the costs of decommissioning plant or equipment or in undertaking environmental restoration or rehabilitation. IFRIC 3 and IFRICs 4 and 5 are effective for annual periods beginning on or after March 1, 2005 and January 1, 2006, respectively, with earlier adoption encouraged. In June 2005, IFRIC 3 was withdrawn, with immediate effect, in order to be able to address the underlying accounting in a more comprehensive way.

On September 1, 2005, IFRIC 6 "Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment" was published, giving guidance on which date that is the triggering event for recognizing liabilities for waste management costs. IFRIC 6 is effective for financial periods beginning on or after December 1, 2005. Earlier application is encouraged.

On November 24, 2005, IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies," was issued. IFRIC 7 clarifies the requirements under IAS 29 relating to how comparative amounts in financial statements should be restated when an entity identifies the existence of hyperinflation in its functional currency and how deferred tax items in the opening balance sheet should be restated. IFRIC 7 is effective for annual periods beginning on or after March 1, 2006. Earlier application is encouraged.

On January 12, 2006, IFRIC 8 "Scope of IFRS 2" was issued, clarifying that IFRS 2 "Sharebased Payment" applies to arrangements where an entity makes sharebased payments for apparently nil or inadequate consideration. IFRIC 8 explains that, if the identifiable consideration given appears to be less than the fair value of the equity instruments granted or liability incurred, this situation typically indicates that other consideration has been or will be received. IFRS 2 therefore applies. IFRIC 8 is effective for annual periods beginning on or after May 1, 2006. Earlier application is encouraged.

On March 1, 2006, IFRIC 9 "Reassessment of Embedded Derivatives" was issued, clarifying that reassessment of the treatment of an embedded derivative is prohibited unless there is a change in the terms of the host contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. IFRIC 9 is effective for annual periods beginning on or after June 1, 2006.

Effects on TeliaSonera

IFRSs 1 and 6 as well as IFRIC 5 are not applicable to TeliaSonera. TeliaSonera decided to pre-adopt the amendments to IAS 39 on intra-group hedges of forecast transactions and to the fair value option as of January 1, 2005. TeliaSonera had no such hedges that would require restatement of previous periods. As regards the amendments to IAS 39 and IFRS 4 on financial guarantee contracts, TeliaSonera in accordance with IAS 37 already recognizes financial guarantees at the best estimate of the expenditure required to settle the obligations. If the outflow of resources is not probable, the guarantees have been disclosed as contingent liabilities. TeliaSonera has decided not to recognize actuarial gains and losses according to the new option allowed under the amended IAS 19. Currently, TeliaSonera has no such monetary items that are addressed by the amendment to IAS 21.

Previously lacking IFRS guidance, TeliaSonera has recognized transactions involving Indefeasible Rights of Use as leases in accordance with U.S. GAAP, thereby pre-adopting IFRIC 4 in that respect. Adoption of IFRIC 6 will not have a material effect on TeliaSonera's consolidated financial statements. IFRIC 7, IFRIC 8 and IFRIC 9 are currently not relevant to TeliaSonera.

EU endorsement status

As of December 31, 2005, all standards, amendments to standards, and interpretations mentioned above had been adopted by the EU, except for IFRS 7, the amendments to IFRS 1 and IFRS 6, the amendments on financial guarantee contracts to IAS 39 and IFRS 4, the amendment on capital disclosures to IAS 1, and IFRIC 6, which were all adopted in January 2006; and the amendment to IAS 21, IFRIC 7, IFRIC 8 and IFRIC 9, which at the end of March 2006 were still waiting to be endorsed.

The EU Commission has announced that, if an IFRS (or equivalent) is endorsed after the balance sheet date but before the date the financial statements are issued, it can be treated as endorsed for the purposes of those financial statements if application prior to the date of endorsement is permitted by both the Regulation endorsing the document and the related IFRS, as is the case with all five of the IFRSs that were endorsed in January 2006.

New Swedish legislation

As of January 1, 2006, a new Swedish Companies Act was effective, among other things nullifying the requirement to divide equity into restricted and non-restricted funds. This change is applicable on financial statements decided upon by the AGM in 2006. Consequently, TeliaSonera has rearranged its presentation of equity components (see section "Shareholders' equity" in note "Significant Accounting Principles") for all periods presented, see section "Reclassification within equity" in note "Equity and Earnings per Share."

Completion of provisional purchase price allocations

The provisional purchase price allocations for Orange Denmark and Eesti Telekom were finalized in the first quarter of 2005, which resulted in a restatement of certain preliminary figures recognized in 2004. For more information, see section "Acquisition of Orange Denmark and Eesti Telekom" in note "Business Combinations."

2. Critical Accounting Policies, Estimates and Assumptions

The preparation of financial statements requires management and the Board of Directors to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These estimates are based on historical experience and various other assumptions that management and the Board believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, significantly impacting TeliaSonera's earnings and financial position.

Management believes that the following significant accounting policies comprise its most critical estimates and assumptions used in the preparation of the financial statements: revenue recognition, income taxes, valuation of intangible and other non-current assets, collecting trade receivables, provisions for pensions, restructuring activities, and contingent liabilities and litigation, all of which are discussed and separately marked in the respective sections of note "Significant Accounting Policies."

3. Consolidated Financial Statements

General

The consolidated financial statements comprise the parent company TeliaSonera AB and all companies in which TeliaSonera directly or indirectly owns more than 50 percent of the voting rights or otherwise has control. TeliaSonera's consolidated financial statements are based on accounts prepared by all controlled companies as of December 31, and have been prepared using the purchase method of accounting, 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 controlled. Goodwill and fair value adjustments arising from the acquisition of foreign entities are considered to be denominated in the respective foreign currency. In subsidiaries not wholly owned, the share of equity and untaxed reserves owned by external shareholders is recorded as minority interests.

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

Minority interests

Transactions with minority interests are treated as transactions with parties external to the Group. Disposals to minority interests result in capital gains or losses which are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the Group's carrying value of net assets of the subsidiary.

Foreign currency translation and inflation adjustments

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, normally the local currency.

The consolidated financial statements are presented in Swedish kronor (SEK), which is the functional currency of the parent company. Income statements and balance sheets of foreign operations (subsidiaries, associated companies, and branch offices) are translated into SEK based on the current rate 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 item is translated using the average rate for that period. Differences resulting from translation, as well as realized and unrealized post-tax gains or losses on financial instruments used to hedge net foreign investments, do not affect income but are charged directly to equity.

When the functional currency for a subsidiary or an associated company is the currency of a hyperinflationary economy, the reported non-monetary assets and liabilities, and equity are restated in terms of the measuring unit current at the balance sheet date. The restated financial statements are translated into SEK at the closing rate. The restating effects are recorded as financial revenue or expense and in income from associated companies, respectively.

Associated companies

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

Holdings in associated companies are recorded in the consolidated income statement and balance sheet according to the equity method of accounting. In the income statement, the Group's share of net income in associated companies is recorded in operating income because the operations of associated companies are related to telecommunications and it is the Group's strategy to capitalize on industry know-how by means of investing in jointly owned operations. The income statement item Income from associated companies also includes amortization (until 2003) of and impairment losses on 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 in relation to the share of equity owned.

Business segments

The Group's operations are managed and reported primarily by Profit Center and reported secondarily by product area. Segments are consolidated based on the same principles as the Group as a whole. When material operations are transferred between segments, comparative period figures are restated.

4. Significant Accounting Policies

Revenue recognition (Net sales)

Net sales are recorded at the sales value, adjusted for discounts granted and sales-related taxes. Sales principally consist of traffic charges including interconnect and roaming, subscription fees, connection and installation fees, service charges and sales of customer premises equipment.

Revenue is recognized for the period in which the service is performed, based on actual traffic or over the contract term, as applicable, or when the product is delivered. Subscription fees are recognized as revenue over the subscription period. Sales relating to pre-paid phone cards, primarily mobile, are deferred and recognized as revenue based on the actual usage of the cards.

Connection fees are separately recognized at completion of connection, if the fees do not include any amount for subsequent servicing but only cover the connection costs. Customer hookup fees in the Swedish cable TV operations disposed of in the first half of 2003 were recorded as cost reductions over the useful life of the facility in question.

When invoicing end-customers for third-party content services, revenue is reported on a net basis if TeliaSonera under the agreement acts as an agent or broker without assuming the risks and rewards of ownership of the services.

TeliaSonera may bundle services and products into one customer offering. Offerings may involve the delivery or performance of multiple products, services, or rights to use assets (multiple deliverables). In some cases, the arrangements include initial installation, initiation, or activation services and involve consideration in the form of a fixed fee or a fixed fee coupled with a continuing payment stream. Telecom equipment is accounted for separately from service where a market for each deliverable exist and if title to the equipment passes to the end-customer. Costs associated with the equipment are recognized at the time of revenue recognized. The revenue is allocated to equipment and services in proportion to the fair value of the individual elements. Customized equipment that can be used only in connection with services or products provided by TeliaSonera is not accounted for separately and revenue is deferred over the total service arrangement period.

To corporate customers, TeliaSonera offers long-term functional service agreements for total telecom services, which may include switchboard services, fixed telephony, mobile telephony, data communication and other customized services. There are generally no options for the customer to acquire the equipment at the end of the service contract period. Revenue for such functionality agreements is recognized over the service period but part of the periodic fixed fee is deferred to meet the costs at the end of the contract period (maintenance and up-grades).

Service and construction contract revenues are recognized using the percentage of completion method. Assessment of the degree of completion is based on the value of contractual phases completed as a percentage of total undertakings. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately expensed.

Within the international carrier operations, sales of Indefeasible Rights of Use (IRU) regarding fiber and duct are recognized as revenue over the period of the agreement (see also subsection "TeliaSonera as operating lessor" in section "Leasing agreements" below). When entering into swap contracts for infrastructure and capacity with other carriers, evenly balanced swap-deals and the non-cash part of unbalanced swap-deals are not recorded as revenue or expense in the consolidated accounts, as the contracts refer to assets of similar nature and value.

For a telecom operator, management judgment is required in a number of cases to determine if and how revenue should be recognized and to determine fair values, such as when signing agreements with third-party providers for content services (is TeliaSonera principal or agent under a certain agreement?); in complex bundling of products, services and rights to use assets into one customer offering (should TeliaSonera recognize the separate components up-front or defer?); the sales of Indefeasible Rights of Use; when signing swap contracts for infrastructure, capacity and services; and in assessing the degree of completion in service and construction contracts.

Operating costs

TeliaSonera presents its analysis of expenses using a classification based on function. The production function comprises all costs for services and products sold as well as for installation, maintenance, service, and support. The sales function comprises all costs for selling and marketing services and products and includes expenses for advertising, PR, pricelists, commission fees, credit information, debt collection, etc. Bad debt losses as well as doubtful debts allowances are also included. Recovery of receivables written-off in prior years is included in Other operating revenues. The research and development (R&D) function includes expenses for developing new or substantially improving already existing services, products, processes or systems. Maintenance and minor adjustments to already existing products, services, processes or systems is not included in R&D. Activities that are tied to specific customer orders (customization) are included in the production function. Amortization, depreciation and impairment losses are included in each function to the extent referring to intangible assets or property, plant and equipment used for that function.

Costs for retailer commissions, other customer acquisition costs, advertising, and other marketing costs are expensed as incurred. Costs for customer-specific product development are recognized over the period necessary to match them with the related revenue. Applied research is expensed as incurred.

Other operating revenues and expenses

Other operating revenues and other operating expenses include: gains and losses on the sale of shares or operations in subsidiaries (cf. section "Associated companies" below), gains or losses on the sale or retirement of intangible assets or property, plant and equipment, and public grants. Exchange rate differences on operating transactions are also recorded here; including value changes in derivatives for hedging operational transaction exposure and possible hedging ineffectiveness (see also section "Financial Instruments" below). This item also includes restructuring costs, non-capitalizable costs in 2003 related to the merger with Sonera and other items of a non-recurring nature.

Associated companies

Income from associated companies includes TeliaSonera's share of earnings in each company's net income. The share of earnings is based on the company's most recent accounts, adjusted for any discrepancies in accounting principles, and with estimated adjustments for significant events and transactions up to TeliaSonera's close of books.

Income from associated companies also includes amortization of goodwill (until 2003) and fair value adjustments, and other consolidation adjustments made upon the acquisition of associated companies as well as capital gains and losses on divestitures of stakes in associated companies.

The principles for consolidating associated companies are described in note "Consolidated Financial Statements" above. Effective January 1, 2004, goodwill and other indefinite lived intangible assets are not amortized. Negative equity participations in associated companies are recognized only for companies for which the Group has contractual obligations to contribute additional capital and are then recorded as Other provisions.

Financial revenues and expenses

Interest revenues and expenses are recognized as incurred, using the effective interest rate method, with the exception of interest during installation periods, which is capitalized (see also section "Valuation of non-current assets" below). Dividend revenues from equity investments are recognized when TeliaSonera's rights to receive payment have been established.

The change in fair value of the interest component of borrowings recorded at fair value and of derivatives hedging loans and borrowings is included in Other interest revenues (gain) or in Interest expenses (loss).

Revenues and expenses relating to guarantee commissions are included in line items Other interest revenues and Interest expenses, respectively. Interest expenses include funding-related bank fees and fees to rating institutions and market makers.

Income taxes

The income statement item Income Taxes includes current and deferred corporate income tax. TeliaSonera 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 2005, 2004 and 2003, and is applied to the nominal income recorded, plus non-deductible items such as share impairment losses and capital losses, and less non-taxable revenues such as share dividends and capital gains.

z deferred tax liabilities and assets are recorded for temporary differences between carrying values and tax-effective values of assets and liabilities and for other tax-effective deductions or losses. Deferred tax liabilities and assets 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 substantively enacted. Deferred tax assets are reduced by means of a valuation allowance to the extent that the ability of utilizing the tax asset within the foreseeable future is not likely. To the extent the likely recovery of a deferred tax asset changes, the effect is brought to income for the relevant period.

Deferred tax liabilities for undistributed earnings in subsidiaries and associated companies are not recognized because such retained earnings can be withdrawn as non-taxable dividends and the companies normally can be sold without tax consequences. However, some foreign jurisdictions impose withholding tax on dividends. In such cases, a deferred tax liability calculated based on the respective withholding tax rate is recognized.

Significant management judgment is required in determining current tax liabilities and assets as well as provisions for deferred tax liabilities and assets, in particular as regards valuation of deferred tax assets. As part of this process, income taxes have to be estimated in each of the jurisdictions in which TeliaSonera operates. The process involves estimating the actual current tax exposure together with assessing temporary differences resulting from the different valuation of certain assets and liabilities in the financial statements and in the tax returns. Management must also assess the likelihood that the deferred tax assets will be recovered from future taxable income. Actual results may differ from these estimates due to, among other factors, future changes in business environment, currently unknown changes in income tax legislation, or results from the final review of tax returns by tax authorities or by courts of law.

Valuation of non-current assets

Non-current assets represent approximately 80 percent of TeliaSonera's total assets.

Intangible assets are recorded in the balance sheet at acquisition value, including directly attributable borrowing costs, less accumulated scheduled amortization (for goodwill only until 2003), and impairment losses. Direct external and internal charges for the development of software for inhouse administrative use are capitalized, provided that future economic benefits are probable and will exceed expenses incurred. Activities in projects at the feasibility study stage as well as maintenance and training activities are expensed as incurred.

Property, plant and equipment are recorded in the balance sheet at cost less accumulated scheduled depreciation, and impairment losses. Software that is a direct prerequisite for end-user service production is capitalized as plant and machinery. Property and plant under construction is valued at the expense already incurred, including interest during the installation period. Capitalized interest is normally calculated, based on the Group's estimated average cost of borrowing (4.75 percent for 2005, 5.25 percent for 2004 and 5.0 percent for 2003). However, actual borrowing costs are capitalized if individually identifiable, as interest paid on construction loans for buildings.

To the extent a legal or constructive obligation to a third party exists, the acquisition cost includes estimated costs of dismantling and removing the asset and restoring the site. A change in estimated expenditures for dismantling, removal and restoration is added to and/or deducted from the carrying value of the related asset. To the extent that the change would result in a negative carrying amount, this effect is recognized as income. The change in depreciation charge is recognized prospectively.

For a discussion on the valuation of financial assets, see section "Financial instruments" below.

Scheduled amortization on intangible assets and depreciation on tangible assets is based on historical acquisition values (purchase cost), with appropriate adjustment for impairment and taking into account the estimated useful lives of various asset classes or individual assets. Government grants are deducted from the carrying value of related assets and are recognized as income over the life of an asset by way of a reduced depreciation charge. For assets acquired during a year, amortization and depreciation is calculated from the date of acquisition. Amortization and depreciation is mainly recorded on a straightline basis.

Effective January 1, 2004, TeliaSonera adopted IFRS 3, involving, among other things, that goodwill and other intangible assets with indefinite useful lives are not amortized but tested for impairment at least annually. Also effective January 1, 2004, the useful life of copper cables in the fixed local access network in Sweden was changed from 8 years to 20 years and of switching equipment for ADSL customers from 3 years to 10 years. In 2005 and 2003, no general changes in useful lives were applied.

Determination of the useful lives of asset classes involves taking into account historical trends and making assumptions related to future socioeconomical and technological development and expected changes in market behavior. These assumptions are subject to review by management and the Audit Committee of the Board of Directors.

Further, non-current assets are reviewed for impairment at least annually and else whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, by analyzing individual assets or classes of assets that naturally belong together. If an analysis indicates that the carrying value is too high, the asset's recoverable amount is set, which is the higher of the fair value less costs to sell and value in use. Value in use is measured based on the expected future discounted cash flows (DCF model) attributable to the asset. An impairment loss is the difference between the carrying value and the recoverable amount of the asset.

A number of significant assumptions and estimates are involved in using DCF models to forecast operating cash flows, for example with respect to factors such as market growth rates, revenue volumes, market prices for telecommunications services, costs to maintain and develop communications networks and working capital requirements. Forecasts of future cash flows are based on the best estimates of future revenues and operating expenses using historical trends, general market conditions, industry trends and forecasts and other available information. These assumptions are subject to review by management and the Audit Committee of the Board of Directors. The cash flow forecasts are adjusted by an appropriate discount rate derived from TeliaSonera's cost of capital plus a reasonable risk premium at the date of evaluation.

If the projections for future cash flows for any of TeliaSonera's non-current assets change as a result of changes in business model or strategy, competitive pressures, or regulatory environment, impairment losses may have to be recognized.

Assets-held-for-sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. An asset-held-for-sale is measured at the lower of its previous carrying amount and fair value less costs to sell.

Inventories

Inventories and stock in trade are valued at acquisition value, based on FIFO (first in/first out), or net selling price, whichever is lower. Write-downs for obsolescence are made separately for each individual store. Obsolescence is assessed with reference to the age and rate of turnover of the articles. The entire difference between the opening and closing balance of the obsolescence allowance is charged to operating income for the year.

Trade receivables

Trade receivables, which are non-interest-bearing and generally have 30 day terms, are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate of doubtful receivables is made when collection of the full amount is no longer probable. Bad debt is written-off when identified.

TeliaSonera's allowance for doubtful receivables reflects estimated losses that result from the inability of customers to make required payments. Management determines the size of the allowance based on the likelihood of recoverability of accounts receivable taking into account actual losses in prior years and current collection trends. Should economic or specific industry trends worsen compared to management estimates, the allowance may have to be increased, negatively impacting earnings. See also section "Credit risk" in note "Financial Instruments and Financial Risk Management" for a description of how credit risks related to trade receivables are mitigated.

Cash and cash equivalents

Cash and cash equivalents include short-term investments with maturities up to and including three months, cash at hand and demand deposits in banks. Short-term investments consist primarily of surplus liquidity invested in the overnight market and are valued at the acquisition value plus accrued interest revenue, which approximates fair value. Investments with maturities over three months are reported as interest-bearing receivables, valued at fair value.

Shareholders' equity

Shareholders' equity is divided into share capital, other contributed capital, reserves and retained earnings. Share capital is the legally issued share capital. Other contributed capital comprises contributions made by shareholders in the form of share premiums in connection with new share issues, specific share holder contributions, etc. This item is reduced by reimbursements to shareholders made in accordance with separately decided and communicated capital repayment programs. Reserves include revaluation reserve, fair value reserve, translation reserve and inflation adjustment reserve. All other equity is retained earnings.

Dividend payments are proposed by the Board of Directors in accordance with the regulations of the Companies Act and decided by the General Meeting of shareholders. The proposed but not yet decided cash dividend for 2005 has not been recorded as a liability.

Financial instruments

Financial assets and liabilities are recognized and derecognized applying settlement date accounting.

Financial assets, with certain exceptions, are recorded at fair value. Official public quotes as of the close of books are used for determining fair value. If such a quote is not available, the instrument is valued by discounting future cash flows at a quoted market rate of interest for each maturity. Currency swaps and forward exchange contracts are valued at the forward rate. Conversion to Swedish kronor (SEK) is made at quoted exchange rates as per the close of books.

Receivables arising from own lending and assets held to maturity are valued at amortized cost, using the effective interest rate method. TeliaSonera considers quoted securities as available for sale, with the unrealized gains and losses up to the date of sale recorded as a component of equity. Unlisted equity instruments whose fair value cannot be reliably determined are valued at cost.

Financial liabilities are valued primarily at amortized cost, using the effective interest rate method. Liabilities that are not held for trading and that are hedged against changes in fair value, however, are recorded at fair value.

Balances and transactions are hedged and hedge accounting is applied if the hedging actions have the express purpose of serving as a hedge, have a direct correlation to the hedged position and effectively hedge the position. An effective hedge produces financial effects that counteract the effects created by the position that is hedged.

TeliaSonera uses derivative instruments (interest and cross currency interest rate swaps, forward contracts, etc.) primarily to control exposure to fluctuations in exchange rates and interest rates. Derivatives and embedded derivatives, when their economic characteristics and risks are not clearly and closely related to other characteristics of the host contract, are recognized at fair value on the balance sheet. For fair value hedges, the effective and ineffective portions of the change in fair value of the derivative, along with the gain or loss on the hedged item attributable to the risk being hedged, are recorded in the income statement as incurred. The effective portion of the change in fair value of outstanding derivatives used to hedge anticipated cash flows is booked directly to equity until the underlying transaction is reflected in the income statement, at which time any deferred hedging gains or losses are recorded in earnings. The ineffective portion of the change in fair value of a derivative used as a cash flow hedge is recorded as incurred on the same line item as the gain or loss on the item being hedged.

Amounts to be paid or received as a result of cross currency interest rate swaps or interest rate swaps, which are expressly intended to and do effectively hedge interest-bearing assets or liabilities as specified above, are recorded on an ongoing basis as an interest revenue or expense.

Derivatives used for hedging of foreign net investments are designated as cash flow hedges. Upon maturity of the derivative the accumulated change of value is retained in equity until the subsidiary is divested or closed down.

Derivative instruments that do not meet the criteria for hedge accounting are recorded on the balance sheet at fair value and changes in fair value are recorded in the income statement immediately.

Provisions for pensions and employment contracts

Almost all of TeliaSonera's employees in Sweden, Finland and Norway are covered by defined benefit pension plans, which mean that the individual is guaranteed a pension equal to a certain percentage of his or her salary. The pension plans mainly include oldage pension, disability pension and family pension. Employees in TeliaSonera AB and most of its Swedish subsidiaries are eligible for retirement benefits under the ITP-Tele defined benefit plan. TeliaSonera's employees in Finland are entitled to statutory pension benefits pursuant to the Finnish Employees' Pension Act, a defined benefit pension arrangement with retirement, disability, unemployment and death benefits (TEL pension). In addition, certain employees have additional pension coverage through a supplemental pension plan.

The pension obligations are secured mostly by pension funds, but also by provisions in the balance sheet and by insurance premiums. In Sweden, the part of the ITP multiemployer pension plan that is secured by paying pension premiums is accounted for as a defined contribution plan due to lack of information necessary to account for the plan as a defined benefit plan. In Finland, a part of the pension is funded in advance and the remaining part financed as a pay-as-you-go pension.

The Group's employees outside Sweden, Finland and Norway are usually covered by defined contribution pension plans. Contributions to the latter are normally set at a certain percentage of the employee's salary.

The present value of pension obligations and pension costs are calculated annually, using the projected unit credit method. Actuarial assumptions are determined close to the balance sheet date. The assets of TeliaSonera's pension funds constitute pension plan assets and are valued at market value.

Changes in the present value of obligations due to revised actuarial assumptions as well as differences between expected and actual return on plan assets are treated as actuarial gains or losses. 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 higher of either pension obligations or the market value of plan assets at the beginning of the year, the surplus amount is amortized over the average expected remaining employment period.

Net provisions or receivables for post-employment benefits in the balance sheet represent the present value of obligations at year-end less the market value of plan assets, unrecognized actuarial gains and losses and unrecognized past-service costs.

The most significant assumptions that management has to make in connection with the actuarial calculation of pension obligations and pension expenses affect the discount rate, the expected annual rate of compensation increase, the expected employee turnover rate, the expected average remaining working life, the expected annual income base amount increase, the expected annual adjustments to pensions, and the expected annual return on plan assets. These assumptions are subject to review by the Audit Committee of the Board of Directors. A change in any of these key assumptions may have a significant impact on the projected benefit obligations, funding requirements and periodic pension cost.

The discount rate reflects the rates at which the pension benefits could be effectively settled, which means a period somewhere from 15 to 30 years. Management has chosen to base the estimated discount rate on yields derived from domestic government bonds, as management regards such bonds as high-quality fixed income investments currently available and expected to be available during the period to maturity of the pension benefits. However, the longest term of domestic nominal bonds is 15 years. Yields for terms over 15 years have been estimated by extrapolating the yield-curve. See section "Pension obligation risk" in note "Financial Instruments and Financial Risk Management" for a sensitivity analysis related to a change in the weighted average discount rate in calculating pension provisions.

The expected annual rate of compensation increase reflects expected future salary increases as a compound of inflation, seniority and promotion. The estimate is based on historical data on salary increases and on the expected future inflation rate (see also below). Historical data is also the basis for estimating the employee turnover rate, which reflects the expected level of employees, by age class, leaving the company through natural attrition.

The estimate for expected average remaining working life is based on current employee age distribution and the expected employee turnover rate. The income base amount, existing only in Sweden, is set annually and inter alia used for determining the ceiling for pensionable income in the public pension system. The estimate for the expected annual income base amount increase is based on the expected future inflation rate and the historical annual rate of compensation increase on the total labor market.

Expected annual adjustments to pensions reflect the inflation rate. In determining this rate, management has chosen to use the inflation target rates set by the national and European central banks.

The expected annual return on plan assets reflects the average rate of earnings expected on the investments made (or to be made) to provide for the pension benefit obligations that are secured by the pension funds. Plan assets chiefly consist of fixed income instruments and equity instruments.

The expected nominal return from the Swedish pension fund portfolio, representing approximately 85 percent of total plan assets, is approximately 4.1 percent per annum over a 10-year period, where inflation is assumed to be 2 percent per annum. The strategic allocation of plan assets is composed to give the expected average return, based on historical data, with some adjustment reflecting the lower inflation rate that is currently in place. More specifically the expected nominal return in the Swedish pension fund is based on the following assumptions; domestic fixed income 3.4 percent, domestic and global equity 6.9 percent and other investments 6.9 percent.

The assumptions used in the Finnish and Norwegian pension funds are similar.

As of December 31, 2005, the strategic asset allocation decided by the board of the Swedish pension fund was 60 percent fixed income, 30 percent equities and 10 percent other investments. Other investments include hedge funds, private equity, emerging market debt and high yield bonds. Out of the total assets 40 percent are domestic index (inflation) linked government bonds and 20 percent refers to other domestic fixed income assets with low credit risk. Out of the equity holdings one third is domestic and the rest is global equities. The actual allocation may fluctuate from the strategic allocation in a range of +/–10 percent between fixed income and equities.

All assets in the Swedish pension fund are managed by appointed external managers with specialist mandates.

Restructuring and other provisions

Provisions for restructuring costs, warranty commitments, environmental restoration, litigation, etc. are recognized when: a legal or constructive obligation exists as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small but it is probable that some outflow of resources will be needed to settle the class of obligations as a whole.

TeliaSonera has engaged, and may in the future need to engage, in restructuring activities, which require management to make significant estimates related to expenses for severance and other employee termination costs, lease cancellation, site dismantling and other exit costs and to realizable values of assets made redundant or obsolete (see section "Valuation of non-current assets" above). Should the actual amounts differ from these estimates, future results could be materially impacted.

Leasing agreements

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

TeliaSonera as lessee

As a lessee, TeliaSonera has entered into finance and operating leases and rental contracts. For a finance lease agreement, the accounts include the leased asset as a tangible non-current asset and the future obligation to the lessor as a liability in the balance sheet, capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Initial direct costs are added to the capitalized amount. Lease payments are apportioned between the finance charges and reduction of the lease liability to produce a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income. Other agreements are operating leases, with the leasing costs recognized evenly throughout the period of the agreement.

TeliaSonera as finance lessor

TeliaSonera owns assets that it leases to customers under finance lease agreements. Amounts due from lessees are recorded as receivables at the amount of the net investment in the leases. Initial direct costs are included in the initial measurement of the financial lease receivable and reduce the amount of income recognized over the lease term.

In 2004, most of TeliaSonera's customer financing operations was divested. Some of the divested leasing receivables were securitized. Based on the terms of the securitization contracts, these leasing receivables were included in the Group balance sheet.

TeliaSonera as operating lessor

Rental revenues from operating leases are recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are recognized on the same basis as the lease revenues.

Fiber and duct are sold as part of the operations of TeliaSonera's international carrier business. TeliaSonera has decided to view these as integral equipment to land. Under the agreements, title is not transferred to the lessee. The transactions are therefore recorded as operating lease agreements. The contracted sales price is chiefly paid in advance and sales not recognized in income are recorded as long-term liabilities and deferred revenues.

Contingencies, other contractual obligations and litigation

A provision is recognized if an adverse outcome is probable and the amount is reliably estimable. If the likelihood of an adverse outcome is less than probable but reasonably possible, or a reliable estimate is not determinable, the matter is disclosed provided that the contingency or the legal claim is material.

Determination of the treatment of contingent assets and liabilities in the financial statements is based on management's view of the expected outcome of the applicable contingency. Management consults with legal counsel on matters related to litigation and other experts both within and outside the company with respect to matters in the ordinary course of business.

5. Transactions in Foreign Currencies

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

6. Changes in Group Composition

Events in 2005 and after the balance sheet date

Satellite companies

TeliaSonera's minority holding in the satellite company Intelsat, Ltd. was sold on January 28, 2005.

Eesti Telekom

On December 28, 2004, TeliaSonera became the owner of slightly more than 50 percent of the shares in Eesti Telekom, making Eesti Telekom a consolidated subsidiary. Exceeding the 50 percent threshold required TeliaSonera to make a mandatory public offer for the remaining shares in Eesti Telekom. The offer period expired on February 23, 2005, resulting in a minor increase in TeliaSonera's shareholding, to 50.3 percent. For more information, see note "Business Combinations." In February and March 2006, TeliaSonera acquired an additional 3.4 percent of the shares in Eesti Telekom.

Infonet

On February 25, 2005, the major shareholders of Infonet Services Corporation, including TeliaSonera with a 20 percent holding, sold their stakes in Infonet to British Telecommunications plc.

Teleadress and Multicom Security

On February 2 and 28, 2005, respectively, the shareholders of TA Teleadress Information AB and Multicom Security AB, including TeliaSonera with an indirect holding of 46 and 47 percent, respectively, sold all shares in Teleadress to Aftonbladet Hierta AB and in Multicom Security to the British investment company GMT Communications Partners.

MicroLink

On October 31, 2005, TeliaSonera acquired the leading Baltic IT services company MicroLink AS, with operations in Estonia, Latvia and Lithuania.

Chess Holding

On November 7, 2005, TeliaSonera AB acquired 91.2 percent of Vollvik Gruppen AS (now renamed TeliaSonera Chess Holding AS) in Norway for cash consideration. At December 31, 2005, following a voluntary offer to acquire the remaining shares, TeliaSonera held all but a small fraction of the company's shares. Chess Holding owns 100 percent of the mobile service provider Chess/Sense. For more information, see note "Business Combinations."

Major acquisitions and divestitures during 2003–2005

In 2005, 2004 and 2003, TeliaSonera acquired and divested a number of companies and businesses from and to independent parties outside the Group. None of those acquisitions or divestitures, individually or collectively, was of a size that would have had a material effect on the Group's pro forma net sales or net income for the year in which the transaction was executed or the year immediately preceding.

7. Net Sales

Net sales are broken down geographically by business segment in note "Business Segments," section "Profit Center breakdown." Sales (including exports) were distributed among economic regions as follows.

	January–December					
	2005		2004		2003	
	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent
European Economic Area (EEA)	80,030	91.3	76,638	93.5	71,824	87.1
of which European Union (EU) member states	72,743	83.0	70,379	85.9	65,472	79.4
of which other countries	7,287	8.3	6,259	7.6	6,352	7.7
Rest of Europe	782	0.9	675	0.8	6,941	8.4
North-American Free Trade Agreement (NAFTA)	626	0.7	442	0.6	657	0.8
Rest of world	6,223	7.1	4,182	5.1	3,003	3.7
Total	**87,661**	**100.0**	**81,937**	**100.0**	**82,425**	**100.0**
of which outside Sweden	49,812	56.8	42,279	51.6	40,641	49.3
of which Nordic markets outside Sweden	31,130	35.5	28,301	34.5	27,921	33.9

Net sales were broken down by product category as follows.

	January–December		
SEK in millions	2005	2004	2003
Mobile communications	44,191	38,382	36,737
Fixed telephony	24,796	25,023	27,791
Internet	6,246	5,586	4,325
Data communications and network capacity	7,864	7,972	8,524
Service, installation and customer equipment	1,810	2,473	1,324
Cable TV	655	606	981
Financial services	22	174	382
Other	2,077	1,721	2,361
Total	**87,661**	**81,937**	**82,425**

The distribution of change in net sales in terms of volume effects, structural effects, exchange rate effects, and price effects was as follows.

	January–December		
Percent	2005	2004	2003
Change in net sales	7.0	–0.6	38.6
of which volume growth	9.0	7.0	6.1
structural changes	5.9	–0.7	37.7
exchange rate effects	1.2	–0.6	–1.3
price reductions	–8.5	–5.9	–3.9

8. Operating Costs

Operating costs were distributed by function as follows.

	January–December		
SEK in millions	2005	2004	2003
Production	**47,287**	**43,104**	**46,688**
Other functions			
Sales	14,253	12,739	12,786
Administration	6,578	5,845	7,832
Research and development	2,875	2,783	2,543
Total other functions	**23,706**	**21,367**	**23,161**
Total	**70,993**	**64,471**	**69,849**

Each function includes amortization, depreciation and impairment losses as specified in note "Amortization, Depreciation and Impairment Losses." This is also broken down by class of asset.

Operating costs were distributed by nature as follows.

	January–December		
SEK in millions	2005	2004	2003
Goods purchased	13,853	12,273	13,947
Network expenses, interconnect traffic	15,927	12,915	11,816
Change in inventories	45	91	250
Total	**29,825**	**25,279**	**26,013**
Salaries and remuneration	9,023	8,674	8,460
Employer's social security contributions	1,970	1,902	1,950
Capitalized work by employees	–118	–127	–2
Pension expenses	1,293	441	1,406
Other personnel expenses	737	656	587
Total	**12,905**	**11,546**	**12,401**
Rent and leasing fees	2,503	2,491	1,771
Energy expenses	534	445	434
Travel expenses	637	649	654
Consultants' services	1,433	1,695	1,739
Marketing expenses	6,057	5,404	4,475
Bad debt expense	254	249	476
Information technology	1,754	1,679	1,760
Other expenses	2,053	2,346	2,471
Total	**15,225**	**14,958**	**13,780**
Amortization, depreciation and impairment losses	13,038	12,688	17,655
Total	**70,993**	**64,471**	**69,849**

Advertising expenses totaled SEK 1,476 million, SEK 1,312 million and SEK 1,022 million for the years 2005, 2004 and 2003, respectively.

9. Other Operating Revenues and Expenses

Other operating revenues and expenses were distributed as follows.

	January–December		
SEK in millions	2005	2004	2003
Other operating revenues			
Capital gains, shares	127	679	1,868
Capital gains, divested operations	2	43	20
Capital gains, other	81	43	86
Exchange rate gains	399	335	450
Commissions etc.	222	316	275
Grants, etc.	18	15	13
Recovered accounts receivable	71	40	27
Damages received	111	3	4
Total other operating revenues	**1,031**	**1,474**	**2,743**
Other operating expenses			
Capital losses, shares	–35	–50	–13
Capital losses, divested operations	–1	–4	–43
Capital losses, other	–242	–136	–296
Provisions for onerous contracts	–68	–	–3
Exchange rate losses	–394	–270	–294
Sonera merger expenses	–	–	–3
Restructuring costs	–2,142	–314	–247
Impairment charge	–150	–2,906	–
Damages paid	–347	–15	–92
Total other operating expenses	**–3,379**	**–3,695**	**–991**
Net effect on income	**–2,348**	**–2,221**	**1,752**

10. Related Party Transactions

Group units
Commercial terms and market prices apply for the supply of goods and services between Group units. Inter-company sales totaled SEK 45,254 million, SEK 44,963 million and SEK 50,914 million for the years 2005, 2004 and 2003, respectively. On Profit Center level internal sales totaled SEK 2,842 million in 2005, SEK 2,948 million in 2004 and SEK 3,336 million in 2003.

The Swedish State and the Finnish State
The Swedish State currently owns 45.3 percent and the Finnish State 13.7 percent of the outstanding shares in TeliaSonera AB. Both states fully participated in the share repurchase program decided by the 2005 Annual General Meeting of shareholders. See section "Treasury shares" in note "Equity and Earnings per Share" for further details on the program.

The TeliaSonera Group's services and products are offered to the Swedish and the Finnish State, their agencies, and state-owned companies in competition with other operators and on conventional commercial terms. Certain state-owned companies run businesses that compete with TeliaSonera. Likewise, TeliaSonera buys services from state-owned companies at market prices and on otherwise conventional commercial terms. Neither the Swedish and Finnish State and their agencies, nor state-owned companies represent a significant share of TeliaSonera's net sales or earnings.

The Swedish telecommunications market is governed mainly by the Electronic Communications Act and ordinances, regulations and decisions in accordance with the Act. Operators that have a significant publicly available communications network are required to pay a fee to finance measures to prevent serious threats and disruptions to electronic communications during peacetime. Until 2003, TeliaSonera was the only operator obliged to pay this fee. Under the act, the fee from 2004 is apportioned to more operators. The required fee from TeliaSonera was SEK 59 million in 2005, SEK 30 million in 2004 and SEK 50 million in 2003. In addition, TeliaSonera, like other operators, pays annual fees to the Swedish National Post and Telecom Agency (PTS) to fund the Agency's activities under the Electronic Communications Act and the Radio and Telecommunications Terminal Equipment Act. TeliaSonera paid fees of SEK 60 million in 2005, SEK 65 million in 2004 and SEK 64 million in 2003.

The Finnish telecommunications market is governed mainly by the Communications Market Act and the Act on the Protection of Privacy and Data Security in Electronic Communications as well as by regulations, decisions and technical directions in accordance with these acts. In 2005, 2004 and 2003, TeliaSonera paid EUR 2.1 million, EUR 2.4 million and EUR 2.8 million, respectively, for the use of radio frequencies and EUR 0.9 million, EUR 0.9 million and EUR 1.6 million, respectively, for the use of numbers. In 2005 and 2004, TeliaSonera paid EUR 0.3 million and EUR 0.2 million, respectively, for data privacy supervision and EUR 1.2 and EUR 1.0 million, respectively, as communications market fee, i.e. a general fee paid for the regulatory activities of the Finnish Communications Regulatory Authority (FICORA).

TeliaSonera shares held by other related parties
Shares in TeliaSonera AB constitute a limited portion of the assets of TeliaSonera's pension funds. See section "Plan-asset allocation" in note "Provisions for Pensions and Employment Contracts" for further details.

Svenska UMTS-nät
In 2005, 2004 and 2003, TeliaSonera sold services and products to its 50 percent owned associated company Svenska UMTS-nät AB worth SEK 160 million, SEK 180 million and SEK 131 million, respectively, and, in 2005 and 2004, bought services and products worth SEK 204 million and SEK 43 million, respectively.

Telekolmio
In 2005 and 2004, TeliaSonera sold services to its associated company Telekolmio Oy worth SEK 19 million and SEK 34 million, respectively, and bought services worth SEK 2 million and SEK 95 million, respectively.

Kasteam
In 2005, TeliaSonera sold services to its indirectly owned associated company Kasteam Oy worth SEK 42 million. In 2005 and 2004, TeliaSonera bought services worth SEK 68 million and SEK 50 million, respectively.

Isoworks
In 2005, TeliaSonera sold services to its associated company Isoworks Oy worth SEK 18 million and bought services worth SEK 94 million.

Lattelekom
In 2005, 2004 and 2003, TeliaSonera sold services to the Latvian associated company Lattelekom SIA worth SEK 116 million, SEK 112 million and SEK 114 million, respectively, and purchased services worth SEK 56 million, SEK 70 million and SEK 73 million, respectively. Further, in 2003, the Annual General Meeting of shareholders in Lattelekom decided to annul the company's class C shares, resulting in a repayment of SEK 350 million to TeliaSonera.

MegaFon
As of December 31, 2005, TeliaSonera had interest-bearing claims on the Russian associated company OAO MegaFon of SEK 372 million.

Unisource/AUCS
TeliaSonera previously held equal stakes in Unisource N.V. together with Swisscom and KPN of the Netherlands. All operations in Unisource, with the exception of AUCS Communications Services (AUCS) and its subsidiaries, were sold or shut down in 1999 and the company was dissolved on July 1, 2000. In May 2003, TeliaSonera and the other shareholders of AUCS approved a liquidation plan for the AUCS group of companies.

Unisource and its joint owners, including TeliaSonera, signed a three-year management agreement with Infonet Services Corp. (see below) in 1999 on the operations in AUCS. The agreement provided for the sale of a large part of AUCS's operations to Infonet. The management agreement was supplemented in December 2002 by a termination agreement, valid until the first quarter of 2004. Under the terms of various contracts, Unisource was required to provide services to Infonet. Unisource and its joint owners were also liable for any losses in AUCS and had to pay Infonet a bonus if the losses were lower than an amount specified in the contract. In total, this meant that TeliaSonera's share of Unisource's expenses as per the agreement was at least SEK 1,348 million. TeliaSonera 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 SEK 2,758 million, while TeliaSonera paid SEK 110 million. The profit on this transaction, that is, the difference between the market value of the shares after deducting the purchase price (SEK 2,648 million) and the obligations that TeliaSonera undertook (SEK 1,348 million, as explained above), was recorded as share of earnings in AUCS over the combined term of the management and termination agreements.

Infonet
In 2004 and 2003, TeliaSonera sold services and products to the American associated company Infonet Services Corp. worth SEK 35 million and SEK 48 million, respectively, and purchased services and products worth SEK 116 million and SEK 225 million, respectively. TeliaSonera's holding in Infonet was sold on February 25, 2005.

Telefos
As of December 31, 2005, TeliaSonera had interest-bearing claims on the associated company Telefos AB of SEK 93 million. In 2004 and 2003, TeliaSonera sold services and products to the Telefos Group worth SEK 94 million and SEK 139 million, respectively, and in 2005, 2004 and 2003, bought services and products worth SEK 2,087 million, SEK 1,908 million and SEK 2,675 million, respectively. Most of the services purchased by TeliaSonera relate to network construction.

Overseas Telecom
In 2003, the Annual General Meeting of shareholders in TeliaSonera's associated company Overseas Telecom AB decided to reduce the company's equity, resulting in a repayment of SEK 274 million to TeliaSonera.

Other transactions with associated companies
In addition, TeliaSonera sold and bought services and products to a limited extent to and from other associated companies. These transactions, as well as the transactions mentioned above, were based on commercial terms.

Commitments on behalf of related parties
In addition, TeliaSonera has made certain commitments on behalf of group and associated companies. See note "Contingencies, Other Contractual Obligations and Litigation" for further details.

Key management
See section "Remuneration to corporate officers" in note "Human Resources" for further details.

11. Amortization, Depreciation and Impairment Losses

Scheduled amortization and depreciation

The following rates are applied when recording scheduled amortization and depreciation.

Goodwill (until 2003)	Individual evaluation, minimum 5%
– Sonera and NetCom goodwill (until 2003)	5%
Trade names	Individual evaluation, minimum 10%
Licenses for mobile and fixed communications	License period, minimum 5%
Contractual agreements	Individual evaluation, based on historic and projected churn
Other intangible assets	7–33%
Buildings	2–10%
Land improvements	5–20%
Expenditure on improvements to property not owned by the Group	Remaining term of corresponding lease
Mobile networks	
– Base stations	9.5–14.5%
– Other installations	10–33%
Fixed networks	
– Switching systems and transmission systems	10–33%
– Transmission media (cable)	5–12.5%
– Equipment for special networks	20–33%
– Usufruct agreements of limited duration	Agreement period or time corresponding to the underlying tangible fixed asset
– Other installations	3–33%
Cable TV networks and alarm systems	10–33%
Equipment, tools and installations	12.5–33%

In late 2005, management initiated a group-wide review of useful lives, taking into account historical experience and expected future development in relation to technology changes, market conditions and regulatory environment. As a result, useful lives of a number of classes of intangible and tangible assets will be adjusted upwards as well as downwards as of January 1, 2006. The isolated aggregate full year effect for 2006 is expected to be a reduction of amortization and depreciation totaling approximately SEK 0.9 billion.

Goodwill and impairment testing

Substantially all goodwill recorded (see specification in note "Goodwill and Other Intangible Assets") has been recognized in connection with the acquisition of Chess Holding in 2005, Orange Denmark in 2004, the merger with Sonera Oyj in 2002 and the acquisition of NetCom ASA in 2000. TeliaSonera Finland (formerly Sonera), the total Danish mobile operations and NetCom all constitute cash-generating units. As of 2006, NetCom and Chess are part of the same cash-generating unit.

According to generally accepted principles and standard company procedures, carrying values of all cash-generating units have been tested for impairment. The recoverable amounts (that is, higher of value in use and fair value less cost to sell) are normally determined on the basis of value in use, applying discounted cash flow calculations. However, certain external events, such as market values for mobile operators falling after the acquisition of NetCom and the strong price pressure on the Finnish telecom market starting in 2004, have made TeliaSonera request independent appraisals of fair values to determine recoverable amounts for NetCom in 2002, International Carrier in 2004 and TeliaSonera Finland in 2005.

Using what management believes are reasonable assumptions based on the best information available as of the date of the financial statements, the recoverable values of the cash-generating units were found to be in excess of their December 31, 2005 carrying values at all tests and therefore the related goodwill was not impaired. In 2004, the carrying amount of International Carrier was determined to be impaired, due to continued weak market conditions as a result of overcapacity and falling prices, and the net fixed asset value of SEK 3,263 million was written down to zero. SEK 357 million referred to financial assets. The weighted average cost of capital (WACC) used in calculating the recoverable value was 13.1 percent. Excluding financial assets, the impairment losses were recognized as Other operating expenses, most of which in the Fixed networks class of assets.

The key assumptions used in the 2005 value in use calculations were sales growth, EBITDA margin development and WACC. The calculations were based on forecasts approved by management, which management believes reflect past experience and externally available information. For the Danish mobile operations the projected margins are higher than past experience, based on the synergies expected from the merger of Orange Denmark and the existing Danish mobile operations. Planned growth rates have been extrapolated using what management believes are rates consistent with the long term growth in each of the markets in which TeliaSonera operates. The WACC rates used varies by market and were in the range of 6.7–13.8 percent in 2005; for the Norwegian operations the WACC rate was 7.2 percent and for the Danish mobile operations it was 7.4 percent.

The fair value less cost to sell of TeliaSonera Finland was determined based on independent appraisal. The appraisal was based primarily on a discounted cash flow calculation in which the key assumptions were the same as those in the value in use calculations discussed above. The long-term sales growth used in the calculation is in line with the assumed long-term rate of inflation, and the WACC rate used was 8.1 percent. The most sensitive assumption is the EBITDA margin, and the fair value of TeliaSonera Finland is dependent on the successful implementation of the turn-around program announced on November 29, 2005 and the gradual recovery of EBITDA margin to the same type of levels as before 2005.

Amortization, depreciation and impairment losses on intangible assets and property, plant and equipment were distributed by function as follows:

	January–December		
SEK in millions, except proportions	**2005**	**2004**	**2003**
Production	10,910	10,968	14,503
Sales	1,102	678	1,533
Administration	796	888	1,136
Research and development	230	154	483
Other operating expenses	150	2,908	52
Total	**13,188**	**15,596**	**17,707**
Proportion to net sales (%)	15.0	19.0	21.5

Amortization, depreciation and impairment losses are broken down by business segments in note "Business Segments."

Amortization, depreciation and impairment losses were distributed by asset class as follows:

	January–December		
SEK in millions	**2005**	**2004**	**2003**
Goodwill	–	–	3,488
Other intangible assets	2,289	2,422	1,987
Buildings	349	321	335
Land improvements	6	8	8
Mobile networks	4,492	3,905	3,833
Fixed networks	5,291	8,033	6,372
Other plant and equipment	761	907	1,684
Total	**13,188**	**15,596**	**17,707**

Accelerated amortization and depreciation, to the extent allowed by local tax legislation, is recorded in the individual Group companies as appropriations and untaxed reserves (see corresponding section in note "Income Taxes").

12. Associated Companies

Income from associated companies

The net effect on income from holdings in associated companies was as follows:

	January–December		
SEK in millions	**2005**	**2004**	**2003**
Share in net income for the year	3,328	2,820	2,096
Amortization of goodwill (until 2003) and fair value adjustments	–43	–64	–565
Impairment losses on goodwill, fair value adjustments, etc.	–11	–67	–1,436
Net capital losses/gains	–45	859	287
Net effect on income	**3,229**	**3,548**	**382**

Income from associated companies is broken down by business segments in note "Business Segments."

Large individual stakes (including intermediate holding companies, when applicable) impacted earnings as follows:

	January–December		
SEK in millions	**2005**	**2004**	**2003**
Svenska UMTS-nät AB, Sweden	–105	12	–9
Lattelekom SIA, Latvia	220	219	205
AS Eesti Telekom, Estonia	–	274	177
OAO MegaFon, Russia	1,175	653	509
Turkcell Iletisim Hizmetleri A.S., Turkey	1,761	972	618
Overseas Telecom AB, Sweden	94	285	141
Telefos AB, Sweden	22	1,071	254
INGROUP Holding AB, Sweden	–	–	–123
Unisource N.V./AUCS, the Netherlands	–170	43	227
Infonet Services Corp., USA	206	–67	–1,517
Metro One Telecommunications, Inc., USA	–	–	–309
Bharti Mobile Ltd., India	–	–	341
Other holdings	26	86	–132
Net effect on income	**3,229**	**3,548**	**382**

Turkcell's financials are included in TeliaSonera's reporting with a one-quarter lag. As of January 1, 2006, the Turkish economy is from an accounting perspective no longer considered to be hyperinflationary, affecting TeliaSonera in the second quarter of 2006. AS Eesti Telekom became a consolidated subsidiary on December 28, 2004. See also note "Specification of Shareholdings and Participations."

In 2004, the final capital gain from the sale of a majority stake in Telefos AB was recognized. In 2003, as a result of a management decision that TeliaSonera's ownership interest in Infonet Services Corp. was defined as an asset possible to divest in light of market conditions or otherwise in an effort to maximize its return on the investment and Infonet's reported operating performance, the carrying value was written down by SEK 1,028 million. TeliaSonera's holding in Infonet was divested in February 2005.

Investments in associated companies

The book value was distributed as follows:

	December 31,		
SEK in millions	**2005**	**2004**	**2003**
Goodwill and similar assets on consolidation	9,039	8,079	8,934
Share of equity	16,169	11,534	11,467
Total	**25,208**	**19,613**	**20,401**

Book value is broken down by business segments in note "Business Segments."

Summarized information on the associated companies' aggregate balance sheets and income statements were as follows:

	December 31 or January–December		
SEK in millions	**2005**	**2004**	**2003**
Non-current assets	95,007	65,072	45,298
Current assets	22,745	25,999	24,662
Provisions and long-term liabilities	20,502	13,967	12,888
Current liabilities	20,738	25,097	19,055
Net sales	63,011	46,209	43,590
Gross income	33,198	17,392	8,418
Net income	9,694	6,034	4,711

13. Financial Revenues and Expenses

The net effect on income from financial revenues and expenses was as follows:

	January–December		
SEK in millions	**2005**	**2004**	**2003**
Income from financial investments			
Dividends	9	1	3
Capital gains/losses	141	–460	685
Impairment losses	–23	–131	–695
Total	**127**	**–590**	**–7**
Other financial revenues			
Interest on finance leases	60	153	611
Other interest revenues	613	554	608
Exchange rate gains	232	453	544
Total	**905**	**1,160**	**1,763**
Other financial expenses			
Interest expenses	–1,357	–1,572	–2,065
Capitalized interest	13	20	43
Exchange rate losses	–218	–363	–545
Total	**–1,562**	**–1,915**	**–2,567**
Net effect on income	**–530**	**–1,345**	**–811**

14. Income Taxes

Income tax expense

Pre-tax income, distributed by taxation domicile, was as follows:

	January–December		
SEK in millions	**2005**	**2004**	**2003**
Sweden, subsidiaries	6,328	7,911	9,878
Sweden, associated companies	59	599	103
Total Sweden	**6,387**	**8,510**	**9,981**
Finland, subsidiaries	159	2,437	–14
Finland, associated companies	7	1	22
Other countries, subsidiaries	7,257	4,411	3,939
Other countries, associated companies	3,209	2,089	–29
Total outside Sweden	**10,632**	**8,938**	**3,918**
Total	**17,019**	**17,448**	**13,899**

Recorded tax expense was distributed as follows:

	January–December		
SEK in millions	**2005**	**2004**	**2003**
Current tax			
Sweden	130	67	1,994
Finland	0	–43	7
Other countries	1,121	946	760
Total current tax	**1,251**	**970**	**2,761**
Deferred tax			
Sweden	1,648	1,029	513
Finland	–27	1,631	16
Other countries	453	–446	560
Total deferred tax	**2,074**	**2,214**	**1,089**
Total	**3,325**	**3,184**	**3,850**

Current tax expense for each fiscal year attributable to the previous years' earnings and tax booked directly to equity were as follows:

	January–December		
SEK in millions	**2005**	**2004**	**2003**
Current tax attributable to previous year	–339	–180	–305
Tax booked directly to equity	26	15	7

The difference between the nominal tax rate in Sweden and the effective tax rate comprises the following components:

	January–December		
Percent	**2005**	**2004**	**2003**
Swedish income tax rate	28.0	28.0	28.0
Differences in tax rates on foreign operations	–4.0	–4.6	1.7
Adjustment of current taxes for previous periods	–2.0	–1.0	–2.5
Adjustment of deferred taxes for previous periods	–0.7	–6.1	–2.1
Changes in tax rates	1.3	5.4	–
Income from associated companies	–5.4	–4.1	–0.7
Losses for which deferred tax assets were not recognized	0.3	1.2	0.4
Non-deductible expenses	3.5	2.7	8.2
Non-taxable revenues	–1.5	–3.3	–5.3
Tax rate as per the income statement	**19.5**	**18.2**	**27.7**
Tax booked directly to equity	0.2	0.1	0.1
Effective tax rate	**19.7**	**18.3**	**27.8**
Tax rate, current tax	**7.4**	**5.6**	**19.9**

Differences in tax rates on foreign operations are partly due to time limited tax incentives for TeliaSonera subsidiaries in certain countries. The current tax incentive in Kazakhstan expired at December 31, 2005. On June 30, 2004, the Finnish parliament passed new tax laws, including, among other things, a reduction of the Finnish corporate income tax rate from 29 percent to 26 percent effective January 1, 2005. This triggered a recalculation of deferred tax assets and liabilities in TeliaSonera's Finnish operations, resulting in a deferred tax expense of SEK 949 million in 2004.

Income tax assets and liabilities

Deferred tax assets and liabilities changed as follows:

SEK in millions	December 31, 2005	2004	2003
Deferred tax assets			
Book value, opening balance	12,381	14,960	15,931
Operations acquired	77	607	–
Income statement period change	–647	–2,807	–258
Recorded in equity	–19	–	–
Operations divested	–	–37	–
Reclassifications	–	–295	–482
Exchange rate differences	513	–47	–231
Book value, closing balance	**12,305**	**12,381**	**14,960**
Deferred tax liabilities			
Book value, opening balance	7,906	8,537	10,673
Operations acquired	138	–	184
Income statement period change	1,427	–593	831
Recorded in equity	7	15	7
Operations divested	–16	–	–53
Reclassifications	–48	–11	–2,983
Exchange rate differences	164	–42	–122
Book value, closing balance	**9,578**	**7,906**	**8,537**

Deferred tax assets and liabilities were distributed as follows:

SEK in millions	December 31, 2005	2004	2003
Gross deferred tax assets			
Shares and participations	48	–	131
Other non-current assets	–	–	5,258
Gross deferred tax assets	5,541	5,686	–
Off-set deferred tax liabilities/assets	–1,042	–1,108	–
Provisions and other long-term liabilities	–	–	1,282
Gross deferred tax assets	426	684	–
Off-set deferred tax liabilities/assets	–316	–485	–
Current receivables and liabilities	71	113	32
Tax loss carry-forwards	–	–	10,561
Gross deferred tax assets	13,925	9,759	-
Off-set deferred tax liabilities/assets	-4,119	-	-
Subtotal	**14,534**	**14,649**	**17,264**
Valuation allowance			
Other non-current assets	-119	-303	-1,183
Provisions and other long-term liabilities	-	-24	-402
Current receivables and liabilities	-	-104	-
Tax loss carry-forwards	–2,110	–1,837	–719
Subtotal	**–2,229**	**–2,268**	**–2,304**
Total deferred tax assets	**12,305**	**12,381**	**14,960**
Deferred tax liabilities			
Shares and participations	–	–	447
Gross deferred tax liabilities	4,734	187	–
Off-set deferred tax assets/liabilities	–4,119	–	–
Other non-current assets	–	–	6,299
Gross deferred tax liabilities	8,044	5,906	–
Off-set deferred tax assets/liabilities	–316	–485	–
Provisions	–	–	749
Gross deferred tax liabilities	1,606	2,334	–
Off-set deferred tax assets/liabilities	–1,042	–1,108	–
Current receivables and liabilities	38	30	2
Off-balance-sheet items	633	1,042	1,040
Total deferred tax liabilities	**9,578**	**7,906**	**8,537**
Net deferred tax assets (+)/liabilities (–)	**2,727**	**4,475**	**6,423**
Net increase (+)/decrease (–) in valuation allowance	**–39**	**–36**	**589**

The provisional purchase price allocation for Orange Denmark was finalized in the first quarter of 2005, which resulted in a restatement of certain preliminary figures recognized in 2004, increasing deferred tax assets with respect to other non-current assets. For more information, see section "Acquisition of Orange Denmark and Eesti Telekom" in note "Business Combinations."

Deferred tax assets originating from tax loss carry-forwards mainly refers to impairment losses on 3G investments in foreign associated companies and other minority holdings recognized by TeliaSonera Finland Oyj (formerly Sonera Oyj) in 2002. In 2005, one of TeliaSonera Finland's Dutch subsidiaries retroactively utilized a possibility in the Dutch Corporate Income Tax Act to benefit from a temporary deduction related to its equity investment in an associated 3G company in 2000 and subsequent impairment loss in 2002. The deduction led to a substantial tax loss. However, as the deduction is temporary it has to be evenly reversed during 2005–2009. As the Dutch tax rate has been gradually decreased during 2000–2006, the deferral of the taxable income has decreased tax expenses with approximately EUR 6 million, equivalent to SEK 56 million. The gross effect of the additional deferred tax asset in the tax loss has been off-set towards the deferred tax liability related to shares and participations.

In 2005 and 2003, deferred tax liabilities with respect to other non-current assets mostly referred to untaxed reserves (see below), while amounts in 2004 chiefly referred to temporary differences between tax base and carrying value on assets in the parent company. Unrecognized deferred tax liabilities for undistributed earnings in subsidiaries totaled SEK 493 million in 2005, SEK 415 million in 2004 and SEK 436 million in 2003.

Accumulated tax loss carry-forwards were distributed as follows:

SEK in millions	December 31, 2005	2004	2003
Sweden	633	546	871
Finland	28,042	28,769	31,178
Other countries	21,543	6,720	5,725
Total	**50,218**	**36,035**	**37,774**

Swedish tax loss carry-forwards have no expiration date, while Finnish tax loss carry-forwards expire after 10 years. Total loss carry-forwards as of December 31, 2005 expire in the following years.

Expiry SEK in millions	2006	2007	2008	2009	2010	2011–2024	Un-limited	Total
Tax loss carry-forwards	295	35	10	101	115	28,292	21,370	**50,218**

Appropriations and untaxed reserves

Tax legislation in Sweden, Finland and certain other countries allows companies to postpone tax payments by making allocations to untaxed reserves in the balance sheet via the Appropriations line item in the income statement. Of particular interest to TeliaSonera, with its extensive capital expenditure in infrastructure, are Swedish and Finnish tax regulations that make it possible to amortize or depreciate assets at an accelerated rate (see also note "Amortization, Depreciation and Impairment Losses"). However, appropriations and un-taxed reserves are not recorded in the consolidated financial statements.

In the consolidated accounts, a portion of untaxed reserves after eliminations is recorded a deferred tax liability, while the remaining portion from 2005 is recorded as retained earnings and until 2004 was recorded as a restricted reserve in share-holders' equity. If brought to income and taxed, the last-mentioned would have been transferred to non-restricted reserves (see note "Equity and Earnings per Share").

Overall, the individual Group companies recorded the following untaxed reserves:

SEK in millions	December 31, 2005	2004	2003
Profit equalization reserve	1,846	3,239	3,114
Accumulated excess amortization and depreciation	16,129	3,845	14,136
Contingency reserve	43	166	353
Total	**18,018**	**7,250**	**17,603**

In 2005, the parent company for tax purposes applied depreciation as in the books. As a precondition, the difference at the beginning of the year between carrying value and tax base has been added to the taxable income with one third 2005 and the remaining two thirds will be evenly added in 2006 and 2007. A deferred tax liability has been recognized with respect to the additional taxable income in 2006 and 2007. Accordingly, an untaxed reserve, related to excess depreciation, has been recognized and the deferred tax liability, concerning the difference between carrying value and tax base, recorded in 2004, was reversed.

Excess amortization and depreciation was as follows:

	December 31, 2005		2004		2003	
SEK in millions	Intangible assets	Property, plant and equipment	Intangible assets	Property, plant and equipment	Intangible assets	Property, plant and equipment
Opening balance	959	2,886	769	13,367	582	13,635
Operations acquired/divested	–	–1	–7	–76	183	592
Provisions	1,366	12,446	199	1,170	12	597
Reversals	–29	–1,498	–2	–11,575	–8	–1,457
Closing balance	**2,296**	**13,833**	**959**	**2,886**	**769**	**13,367**

15. Goodwill and Other Intangible Assets

The total book value of goodwill and other intangible assets changed as follows:

	December 31,					
	2005		2004		2003	
SEK in millions	Goodwill	Other	Goodwill	Other	Goodwill	Other
Acquisition value, opening balance	57,797	19,736	61,235	14,124	64,058	12,758
Accumulated amortization as of January 1, 2004	–	–	–7,956	–	–	–
Purchases	2,186	1,525	4,170	4,562	1,903	1,292
Operations acquired	2	270	–	769	–	57
Sales/discards	–4	–1,697	–1	–142	–	–259
Operations divested	–25	–4	–47	–61	–	–65
Reclassifications	–15	733	410	641	–679	677
Exchange rate differences	2,890	829	–14	–157	–4,047	–336
Accumulated acquisition value, closing balance	**62,831**	**21,392**	**57,797**	**19,736**	**61,235**	**14,124**
Amortization, opening balance	–	–6,213	–7,956	–4,321	–5,078	–2,641
Accumulated amortization as of January 1, 2004	–	–	7,956	–	–	–
Operations acquired	–	–160	–	–214	–	–27
Sales/discards	–	707	–	98	–	128
Operations divested	–	4	–	75	–	60
Reclassifications	–	–748	–	–84	220	–245
Amortization for the year	–	–2,301	–	–1,807	–3,450	–1,686
Exchange rate differences	–	–287	–	40	352	90
Accumulated amortization, closing balance	**–**	**–8,998**	**–**	**–6,213**	**–7,956**	**–4,321**
Impairment losses, opening balance	–364	–1,424	–357	–905	–396	–595
Operations acquired	1	–	–	–	–	–
Sales/discards	40	883	–	–	–	–
Reclassifications	–	17	7	96	–	–
Losses/reversals of losses for the year	–0	12	–16	–621	–38	–301
Exchange rate differences	–10	–19	2	6	77	–9
Accumulated impairment losses, closing balance	**–333**	**–531**	**–364**	**–1,424**	**–357**	**–905**
Advances	**–**	**6**	**–**	**2**	**–**	**0**
Total book value, closing balance	**62,498**	**11,869**	**57,433**	**12,101**	**52,922**	**8,898**

The provisional purchase price allocations for Orange Denmark and Eesti Telekom were finalized in the first quarter of 2005, which resulted in a restatement of the preliminary figures recognized in 2004, decreasing Goodwill and Other intangible assets. For more information, see section "Acquisition of Orange Denmark and Eesti Telekom" in note "Business Combinations."

The acquisition value includes accumulated interest of SEK 22 million for 2005, SEK 22 million for 2004 and SEK 22 million for 2003.

Capitalized software for in-house administrative use amounted to SEK 72 million in 2005, SEK 80 million in 2004 and SEK 110 million in 2003. In the three years, amortization was SEK 85 million, SEK 122 million and SEK 140 million, respectively.

The total book value of goodwill and other intangible assets was distributed as follows:

	December 31,		
SEK in millions	2005	2004	2003
Goodwill, TeliaSonera Finland	29,185	28,063	28,217
Goodwill, NetCom	21,551	20,085	19,857
Goodwill, Chess	1,995	–	–
Goodwill, mobile (former Orange) Danmark	3,748	3,605	–
Goodwill, other	6,019	5,680	4,848
Administrative software systems	703	670	680
Trade names, licenses, patents, etc.	5,349	5,912	6,429
Contractual agreements	4,026	4,065	424
Leases, etc.	961	835	908
Work in progress, advances	830	619	457
Total	**74,367**	**69,534**	**61,820**

See note "Business Combinations" for more information on significant acquisitions in 2005 and 2004.

Given the current ownership structure and the same exchange rates as in 2005, and that no events will occur that would trigger impairment charges, TeliaSonera expects the following amortization of other intangible assets during the next five-year period.

SEK in millions	2006	2007	2008	2009	2010
Expected future amortization of other intangible assets	2,156	2,182	1,763	1,682	1,636

16. Property, Plant and Equipment

Buildings and land

TeliaSonera's real estate holdings include some 4,000 properties, mainly in Sweden and Finland. The substantial majority is used solely for technical facilities, like network installations, computer installations, research centers and service outlets.

The total book value of buildings and land changed as follows:

	December 31,		
SEK in millions	2005	2004	2003
Acquisition value, opening balance	7,514	6,043	5,859
Purchases	313	294	157
Operations acquired	–	1,358	51
Sales/discards	–357	–140	–102
Operations divested	–	–	–1
Reclassifications	–125	19	221
Exchange rate differences	285	–60	–142
Accumulated acquisition value, closing balance	**7,630**	**7,514**	**6,043**
Depreciation, opening balance	–2,839	–2,024	–1,756
Operations acquired	–	–580	–28
Sales/discards	231	82	44
Reclassifications	–20	–4	1
Depreciation for the year	–343	–328	–308
Exchange rate differences	–87	15	23
Accumulated depreciation, closing balance	**–3,058**	**–2,839**	**–2,024**
Impairment losses, opening balance	–324	–354	–298
Sales/discards	1	15	7
Reclassifications	–9	13	–32
Losses for the year	–12	–	–35
Exchange rate differences	–15	2	4
Accumulated impairment losses, closing balance	**–359**	**–324**	**–354**
Advances	**5**	**36**	**5**
Total book value, closing balance	**4,218**	**4,387**	**3,670**

The provisional purchase price allocation for Eesti Telekom was finalized in the first quarter of 2005, which resulted in a restatement of the preliminary figures recognized in 2004, decreasing the acquisition value. For more information, see section "Acquisition of Orange Denmark and Eesti Telekom" in note "Business Combinations."

No interest is included in the acquisition value for the years 2005, 2004 and 2003.

The Group's Swedish real estate holdings have been assessed for tax purposes at the following values:

	December 31,		
SEK in millions	**2005**	**2004**	**2003**
Buildings	178	178	199
Land and land improvements	57	57	58
Tax-assessed value	**235**	**235**	**257**

At the 2005 property assessment for tax purposes, a number of properties were assessed for the first time, while others had their assessments adjusted. The number of real estate properties valued for tax purposes is limited as many of them are classified as non-taxable communication buildings. Tax-assessed properties were sold in 2005.

Plant and machinery

The total book value of plant and machinery changed as follows:

	December 31,		
SEK in millions	**2005**	**2004**	**2003**
Acquisition value, opening balance	145,995	135,184	138,065
Purchases	9,366	9,137	7,545
Operations acquired	5	5,211	664
Dismantling/restoration	194	25	106
Sales/discards	–2,043	–3,327	–2,305
Operations divested	–12	–537	–4,113
Reclassifications	–350	777	–2,300
Exchange rate differences	3,956	–475	–2,478
Accumulated acquisition value, closing balance	**157,111**	**145,995**	**135,184**
Depreciation, opening balance	–91,424	–81,495	–77,975
Operations acquired	–	–4,002	–584
Sales/discards	1,782	3,067	1,894
Operations divested	8	482	3,039
Reclassifications	20	–798	1,291
Depreciation for the year	–8,962	–8,909	–10,120
Exchange rate differences	–1,859	231	960
Accumulated depreciation, closing balance	**–100,435**	**–91,424**	**–81,495**
Impairment losses, opening balance	–13,325	–10,447	–10,929
Operations acquired	–	–15	–
Sales/discards	102	172	156
Reclassifications	–70	–120	382
Losses for the year	–599	–2,948	–289
Exchange rate differences	–445	33	233
Accumulated impairment losses, closing balance	**–14,337**	**–13,325**	**–10,447**
Advances	**67**	**40**	**45**
Total book value, closing balance	**42,406**	**41,286**	**43,287**

The acquisition value includes accumulated interest of SEK 607 million, SEK 594 million and SEK 617 million for the years 2005, 2004 and 2003, respectively.

The provisional purchase price allocation for Eesti Telekom was finalized in the first quarter of 2005, which resulted in a restatement of the preliminary figures recognized in 2004, decreasing the acquisition value. For more information, see section "Acquisition of Orange Denmark and Eesti Telekom" in note "Business Combinations." In 2004, the carrying value of the international carrier operations was written down.

Equipment, tools and installations

The total book value of equipment, tools and installations changed as follows:

	December 31,		
SEK in millions	**2005**	**2004**	**2003**
Acquisition value, opening balance	6,515	6,730	10,092
Purchases	653	639	744
Operations acquired	43	1,276	722
Sales/discards	–1,417	–573	–661
Operations divested	–5	–317	–664
Reclassifications	412	–1,227	–3,245
Exchange rate differences	238	–13	–258
Accumulated acquisition value, closing balance	**6,439**	**6,515**	**6,730**
Depreciation, opening balance	–4,676	–4,249	–6,349
Operations acquired	–25	–1,011	–783
Sales/discards	1,155	538	611
Operations divested	–	188	319
Reclassifications	–18	830	3,235
Depreciation for the year	–977	–978	–1,444
Exchange rate differences	–166	6	162
Accumulated depreciation, closing balance	**–4,707**	**–4,676**	**–4,249**
Impairment losses, opening balance	–300	–277	–464
Operations acquired	–	–22	213
Sales/discards	149	7	–
Operations divested	–	1	–
Reclassifications	–2	–	–15
Losses for the year	–6	–10	–8
Exchange rate differences	–0	1	–3
Accumulated impairment losses, closing balance	**–159**	**–300**	**–277**
Advances	**4**	**–**	**–**
Total book value, closing balance	**1,577**	**1,539**	**2,204**

No interest is included in the acquisition value for the years 2005, 2004 or 2003.

Distribution by class of asset

The total book value of property, plant and equipment was distributed as follows:

	December 31,		
SEK in millions	**2005**	**2004**	**2003**
Buildings and land			
Capitalized improvements to leased premises	125	108	123
Buildings	3,733	3,881	3,152
Land and land improvements	360	398	395
Total buildings and land	**4,218**	**4,387**	**3,670**
Plant and machinery			
Mobile networks	15,308	12,989	12,181
Fixed networks – switching systems and peripheral equipment	4,331	6,114	7,692
Fixed networks – transmission systems	7,284	10,048	11,074
Fixed networks – transmission media and other types of media	12,299	8,869	9,361
Cable TV networks	421	416	550
Alarm systems	–	9	16
Assets under construction, advances	2,763	2,841	2,413
Total plant and machinery	**42,406**	**41,286**	**43,287**
Equipment, tools and installations			
Finance leases, vehicles	187	271	271
Other equipment, tools and installations	1,390	1,268	1,933
Total equipment, tools and installations	**1,577**	**1,539**	**2,204**
Total property, plant and equipment	**48,201**	**47,212**	**49,161**

Assets under construction under Plant and machinery are chiefly installations for mobile and fixed networks. Assets owned by Group companies and leased to other Group companies are included in Plant and machinery and Other equipment, tools and installations as appropriate.

See note "Business Combinations" for more information on significant acquisitions in 2005 and 2004.

17. Other Financial Assets

The total book value of other financial assets was distributed as follows:

	December 31,		
SEK in millions	2005	2004	2003
Associated companies			
Interest-bearing receivables from associated companies	265	232	809
Non-interest-bearing receivables from associated companies	2	0	2
Total associated companies	**267**	**232**	**811**
Other holdings of securities			
Shares and participations	209	326	357
Other securities	213	205	201
Total other holdings of securities	**422**	**531**	**558**
Other long-term receivables			
Interest-bearing			
Receivables for pension obligations	437	573	–
Finance lease agreements	337	333	3,298
Service-financing agreements	242	254	503
Loans to employees	6	7	14
Interest rate swaps	68	104	–
Cross currency interest rate swaps	229	113	306
Other	166	301	624
Non-interest-bearing			
Deferral of paid pension-related social charges and taxes	384	621	–
Operating lease agreements	142	44	344
Other	313	246	242
Total other long-term receivables	**2,324**	**2,596**	**5,331**
Total	**3,013**	**3,359**	**6,700**

Leasing agreements are discussed in note “Leasing Agreements” and receivables for pension obligations in note “Provisions for Pensions and Employment Contracts.” Shares and participations in other holdings of securities are specified in note “Specification of Shareholdings and Participations.”

18. Inventories

After deductions for obsolescence amounting to SEK 2 million, SEK 15 million and SEK 7 million for the years 2005, 2004 and 2003, respectively, the total book value was distributed as follows:

	December 31,		
SEK in millions	2005	2004	2003
Raw materials and essential inputs	95	109	244
Products at work	24	20	7
Finished goods and goods for resale	570	473	206
Expense incurred, construction contracts	70	51	24
Advances to suppliers	6	2	20
Total	**765**	**655**	**501**

Finished goods include purchased supplies that are mainly intended for use in constructing TeliaSonera’s own installations and for repair and maintenance. Inventories carried at net realizable value totaled SEK 16 million in 2005. Supplies valued at SEK 180 million, SEK 173 million and SEK 6 million for the years 2005, 2004 and 2003, respectively, were stored at a central location. The remainder was held at local warehouses and worksites.

19. Trade and Other Receivables

The total book value of trade and other receivables was distributed as follows:

	December 31,		
SEK in millions	2005	2004	2003
Accounts receivable			
Invoiced receivables	12,570	13,186	12,914
Allowance for doubtful receivables	–692	–704	–904
Total accounts receivable	**11,878**	**12,482**	**12,010**
Other current receivables			
Receivables from associated companies	121	423	628
Value-added tax	607	364	296
Currency swaps, forward exchange contracts	14	54	84
Receivables from others	1,236	1,447	1,521
Total other current receivables	**1,978**	**2,288**	**2,529**
Accrued revenues and deferred expenses			
Call charges	2,091	2,383	2,549
Interconnect and roaming, other traffic charges	1,481	1,177	1,192
Prepaid rent and leasing fees	295	290	397
Other accrued or deferred items	1,196	1,387	1,479
Total accrued revenues and deferred expenses	**5,063**	**5,237**	**5,617**
Total trade and other receivables	**18,919**	**20,007**	**20,156**

Written-down accounts receivable (bad debt expense) and recovered accounts receivable for the years 2005, 2004 and 2003 are recorded in note “Operating Costs” and note “Other Operating Revenues and Expenses.” For information on leases, see note “Leasing Agreements.”

20. Interest-bearing Receivables, Cash and Cash Equivalents

Interest-bearing receivables

The total book value of interest-bearing receivables was distributed as follows:

	December 31,		
SEK in millions	2005	2004	2003
Current interest-bearing receivables			
Receivables from associated companies	37	5	226
Finance lease agreements	244	269	3,157
Cross currency interest rate swaps	139	209	47
Receivables from others	459	390	340
Total current interest-bearing receivables	**879**	**873**	**3,770**
Short-term investments with maturities over three months	**1,528**	**368**	**278**
Total interest-bearing receivables	**2,407**	**1,241**	**4,048**

For information on leases, see note “Leasing Agreements.”

Cash and cash equivalents

Cash and cash equivalents was distributed as follows:

	December 31,		
SEK in millions	2005	2004	2003
Short-term investments with maturities up to and including three months	11,846	11,702	8,380
Cash and bank	4,988	5,543	3,689
Cash and cash equivalents	**16,834**	**17,245**	**12,069**

See also notes “Financial Instruments and Financial Risk Management” and “Contingencies, Other Contractual Obligations and Litigation.”

21. Equity and Earnings per Share

Share capital

According to the by-laws of TeliaSonera AB the authorized share capital shall amount to no less than SEK 8,000,000,000 and no more than SEK 32,000,000,000. All issued shares have been paid in full and carry equal rights to vote and participate in the assets of the company.

During the last six years, the issued share capital changed as follows:

	Number of issued shares	Par value (SEK/share)	Issued share capital (SEK)
Issued share capital, December 31, 1999	8 800 000	1 000,00	8 800 000 000
Bonus issue, May 20, 2000	–	1,036.80	323,840,000
Split 324:1, May 20, 2000	2,842,400,000	3.20	–
New share issue at a premium, June 16, 2000	150,000,000	3.20	480,000,000
Issued share capital, December 31, 2000	3,001,200,000	3.20	9,603,840,000
Issued share capital, December 31, 2001	3,001,200,000	3.20	9,603,840,000
New share issue at a premium, December 3, 2002	1,604,556,725	3.20	5,134,581,520
Issued share capital, December 31, 2002	4,605,756,725	3.20	14,738,421,520
New share issue at a premium, February 10, 2003	69,475,344	3.20	222,321,101
Issued share capital, December 31, 2003	4,675,232,069	3.20	14,960,742,621
Issued share capital, December 31, 2004	4,675,232,069	3.20	14,960,742,621
Issued share capital, December 31, 2005	4,675,232,069	3.20	14,960,742,621

Treasury shares

On April 26, 2005, the Annual General Meeting of shareholders decided on a share repurchase program with tradable rights, comprising every twenty-fifth share, or a maximum of 187,009,282 shares. After executing the program, TeliaSonera AB as of December 31, 2005 held 184,774,856 treasury shares. The price paid for each repurchased share was SEK 55.00 in cash and pre-tax transaction costs amounted to SEK 55 million, reducing other contributed capital within shareholders' equity by SEK 10,203 million in total.

No TeliaSonera shares are held by the company's subsidiaries.

Reclassification within equity

As of January 1, 2006, a new Swedish Companies Act was effective, among other things nullifying the requirement to divide equity into restricted and non-restricted funds. This change is applicable on financial statements decided upon by the AGM in 2006. Consequently, TeliaSonera has rearranged its presentation of equity components as required by applicable IFRSs (see section "Shareholders' equity" in note "Significant Accounting Principles"). The reclassification is primarily based on; a survey of shareholder related transactions since the parent company's inception in 1966, classifying relevant entries as Other contributed capital; a pooling of accumulated restricted and non-restricted exchange rate differences into one translation reserve; the dissolution of the former equity method reserve transferring the funds to the inflation adjustment reserve and retained earnings, respectively; and the reversal of previous years' transfers between restricted and non-restricted equity with respect to inter alia untaxed reserves and non-restricted equity in subsidiaries.

According to the Swedish Companies Act in force until December 31, 2005, shareholders' equity should be divided into funds available for distribution (non-restricted) and not available for distribution (restricted). In a group, the shareholders could receive as distribution only the lower of the non-restricted funds in the parent company or in the group.

Restricted shareholders' equity was made up of the share capital, the share premium reserve, the statutory reserve and other restricted reserves. In the consolidated accounts, the group's non-restricted equity included only that part of a subsidiary's non-restricted equity that could be assigned to the parent company without having to write down the value of the shares in the subsidiary. Under the Companies Act, the General Meeting of shareholders might decide to reduce the share premium reserve and the statutory reserve provided these funds were used in a specified manner. In accordance with these regulations, the TeliaSonera AGMs in 2002 and 2005 decided to transfer substantial amounts from the share premium reserve to non-restricted equity.

Earnings in associated companies that had not been distributed were recorded in the Group's equity as an equity method reserve in restricted reserves. Likewise, the revaluation reserve, arising from revaluing the fair values of net assets in a previous associate accounted for under the equity method to the fair values of net assets at the date that entity became a consolidated subsidiary, constituted a restricted reserve. Further, the equity component of untaxed reserves was recognized in restricted equity. Until 2003, the equity effect of recording financial instruments at fair value was attributed to a fair value reserve in restricted reserves. Following a change in the Swedish Annual Accounts Act, effective January 1, 2004, the fair value reserve was transferred to non-restricted equity.

Reserves

	December 31,		
SEK in millions	2005	2004	2003
Revaluation reserve			
Book value, opening balance	1,098	–	–
Operations acquired	–	1,641	–
Transfer of amortization and depreciation for the year	–132	–	–
Book value, closing balance	**966**	**1,641**	**–**
Restatement of Eesti Telekom purchase price allocation	–	–543	–
Restated book value, closing balance	**966**	**1,098**	**–**
Fair value reserve – Securities			
Book value, opening balance	129	–11	–11
Provisions	60	129	–
Reversals	–	11	–
Tax effect	–26	–	–
Book value, closing balance	**163**	**129**	**–11**
Fair value reserve – Derivatives			
Book value, opening balance	–61	–67	–57
Provisions	–85	76	–57
Reversals	101	–55	43
Tax effect	–4	–15	4
Book value, closing balance	**–49**	**–61**	**–67**
Translation reserve			
Book value, opening balance	–2,830	–597	7,504
Translation of foreign operations	8,470	–2,243	–7,783
Foreign operations divested	339	–10	–318
Book value, closing balance	**5,979**	**–2,850**	**–597**
Restatement of Eesti Telekom purchase price allocation	–	20	–
Restated book value, closing balance	**5,979**	**–2,830**	**–597**
Inflation adjustment reserve			
Book value, opening balance	3,879	2,427	–
Translation of operations in hyperinflationary economies	1,177	1,452	2,427
Book value, closing balance	**5,056**	**3,879**	**2,427**
Total reserves book value, closing balance	**12,115**	**2,215**	**1,752**

The provisional purchase price allocation for Eesti Telekom was finalized in the first quarter of 2005, which resulted in a restatement of the preliminary figures recognized in 2004, adjusting the revaluation and translation reserves. For more information, see section "Acquisition of Orange Denmark and Eesti Telekom" in note "Business Combinations."

No part of the reversed amounts within the fair value reserves referred to reversals that necessitate adjusting the acquisition value. See also section "Financial Instruments" in note "Significant Accounting Policies." There was neither any tax effect arising from the translation of foreign associated companies or any tax effect arising from the translation of associated companies in hyperinflationary economies. As of January 1, 2006, the Turkish economy is from an accounting perspective no longer considered to be hyperinflationary, affecting TeliaSonera in the second quarter of 2006, as Turkcell's financials are reported with a one-quarter lag.

Minority interests in equity

Exchange rate differences in minority interests changed as follows:

	December 31,		
SEK in millions	2005	2004	2003
Book value, opening balance	–550	–386	–72
Translation of foreign operations	732	–164	–314
Book value, closing balance	**182**	**–550**	**–386**

The book value was distributed as follows (including intermediate holding companies, when applicable):

	December 31,		
SEK in millions	2005	2004	2003
UAB Omnitel, Lithuania	–	–	156
AB Lietuvos Telekomas, Lithuania	1,206	1,183	1,204
Latvijas Mobilais Telefons SIA, Latvia	707	669	574
AS Eesti Telekom, Estonia	2,950	3,549	–
Fintur Holdings B.V., the Netherlands	3,777	2,051	1,425
Other subsidiaries	5	5	82
Total book value	**8,645**	**7,457**	**3,441**

Earnings per share and dividends

	December 31,		
	2005	2004	2003
Net income attributable to shareholders of the parent company (SEK million)	11,697	12,964	9,080
Average number of outstanding shares (thousands)			
– Basic	4,573,986	4,675,232	4,667,618
– Diluted	4,573,986	4,675,232	4,668,426
Average number of treasury shares (thousands)			
– Basic	101,246	–	–
– Diluted	101,246	–	–
Earnings per share (SEK)			
– Basic	2.56	2.77	1.95
– Diluted	2.56	2.77	1.95
Ordinary cash dividend (for 2005 as proposed by the Board)			
– Per share (SEK)	1.25	1.20	1.00
– Total (SEK million)	5,613	5,610	4,675
Extra cash dividend for 2005 as proposed by the Board			
– Per share (SEK)	2.25	–	–
– Total (SEK million)	10,104	–	–

In 2002 and 2001, General Meetings of shareholders decided to implement a number of employee stock option schemes (see section "Stock-Based Compensation" in note "Human Resources"). Due to non-fulfillment of certain subscription criteria, most of the option programs were cancelled in 2004 and 2003 and the subscription periods for the two remaining programs expired on May 31 and June 30, 2005, respectively. No option holder subscribed for shares under these programs. Under the terms and conditions that applied to the employee stock option schemes, the option programs had no dilution effect upon computation of earnings per share for 2004 and a very limited dilution effect for 2003.

22. Financial Instruments and Financial Risk Management

Book value and fair value of interest-bearing financial instruments

The table below presents book values and fair values distributed by type of interest-bearing financial instrument based on the prerequisites stated below. Non-interest-bearing financial instruments, like accounts receivable and accounts payable, are recorded at fair value and are not shown in the table.

The estimated fair value is based on market rates and generally accepted valuation methods. Values recorded are indicative and will not necessarily be realized.

The market value for publicly quoted 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.

Market interest rates apply to other interest bearing long-term and current accounts receivable, including claims on associated companies and personnel. Thus, the book value of these items is regarded as corresponding to the fair value.

The values for interest rate swaps and cross currency interest rate swaps include underlying principal and accrued interest. Swaps received and paid refer to the respective legs of a swap deal (see notes "Other Financial Assets" and "Interestbearing Receivables, Cash and Cash Equivalents," and section "Borrowings, maturity structure, interest rates and currencies" below, respectively).

	December 31,					
	2005		2004		2003	
SEK in millions	Book value	Fair value	Book value	Fair value	Book value	Fair value
Equity participations in associated companies	25,208	40,695	19,613	32,024	20,401	23,315
Other holdings of securities	422	422	531	531	558	558
Receivables for pension obligations	437	437	573	573	–	–
Leasing receivables	581	581	602	602	6,455	6,367
Other long-term and short-term receivables	2,300	2,300	1,457	1,457	2,647	2,647
Cash and cash equivalents	16,834	16,834	17,245	17,245	12,069	12,069
Interest rate swaps received	16,640	16,640	5,757	5,757	2,178	2,178
Interest rate swaps paid	–16,106	–16,106	–5,543	–5,543	–2,084	–2,084
Cross currency interest rate swaps received	12,687	12,687	4,781	4,781	5,989	5,989
Cross currency interest rate swaps paid	–12,382	–12,382	–4,469	–4,469	–5,583	–5,583
Other currency derivatives	14	14	54	54	84	84
Assets	**46,635**	**62,122**	**40,601**	**53,012**	**42,714**	**45,540**
Provisions for pensions	–	–	–	–	522	522
Long-term loans	20,913	21,147	12,975	13,241	25,940	27,023
Short-term loans	6,221	6,265	11,736	12,215	4,686	4,710
Interest rate swaps received	–1,159	–1,159	–1,313	–1,313	–1,314	–1,314
Interest rate swaps paid	1,283	1,283	1,471	1,471	1,442	1,442
Cross currency interest rate swaps received	–3,510	–3,510	–2,340	–2,340	–1,795	–1,795
Cross currency interest rate swaps paid	3,562	3,562	2,471	2,471	1,927	1,927
Other currency derivatives	23	23	12	12	85	85
Liabilities	**27,333**	**27,611**	**25,012**	**25,757**	**31,493**	**32,600**
Less book value of:						
– pension provisions	–		–		–522	
– accrued interest	–575		–325		–332	
– other currency derivatives	–23		–12		–85	
Book value of interest-bearing liabilities	**26,735**		**24,675**		**30,554**	

The market capitalizations of the Group's holdings of publicly quoted shares were as follows:

	December 31,		
SEK in millions	2005	2004	2003
Subsidiaries			
AB Lietuvos Telekomas, Lithuania	3,602	2,748	2,018
AS Eesti Telekom, Estonia	4,921	4,483	–
Total subsidiaries	**8,523**	**7,231**	**2,018**
Associated companies and other minority holdings			
AS Eesti Telekom, Estonia	–	–	4,038
Turkcell Iletisim Hizmetleri A.S., Turkey	33,634	25,415	13,261
Infonet Services Corp., USA	–	1,264	1,154
Elisa Oyj (in 2004 and 2003 Saunalahti Group Oyj), Finland	221	125	80
Digital Telecommunications Phils. Inc., Philippines	84	123	55
Other holdings	11	1	31
Total associated companies and other minority holdings	**33,950**	**26,928**	**18,619**
Total	**42,473**	**34,159**	**20,637**

Principles of financing and financial risk management

TeliaSonera's financing and financial risks are managed under the control and supervision of the Board of Directors of TeliaSonera AB. Financial management is centralized within the Corporate Finance and Treasury unit of TeliaSonera AB, which functions as TeliaSonera's internal bank and is responsible for the management of financing and financial risks.

TeliaSonera Corporate Finance and Treasury (CFT) is responsible for Groupwide financial risk management including netting and pooling of capital requirements and payment flows. CFT also seeks to optimize the cost of financial risk management, which in certain cases may mean that e.g. an inter company transaction is not replicated with an identical transaction outside the Group or that derivative transactions are initiated in order to adjust e.g. the overall interest rate duration of the debt portfolio, if deemed appropriate. This means that situations may arise in which certain derivative transactions with parties outside the Group do not fully satisfy the requirements for hedge accounting. CFT's deviation mandates are clearly defined, however, and the impact on earnings of deals made within those mandates is therefore not deemed to be substantial. CFT's deviation mandate in the currency markets is currently capped at the equivalent of a nominal SEK +/–200 million. As of December 31, 2005, the risk mandate was utilized by less than SEK 50 million.

SEK is the functional currency of TeliaSonera AB. Its borrowings are therefore normally denominated in, or swapped into, SEK unless directly linked to international operations. TeliaSonera Finland Oyj's borrowings are denominated in EUR.

If the available loan form does not directly reflect the desired loan portfolio structure in terms of interest or currency, various forms of derivative instruments are used to adapt the structure in terms of duration and currency. This adaptation is achieved chiefly through interest rate swaps and cross currency interest rate swaps. Cross currency interest rate swaps are normally used to hedge financial flows such as loans and investments longer than one year, while shorter terms are hedged using currency swaps or forward exchange contracts.

Liquidity and bank credit facilities

TeliaSonera's policy is to have a strong liquidity position in terms of available cash and/or unutilized committed credit facilities. As of December 31, 2005, the surplus liquidity (short-term investments and cash and bank) amounted to the equivalent of SEK 18,362 million. Surplus liquidity is typically deposited in banks or invested in short-term interest-bearing instruments with good credit ratings. At year-end, TeliaSonera AB had no such investments in interest-bearing securities with maturities exceeding three months. In addition to available cash, TeliaSonera AB has a revolving credit facility, which is a committed syndicated bank credit facility with final maturity in December 2011, capped at EUR 1,000 million and used for short-term financing and back-up purposes. This facility was not utilized as of December 31, 2005. In total, as of the balance sheet date, the available unutilized amount under committed bank credit lines was approximately SEK 10.3 billion.

Open-market financing programs

As of December 31, 2005, the equivalent of EUR 2,041 million (EUR 914 million in 2004) had been utilized of TeliaSonera AB's Euro Medium Term Note (EMTN) program, an uncommitted international program aimed at long-term borrowing with a limit of EUR 5,000 million (5,000). The average term to maturity was approximately 7.1 years.

TeliaSonera AB's Euro Commercial Paper (ECP) program is an uncommitted international program aimed at short-term borrowing and has a limit of EUR 1,000 million (1,000). As of December 31, 2005, the ECP program was not utilized (no utilization as of December 31, 2004).

In the Swedish market, TeliaSonera AB's Flexible Term Note (FTN) program provides loan facilities, both short-term and long-term, on an uncommitted basis, of up to SEK 12,000 million (12,000). FTNs outstanding at December 31, 2005, totaled SEK 4,050 million (4,800), with an average remaining maturity of approximately 0.5 years.

In addition, TeliaSonera AB has a Finnish Commercial Paper (CP) program for non-domestic issuers, aimed at short-term borrowing, with a limit of EUR 300 million (300). As of December 31, 2005, the CP program was not utilized (no utilization as of December 31, 2004).

TeliaSonera Finland Oyj has an old EMTN program with a limit of EUR 3,000 million (3,000). As of December 31, 2005, the equivalent of EUR 203 million (1,082) was utilized under the EMTN program, with an average remaining maturity of approximately 3.3 year. This program will not be used for any new financing or refinancing.

The intention is that TeliaSonera AB will make future refinancing of the outstanding TeliaSonera Finland debt.

Borrowings, maturity structure, interest rates and currencies

As of December 31, 2005, the Group's interest-bearing borrowings had the following book values and maturity structure:

SEK in millions Maturity	TeliaSonera AB (incl. debt derivatives) Fixed rate	Floating rate	TeliaSonera Finland Fixed rate	Floating rate	Total	Other units	Group
2006	1,408	4,500	3	–	5,911	304	6,215
2007	826	–	–	–	826	142	968
2008	–	777	–	–	777	44	821
2009	–	–	1,993	–	1,993	7	2,000
2010	1,405	–	–	–	1,405	4	1,409
Later years	816	14,457	–	–	15,273	49	15,322
Total	**4,455**	**19,734**	**1,996**	**–**	**26,185**	**550**	**26,735**

Debt derivatives relate to interest rate swaps and cross currency interest rate swaps.

In 2005, maturing debt was refinanced with new longer-dated public bond issuance, thereby prolonging the debt maturity profile. Long-term borrowings were distributed as follows:

SEK in millions	December 31, 2005	2004	2003
Loans from associated companies	3	–	–
Finance leases, vehicles	116	165	201
TeliaSonera FTN/FTO	800	4,167	4,903
TeliaSonera EMTN, other foreign currency loans	16,617	5,476	7,272
TeliaSonera Finland EMTN, other foreign currency loans	1,993	1,941	11,997
Other loans	904	968	1,227
Interest rate swaps	28	47	108
Cross currency interest rate swaps	59	178	159
Total	**20,520**	**12,942**	**25,867**

For the years 2005, 2004 and 2003, SEK 15,322 million, SEK 1,733 million and SEK 4,995 million, respectively, of the loans were due more than five years after the balance sheet date.

Short-term borrowings were distributed as follows:

SEK in millions	December 31, 2005	2004	2003
Loans from associated companies	–	–	17
Finance leases, vehicles	92	83	73
TeliaSonera FTN	3,275	752	300
TeliaSonera EMTN, other foreign currency loans	2,650	2,706	523
TeliaSonera Finland EMTN, other foreign currency loans	3	7,930	2,726
Other loans	188	248	953
Interest rate swaps	0	4	25
Cross currency interest rate swaps	7	10	70
Total	**6,215**	**11,733**	**4,687**

Bank overdraft facilities had a total limit of SEK 892 million, SEK 879 million and SEK 984 million for the years 2005, 2004 and 2003, respectively.

The average cost, including relevant hedges, of outstanding long-term and short-term borrowings as per the balance sheet date was as follows:

Percent	December 31, 2005	2004	2003
TeliaSonera AB (SEK)			
Long-term borrowings	3.35	4.54	5.32
Short-term borrowings	4.36	5.22	5.52
TeliaSonera Finland Oyj (EUR)			
Long-term borrowings	4.63	4.63	5.39
Short-term borrowings	2.07	5.63	3.03

Normally, borrowings by TeliaSonera AB denominated in foreign currencies are swapped into SEK. The exceptions are funds borrowed to finance the Group's ventures abroad. TeliaSonera AB's portfolio of interest rate swaps and cross currency interest rate swaps as of December 31, 2005, 2004 and 2003 had a nominal value of approximately SEK 17,700 million, SEK 13,500 million and SEK 10,700 million, respectively.

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

Currency	December 31, 2005 For the respective currency Interest (%)	2005 Amount (in millions)	2004 Interest (%)	2004 Amount (in millions)	2003 Interest (%)	2003 Amount (in millions)
Swapped into SEK						
EUR	2.7	1,265	5.2	430	5.9	772
JPY	2.6	3,000	3.0	3,000	3.8	3,000
Total SEK	**2.7**	**13,386**	**5.2**	**4,245**	**5.9**	**6,903**
Swapped into EUR						
USD	–	–	3.9	3	3.6	5
Total SEK	**–**	**–**	**3.9**	**17**	**3.6**	**36**
Non-swapped						
SEK	4.2	5,025	4.2	6,562	4.8	6,475
EUR	4.6	219	4.4	226	4.3	1,296
DKK	3.1	43	2.3	52	4.5	61
EEK	2.9	5	–	–	–	–
NOK	3.2	4	–	–	5.0	32
LVL	3.1	1	4.1	4	5.0	1
Total SEK		**7,134**		**8,680**		**18,928**
Total SEK		**20,520**		**12,942**		**25,867**

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, balance sheet and/or cash flows. 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

Net foreign exchange outflow (expressed as equivalent value in SEK million) on a full-year basis was distributed as follows in the Group's Nordic operations:

	January–December											
	2005	2004	2003	2005	2004	2003	2005	2004	2003	2005	2004	2003
	Sweden			Finland			Norway			Denmark		
Currency	Equivalent value in SEK million											
EUR	1,051	1,008	523	–	–	–	838	734	295	363	111	30
USD	452	546	556	445	11	135	158	103	127	47	15	7
GBP	34	55	70	18	8	–24	9	11	8	9	38	26
NOK	14	65	23	7	41	10	–	–	–	6	2	0
SEK	–	–	–	87	19	–55	12	–19	4	215	60	–3
DKK	–8	–25	41	4	0	24	8	17	24	–	–	–
Other currencies	24	71	18	16	1	11	10	6	8	4	4	1
Total net outflow	**1,567**	**1,720**	**1,231**	**577**	**80**	**101**	**1,035**	**852**	**466**	**644**	**230**	**61**
– gross outflow	2,896	2,863	2,876	580	105	566	1,048	883	467	662	302	88
– gross inflow	–1,329	–1,143	–1,645	–3	–25	–465	–13	–31	–1	–18	–72	–28

The operational need to net purchase foreign currency is primarily due to settlement deficits in international telecom traffic and the import of equipment and supplies.

Emanating from the operations in the above-mentioned countries, the negative impact on pre-tax income would be approximately SEK 13 million on a full-year basis, should the Swedish krona weaken by one percentage point against all of the transaction currencies, assuming an operational transaction exposure equivalent to that in 2005, and provided that no hedging measures were taken and not including any potential impact on income due to currency translation of other income statement items. Applying the same assumptions, the positive impact on income would be approximately SEK 17 million on a full-year basis, should the euro weaken by one percentage point against all of the transaction currencies.

TeliaSonera's operational transaction exposure is not significant at present, but it is expected to increase over time. In order to limit earnings fluctuation, TeliaSonera's general policy is normally to hedge the majority of known operational transaction exposure up to 12 months into the future. This hedging is primarily initiated via forward exchange contracts and refers to invoiced transactions. Financial flows, however, are usually hedged until maturity, even if that is longer than 12 months.

Cross currency interest rate swaps are normally used to hedge financial flows such as loans and investments longer than one year, while shorter terms are hedged using currency swaps or forward exchange contracts. Currency options are also used from time to time.

Conversion exposure

TeliaSonera's conversion exposure is expected to continue to grow due to ongoing expansion of the international business operations. TeliaSonera does not typically hedge its conversion exposure, unless the exposure would be short-term and relate to a large amount of a freely convertible foreign currency of a country with smoothly functioning financial markets.

The conversion exposure is distributed as follows:

	December 31,					
	2005		2004		2003	
Currency	**Amount in SEK million**	**Percent**	**Amount in SEK million**	**Percent**	**Amount in SEK million**	**Percent**
EUR	60,628	42.4	54,165	43.9	60,320	51.8
NOK	29,188	20.4	27,352	22.2	26,156	22.5
TRY	20,389	14.2	12,972	10.5	10,428	9.0
LTL	7,113	5.0	6,413	5.2	6,009	5.2
DKK	6,742	4.7	6,367	5.2	1,021	0.9
USD	6,364	4.4	5,180	4.2	5,592	4.8
EEK	5,147	3.6	4,577	3.7	1,069	0.9
LVL	3,718	2.6	3,764	3.1	3,081	2.6
KZT	1,523	1.1	915	0.7	756	0.7
GBP	989	0.7	835	0.7	587	0.5
AZM	746	0.5	423	0.3	974	0.8
CZK	203	0.1	182	0.1	157	0.1
UGX	144	0.1	131	0.1	110	0.1
LKR	137	0.1	145	0.1	134	0.1
GEL	111	0.1	21	0.0	–65	–0.0
Other currencies	30	0.0	–9	0.0	45	0.0
Total	**143,172**	**100.0**	**123,433**	**100.0**	**116,374**	**100.0**
of which hedged	–	–	–	–	–	–

The negative impact on Group equity would be approximately SEK 1,430 million if the Swedish krona strengthened by one percentage point against all of the currencies in which TeliaSonera has conversion exposure, based on the exposure as of December 31, 2005 and not including any potential equity impact due to TeliaSonera's operational need to net purchase foreign currency or to currency translation of other income statement items.

Foreign exchange derivatives

As of December 31, 2005, TeliaSonera's portfolio of cross currency interest rate swaps represented the following currencies and maturities. Amounts indicated include underlying principal and accrued interest.

Maturity SEK in millions	**2006**	**2007**	**2008**	**2009**	**2010**	**Later years**	**Total**
Cross currency interest rate swaps, received							
Buy EUR	2,646	–	–	–	1,561	11,780	15,987
Buy JPY	–	–	–	–	–	203	203
Buy USD	7	–	–	–	–	–	7
Total, received	**2,653**	–	–	–	**1,561**	**11,983**	**16,197**
Cross currency interest rate swaps, paid							
Total, paid	**–2,586**	–	–	–	**–1,412**	**–11,946**	**–15,944**
Net position	**67**	–	–	–	**149**	**37**	**253**

As of December 31, 2005, the TeliaSonera Group's portfolio of other foreign exchange derivatives hedging loans, investments, and operational transaction exposures represented the following currencies and maturities. Amounts indicated include underlying principal.

Maturity SEK in millions	**2006**	**2007**	**2008**	**2009**	**2010**	**Later years**	**Total**
Sell DKK	2,332	–	–	–	–	–	2,332
Sell USD	1,339	–	–	–	–	–	1,339
Sell EUR	648	32	2	2	–	–	684
Sell CZK	97	–	–	–	–	–	97
Sell LVL	79	–	–	–	–	–	79
Sell CHF	35	–	–	–	–	–	35
Sell PLN	21	–	–	–	–	–	21
Sell HUF	9	–	–	–	–	–	9
Sell LTL	8	–	–	–	–	–	8
Sell SGD	5	–	–	–	–	–	5
Sell HKD	4	–	–	–	–	–	4
Sell NOK	2	–	–	–	–	–	2
Sell total	**4,579**	**32**	**2**	**2**	–	–	**4,615**
Buy NOK	–1,944	–	–	–	–	–	–1,944
Buy EUR	–1,660	–	–	–	–	–	–1,660
Buy GBP	–563	–	–	–	–	–	–563
Buy USD	–248	–1	–	–	–	–	–249
Buy DKK	–8	–	–	–	–	–	–8
Buy CHF	–4	–	–	–	–	–	–4
Buy CZK	–3	–	–	–	–	–	–3
Buy HUF	–1	–	–	–	–	–	–1
Buy total	**–4,431**	**–1**	–	–	–	–	**–4,432**
Net position	**148**	**31**	**2**	**2**	–	–	**183**

Interest rate risk

The TeliaSonera Group's sources of funds are primarily shareholders' equity, cash flows from operating activities, and borrowing. The interest-bearing borrowing exposes the Group to interest rate risk.

Interest rate risk is the risk that a change in interest rates will negatively affect the Group's net interest income and/or cash-flows. TeliaSonera's financial policy provides guidelines for interest rates and the average maturity of borrowings. The Group aims at balancing the estimated running cost of borrowing and the risk of significant negative impact on earnings, should there be a sudden, major change in interest rates. The Group's policy is that the duration of interest of the debt portfolio should be from six months to four years.

If the available loan form does not directly reflect the desired loan portfolio structure, various forms of derivative instruments are used to adapt the structure in terms of duration and currency. This adaptation is achieved chiefly through interest rate swaps and cross currency interest rate swaps.

As of December 31, 2005, TeliaSonera AB and TeliaSonera Finland Oyj had interest-bearing debt of SEK 25,602 million with duration of interest of approximately 0.9 years, including derivatives. The volume of loans exposed to changes in interest rates over the next 12-month period was at the same date approximately SEK 21,145 million, assuming that existing loans maturing during the year are refinanced and after accounting for derivatives. The exact effect of a change in interest rates on the financial net stemming from this debt portfolio depends on the timing of maturity of the debt as well as reset dates for floating rate debt, and that the volume of loans may vary over time, thereby affecting the estimate. Fair value of the loan portfolio would, however, change by approximately SEK 240 million, should the level in market interest rates make a parallel shift of one percentage point, and assuming the same volume of loans and a similar duration on those loans as per year-end 2005.

TeliaSonera AB has designated certain interest rate swaps as cash flow hedges to hedge against changes in the amount of future cash flows related to interest payments on existing liabilities. Hedge ineffectiveness related to outstanding cash flow hedges was immaterial and recognized in earnings during the year. Net changes in fair value recognized in shareholders' equity are separately reported in a fair value reserve (see section "Reserves" of note "Equity and Earnings per Share"). In 2005, no cash flow hedges were discontinued due to the original forecasted transactions not having occurred in the originally specified time period.

As of December 31, 2005, the TeliaSonera Group's portfolio of interest rate swap contracts was composed as follows. Amounts indicated include underlying principal and accrued interest.

Maturity SEK in millions	2006	2007	2008	2009	2010	Later years	Total
Interest received							
Fixed interest rate	2,937	–	–	–	–	13,702	16,639
Floating interest rate	–	502	–	–	658	–	1,160
Total	**2,937**	**502**	**–**	**–**	**658**	**13,702**	**17,799**
Interest paid							
Fixed interest rate	–	540	–	–	744	–	1,284
Floating interest rate	2,828	–	–	–	–	13,277	16,105
Total	**2,828**	**540**	**–**	**–**	**744**	**13,277**	**17,389**

Pension obligation risk

As of December 31, 2005, the TeliaSonera Group had pension obligations which net present value amounted to SEK 22,036 million (see note "Provisions for Pensions and Employment Contracts" below). To secure these obligations, the TeliaSonera Group has pension funds, with plan assets equivalent to SEK 18,480 million based on market values as of December 31, 2005. The pension funds' assets are used as prime funding source for the pension obligations, and consisted of approximately 61 percent fixed income instruments and approximately 39 percent shares and other investments at year-end 2005. The expected return on the pension funds' plan assets is approximately 4.3 percent annually. The portion of the pension obligations not covered by plan assets is recognized in the balance sheet, adjusted for actuarial gains and losses.

The approximate impact on the pension obligations is SEK 3,200 million, should the weighted average discount rate decrease by one percentage point from the approximately 3.5 percent which is currently used. Such an increase in the obligations, were interest rates to fall, should be partly offset by a positive impact from the fixed income assets in the pension funds. Based on the existing asset structure and the duration of the pension funds' fixed income portfolios (including index-linked bonds) as of December 31, 2005, and assuming that the value of the other assets in the pension funds were unchanged, a similar reduction in interest rates is estimated to increase the value of the pension funds assets by some SEK 1,000 million.

Exogenous risk factors impacting pension obligations include changes in population life expectancy. Current anticipation is that there will be actuarial modifications implying an extension of average life expectancy in the near future. Should such modifications be realized, they are assumed to increase TeliaSonera's pension obligations. At this stage, however, the impact cannot be quantified.

Financing risk

TeliaSonera's aggregate 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. The Group's policy is that the average maturity of borrowings should normally exceed 2 years. In order to reduce financing risk, the Group aims to spread loan maturity dates over a longer period.

TeliaSonera AB enjoys a strong credit rating with the rating agencies Standard & Poor's and Moody's. Standard & Poor's has lowered its assigned credit rating on TeliaSonera AB to A- for long-term borrowings and A-2 for short-term borrowings. Moody's credit rating on TeliaSonera AB is unchanged at A-2 for long-term borrowings and P-1 for short-term borrowings. These ratings represent a solid investment grade level and are thus expected to allow TeliaSonera continued good access to the financial markets.

TeliaSonera finances its operations chiefly by borrowing under its uncommitted open-market financing programs directly in Swedish and international money markets and capital markets. TeliaSonera AB and TeliaSonera Finland Oyj also use bank financing, which represented approximately 3 percent of the Group's total borrowing as of December 31, 2005. The open-market financing programs provide a cost-effective and flexible alternative to bank financing. Most of the open-market borrowing is issued at fixed interest rates, along with some floating rate notes.

Credit risk

TeliaSonera accepts only creditworthy counterparts for financial transactions such as interest rate swaps, cross currency swaps and other transactions in derivatives. TeliaSonera requires each counterpart to have an approved rating and an International Swaps and Derivatives Association, Inc. (ISDA) agreement. The permitted exposure to each counterpart depends on the rating of that counterpart. As of December 31, 2005, the aggregate exposure to counterparts in derivatives was SEK 704 million, calculated as a net claim on each counterpart.

Any surplus cash is typically deposited in banks or invested in short-term interest-bearing instruments with good credit ratings. The permitted exposure to each counterpart depends on the rating of that counterpart.

The credit risk with respect to TeliaSonera's trade receivables is diversified among a large number of customers, both private individuals and companies in various industries. Solvency information is required for credit sales to minimize the risk of unnecessary bad debt expense and is based on group-internal information on payment behavior, if necessary completed by credit and business information from external sources. Bad debt expense in relation to consolidated net sales was approximately 0.3 percent, 0.3 percent and 0.6 percent in 2005, 2004 and 2003, respectively.

Insurable risks

The insurance cover is governed by corporate guidelines and includes a common package of different property and liability insurance programs. The business units and other units being responsible for assessing the risks decide the extent of actual cover. Corporate Insurance at TeliaSonera AB manages the common Group insurance programs and uses a captive, TeliaSonera Försäkring AB, as a strategic tool in managing the insurance programs. The risks in the captive are in part reinsured in the international reinsurance market.

23. Provisions for Pensions and Employment Contracts

General

Receivables/provisions for pension obligations were recorded in the balance sheet as follows:

SEK in millions	December 31, 2005	2004	2003
Present value of pension obligations	22,036	18,047	16,977
Fair value of plan assets	–18,480	–15,838	–14,295
Pension obligations less plan assets	**3,556**	**2,209**	**2,682**
Unrecognized past service cost	26	20	34
Unrecognized transition gains	–	–	152
Unrecognized actuarial gains (+)/losses (–)	–4,019	–2,802	–2,346
Receivables (–)/Provisions (+) for pension obligations	**–437**	**–573**	**522**

Total pension expenses were distributed as follows:

SEK in millions	January–December 2005	2004	2003
Current service cost	472	430	328
Interest on pension provisions	880	902	878
Expected return on assets	–970	–940	–892
Amortization of past service cost	–8	–34	–3
Amortization of transition gains	–	–158	–42
Amortization of actuarial gains (–)/losses (+)	88	66	68
Pension expenses, defined benefit pension plans	**462**	**266**	**337**
Settlement of pension obligations	–4	–	–
Termination benefits (excl. premiums and pension-related social charges)	888	76	150
Pension premiums, defined benefit/defined contribution pension plans and pay-as-you-go systems	626	661	661
Pension-related social charges and taxes, other pension expenses	506	–562	258
Less termination benefits (incl. premiums and pension-related social charges) reclassified as restructuring charges	–1,185	–	–
Total pension expenses	**1,293**	**441**	**1,406**
of which pension premiums paid to the ITP pension plan	204	192	196

Actuarial calculation assumptions

The actuarial calculation of pension obligations and pension expenses is based on the following principal assumptions, each presented as a weighted average for the different pension plans.

	December 31,		
Percentages, except remaining working life	2005	2004	2003
Discount rate	3.5	5.0	5.5
Expected rate of compensation increase	3.1	3.5	3.5
Employee turnover rate	3.0	2.8	2.7
Average expected remaining working life, years	14.7	15.1	15.1
Increase in income base amount (only Swedish Group units)	2.8	2.8	2.5
Annual adjustments to pensions	1.9	2.0	2.0
Expected return on plan assets	4.3	5.7	6.5

Specifications to pension obligations and pension expenses

Changes in projected benefit obligation, plan assets, and the net receivable/liability in the balance sheet and actuarial net gains or losses for the defined benefit pension plans were as follows:

	December 31,		
SEK in millions	2005	2004	2003
Present value of pension obligations			
Opening balance	18,047	16,977	16,398
Current service cost	472	430	328
Interest expenses	880	902	878
Benefits paid	–989	–1,360	–1,089
Benefits paid, early retirement	–249	–	–
Termination benefits	888	76	150
Operations acquired/divested	–19	23	–93
Settlement of pension obligations	–4	–	–
Past service cost	–16	–20	–
Actuarial gains (–)/losses (+)	2,942	1,027	430
Exchange rate differences	84	–8	–25
Closing balance	**22,036**	**18,047**	**16,977**
Plan assets			
Opening balance	15,838	14,295	13,987
Expected return on plan assets	970	940	892
Contribution to pension fund	1,000	1,122	96
Payment from pension fund	–1,029	–1,028	–1,026
Operations acquired (+)/divested (–)	–	13	–21
Actuarial gains (+)/losses (–)	1,616	506	395
Exchange rate differences	85	–10	–28
Closing balance	**18,480**	**15,838**	**14,295**
Return on plan assets			
Expected return on plan assets	970	940	892
Actuarial gains (+)/losses (–)	1,616	506	395
Actual return	**2,586**	**1,446**	**1,287**
Provisions for pension obligations			
Opening balance	–573	522	224
Pension expenses, defined benefit pension plans	462	266	337
Benefits paid	–989	–1,360	–1,089
Benefits paid, early retirement	–249	–	–
Contribution to pension fund	–1,000	–1,122	–96
Payment from pension fund	1,029	1,028	1,026
Termination benefits	888	75	150
Operations acquired/divested, net	–9	20	–29
Settlement of pension obligations	–1	–	–
Exchange rate differences	5	–2	–1
Closing balance	**–437**	**–573**	**522**
Actuarial gains/losses			
Opening balance, actuarial gains (+)/losses (–)	–2,802	–2,346	–2,423
Actuarial gains (–)/losses (+) to be recognized	88	66	68
Actuarial gains (–)/losses (+), settlement of pension obligations	4	–	–
Actuarial gains (–)/losses (+), acquired/divested operations	10	10	43
Actuarial gains (+)/losses (–), pension obligations	–2,942	–1,027	–430
Actuarial gains (+)/losses (–), plan assets	1,616	506	395
Exchange rate differences	7	–11	1
Closing balance, actuarial gains (+)/losses (–)	**–4,019**	**–2,802**	**–2,346**

	December 31,		
SEK in millions	2005	2004	2003
Operations acquired			
Increase in pension obligations	–	43	29
Increase in plan assets	–	–13	–12
Net position	**–**	**30**	**17**
Operations divested			
Decrease in pension obligations	–19	–20	–122
Decrease in plan assets	–	–	33
Decrease in unrecognized net transition gain/loss, past service cost	–	–0	0
Decrease in unrecognized net transition gain/loss	–	–0	0
Changes in unrecognized actuarial gains (–)/losses (+)	10	10	43
Net position	**–9**	**–10**	**–46**

Plan-asset allocation

As of the balance sheet date, actual market values of pension plan assets were as follows:

	December 31,					
	2005		2004		2003	
Asset category	SEK in millions	Percent	SEK in millions	Percent	SEK in millions	Percent
Fixed income instruments, liquidity	11,286	61.1	8,884	56.1	8,425	58.9
Shares and other investments	7,194	38.9	6,954	43.9	5,870	41.1
Total	**18,480**	**100.0**	**15,838**	**100.0**	**14,295**	**100.0**
of which shares in TeliaSonera AB	70	0.4	84	0.5	81	0.6

Future cash flows

Contributions

For companies in Sweden, part of the pension liabilities is secured also by credit insurance. This means, should the pension obligations increase, that each company can choose if and when to contribute to the pension fund or otherwise to recognize a pension provision in the balance sheet. To pension funds outside Sweden, TeliaSonera expects to contribute SEK 145 million in 2006.

Estimated benefits paid

Given the current actuarial calculation assumptions, TeliaSonera expects the following benefit payments during the next ten-year period.

SEK in millions	2006	2007	2008	2009	2010	2011–2015	Total
Expected benefits paid	1,024	1,028	1,040	1,047	1,068	5,883	**11,090**

24. Other Provisions

Changes in total other provisions were as follows:

	December 31,		
SEK in millions	2005	2004	2003
Book value, opening balance	5,496	6,238	7,509
Provisions for the period	3,365	1,250	1,668
Utilized provisions	–1,294	–1,592	–2,749
Operations divested	–36	–	–
Reclassifications	–1,185	229	941
Reversals of provisions	–632	–666	–1,076
Timing and interest-rate effects	89	54	67
Exchange rate differences	183	–17	–122
Book value, closing balance	**5,986**	**5,496**	**6,238**

The book value was distributed and classified as follows:

SEK in millions	December 31, 2005	2004	2003
Payroll taxes on future pension payments	148	241	302
Restructuring provisions	2,920	2,445	3,289
Warranty provisions	1,813	1,995	2,294
Asset retirement obligations	489	256	115
Onerous and other loss-making contracts	291	143	87
Other	325	416	151
Total other provisions	**5,986**	**5,496**	**6,238**
Less other provisions classified as short-term	–616	–513	–674
Total other long-term provisions	**5,370**	**4,983**	**5,564**

Provisions for restructuring are discussed in note "Restructuring Costs." Warranty provisions include warranties, provisions for potential litigation and other provisions related to disposals and winding-up of group entities, associated companies and other equity holdings, such as Xfera Móviles S.A. and Ipse 2000 S.p.A. (for further details on the latter, see note "Contingencies, Other Contractual Obligations and Litigation."

25. Other Long-term Liabilities

Other long-term non-interest-bearing liabilities were distributed as follows:

SEK in millions	December 31, 2005	2004	2003
Prepaid leasing agreements	966	1,194	1,340
License fees	383	438	494
Prepaid contracts for broadband build-out	712	648	462
Other liabilities	282	170	193
Total	**2,343**	**2,450**	**2,489**

For information on leases, see notes "Leasing Agreements" and "Contingencies, Other Contractual Obligations and Litigation." Of the other long-term liabilities for the years 2005, 2004 and 2003, SEK 415 million, SEK 68 million and SEK 136 million, respectively, fell due more than five years after the balance sheet date.

26. Trade Payables and Other Current Liabilities

Trade payables and other current liabilities were distributed as follows:

SEK in millions	December 31, 2005	2004	2003
Accounts payable	**7,676**	**8,057**	**8,017**
Liabilities to associated companies	**538**	**470**	**632**
Other liabilities			
Telephone card reserve, rollover minutes	937	1,022	742
Advances, deposits, etc.	204	248	512
Value-added tax, excise taxes	1,282	1,168	1,176
Employee withholding tax, payable to employees	475	463	420
Currency swaps, forward exchange contracts	23	12	85
Other	1,085	1,110	1,040
Total other liabilities	**4,006**	**4,023**	**3,975**
Accrued expenses and deferred revenues			
Accrued payroll expenses, social security contributions, etc.	1,971	1,906	1,927
Accrued interest	273	642	1,052
Accrued payables to suppliers	1,712	1,831	1,544
Accrued interconnect and roaming charges	1,051	1,084	721
Accrued retailer commissions	309	160	183
Accrued leasing fees	480	496	520
Deferred subscription charges	1,683	1,911	2,090
Prepaid leasing agreements	332	291	689
Other accrued or deferred items	2,702	1,860	2,198
Total accrued expenses and deferred revenues	**10,513**	**10,181**	**10,924**
Total trade payables and other current liabilities	**22,733**	**22,731**	**23,548**

27. Leasing Agreements

TeliaSonera as lessee

Finance leases

The Group's finance leases concerns computers and other IT equipment, production vehicles, company cars to employees, and other vehicles. There is no subleasing.

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

SEK in millions	December 31, 2005	2004	2003
Acquisition value	1,008	1,516	1,834
Less accumulated depreciation	–679	–1,035	–1,302
Net value of finance lease agreements	**329**	**481**	**532**

Depreciation and impairment losses totaled SEK 206 million, SEK 261 million and SEK 274 million for the years 2005, 2004 and 2003, respectively. Leasing fees paid in these years totaled SEK 216 million, SEK 274 million and SEK 301 million, respectively.

As of December 31, 2005, future minimum leasing fees and their present values as per finance lease agreements that could not be canceled in advance and were longer than one year in duration were as follows:

Maturity SEK in millions	2006	2007	2008	2009	2010	Later years	Total
Future minimum leasing fees	181	139	53	6	8	3	**390**
Present value of future minimum lease payments	173	127	46	5	6	2	**359**

As of the balance sheet date, the present value of future minimum leasing fees under non-cancelable finance lease agreements was as follows:

SEK in millions	December 31, 2005	2004	2003
Total future minimum leasing fees	390	538	583
Less interest charges	–31	–51	–57
Present value of future minimum leasing fees	**359**	**487**	**526**

Operating leases

TeliaSonera's operating lease agreements primarily concern office space, technical sites, land, computers and other equipment. Certain contracts include renewal options for various periods of time. Subleasing consists mainly of home computers leased to employees and certain office premises.

Future minimum leasing fees under operating lease agreements in effect as of December 31, 2005 that could not be canceled in advance and were in excess of one year were as follows:

Maturity SEK in millions	2006	2007	2008	2009	2010	Later years	Total
Future leasing fees	1,876	1,371	1,231	975	815	3,549	**9,817**
Subleasing	60	47	44	44	44	110	**349**

Total rent and leasing fees paid were SEK 2,503 million, SEK 2,491 million and SEK 1,771 million for the years 2005, 2004 and 2003, respectively. For these years, revenue for subleased items totaled SEK 65 million, SEK 61 million and SEK 56 million, respectively.

At the end of 2005 office space and technical site leases covered approximately 755,000 square meters, including approximately 5,000 square meters of office space for TeliaSonera's principal executive offices, located at Sturegatan 1 in Stockholm, Sweden. Apart from certain short-term leases, leasing terms range mainly between 3 and 17 years with an average term of approximately 8 years. All leases have been entered into on conventional commercial terms. Certain contracts include renewal options for various periods of time.

TeliaSonera as lessor

Finance leases

The leasing portfolio comprises financing of products and services related to TeliaSonera's product and service offerings in Sweden and Denmark. At the end of 2005, the Danish part of the total portfolio was 15 percent. The term of the contract stock is approximately 15 quarters. The term of new contracts signed in 2005 is 15 quarters. Of all contracts, 72 percent carry a floating interest rate and 28 percent a fixed rate. Most contracts include renewal options. Most of TeliaSonera's customer financing operations was divested in 2004.

As of the balance sheet date, the present value of future minimum lease payment receivables under non-cancelable finance lease agreements was as follows:

	December 31,		
SEK in millions	**2005**	**2004**	**2003**
Gross investment in finance lease contracts	663	679	7,129
Less unearned finance revenues	–82	–77	–674
Net investment in finance lease contracts	**581**	**602**	**6,455**
Less: Unguaranteed residual values of leased properties for the benefit of the lessor	–0	–0	–33
Present value of future minimum lease payment receivables	**581**	**602**	**6,422**

As of December 31, 2005, the gross investment and present value of receivables relating to future minimum lease payments under non-cancelable finance lease agreements were distributed as follows:

Maturity SEK in millions	2006	2007	2008	2009	2010	Later years	Total
Gross investment	256	157	117	56	31	46	**663**
Present value of receivables relating to future minimum lease payments	244	139	98	45	23	32	**581**

Reserve for doubtful receivables regarding minimum lease payments totaled SEK 8 million as of December 31, 2005.

Operating leases

The leasing portfolio includes some twenty agreements with other international operators and over 100 other contracts. Contract periods range between 10 and 25 years, with an average term of 20 years.

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

	December 31,		
SEK in millions	**2005**	**2004**	**2003**
Acquisition value	3,547	3,146	3,260
Less accumulated depreciation	–1,755	–1,366	–1,259
Less accumulated impairment losses	–300	–300	–
Gross book value	**1,492**	**1,480**	**2,001**
Plus prepaid sales costs	2	2	2
Less prepaid lease payments	–965	–1,044	–1,030
Net value of operating lease agreements	**529**	**438**	**973**

Depreciation and impairment losses totaled SEK 385 million, SEK 622 million and SEK 548 million in the years 2005, 2004 and 2003.

Future minimum lease payment receivables under operating lease agreements in effect as of December 31, 2005 that could not be canceled in advance and were in excess of one year were as follows:

Maturity SEK in millions	2006	2007	2008	2009	2010	Later years	Total
Future minimum lease payments	238	106	62	25	7	1	**439**

28. Contingencies, Other Contractual Obligations and Litigation

Contingent assets, collateral pledged and contingent liabilities

As of the balance sheet date, unrecognized contingent assets, collateral pledged and contingent liabilities were distributed as follows:

	December 31,		
SEK in millions	**2005**	**2004**	**2003**
Contingent assets	–	–	–
Collateral pledged			
For warranty provisions:			
Blocked funds in bank accounts	1,004	996	1,168
For deposits from customers:			
Blocked funds in bank accounts	86	93	91
For pension obligations:			
Real estate mortgages	18	18	18
Current receivables	44	38	36
For operating leases:			
Real estate mortgages	3	2	2
For long-term liabilities to credit institutions:			
Chattel mortgages	–	15	262
Shares in Turun Puhelin Oy	–	–	570
Shares in Svenska UMTS-nät AB	429	513	489
Shares in OAO MegaFon	–	–	153
Total collateral pledged	**1,584**	**1,675**	**2,789**
Contingent liabilities			
Credit guarantee on behalf of Svenska UMTS-nät AB	1,475	1,007	363
Credit guarantees on behalf of OAO MegaFon	–	–	338
Credit guarantee on behalf of Xfera Móviles S.A.	31	–	–
Credit guarantees on behalf of other associated companies	2	8	25
Performance guarantees on behalf of Xfera Móviles S.A.	574	544	1,159
Other credit and performance guarantees, etc.	295	548	1,038
Guarantees for pension obligations	204	182	176
Total contingent liabilities	**2,581**	**2,289**	**3,099**

As of December 31, 2005, total contingent liabilities represented the following maturities:

Maturity SEK in millions	2006	2007	2008	2009	2010	Later years	Total
Contingent liabilities	451	255	1,667	–	1	207	**2,581**

Some loan covenants agreed limit the scope for divesting or pledging certain assets.

For all guarantees, except the credit guarantee on behalf of Svenska UMTS-nät AB and the performance guarantees on behalf of Xfera Móviles S.A., stated amounts equal the maximum potential amount of future payments that TeliaSonera could be required to make under the respective guarantee.

As security for certain amounts borrowed by TeliaSonera's 50 percent owned associated company Svenska UMTS-nät AB under a third-party credit facility totaling SEK 5,300 million, TeliaSonera and Tele2, the other shareholder of Svenska UMTS-nät, have each severally but not jointly issued guarantees of a maximum of SEK 2,650 million to the lenders and granted pledges of their shares in Svenska UMTS-nät. The indebtedness under the credit facility may become due on an accelerated basis, under certain circumstances, including if either TeliaSonera or Tele2 ceases to hold, directly or indirectly, 50 percent of the company, unless the lenders provide their advance consent. TeliaSonera is not contractually required to provide any further capital contributions to or guarantees in favor of Svenska UMTS-nät. As of December 31, 2005, Svenska UMTS-nät had, under the credit facility, borrowed SEK 2,950 million, of which TeliaSonera guarantees 50 percent, or SEK 1,475 million.

As of December 31, 2005, TeliaSonera had four commitments in relation to Xfera Móviles S.A.

- A remaining capital commitment to invest EUR 272 million, equivalent to SEK 2,553 million (see also section "Other unrecognized contractual obligations" below). TeliaSonera's ownership in Xfera is 16.55 percent and its share of the shareholder capital commitments is 23.27 percent. Payments under this capital commitment were originally scheduled to start by the end of 2004, but have been postponed due to ongoing negotiations among Xfera owners.
- A counter guarantee of EUR 41 million as TeliaSonera's share on behalf of Xfera's performance requirements in relation to its UMTS license.
- Counter guarantees of EUR 52 million as TeliaSonera's share to cover the payment of Xfera's spectrum fees for 2001–2005, which are currently subject to dispute with the Spanish government.
- A counter guarantee of EUR 3 million as TeliaSonera's share to cover the payment of borrowings under Xfera's credit facility.

These commitments may be partly overlapping. For instance, management believes that TeliaSonera's investments pursuant to its contractual capital commitment would enable Xfera to meet the performance requirements in relation to its UMTS license. As of December 31, 2005, TeliaSonera had recognized a warranty provision of EUR 49 million, equivalent to SEK 462 million, for its commitments and obligations on behalf of Xfera and management believes that there is currently no need for additional provisions.

As of December 31, 2005, TeliaSonera had recognized all of its commitments on behalf of Ipse 2000 S.p.A. in the balance sheet as warranty provisions. Ipse's 3G license payments to the Italian government have been secured by bank guarantees. According to an agreement with the bank, Ipse and its shareholders, including TeliaSonera, have given cash collateral for the remaining license payments in 2006 and onwards. TeliaSonera's part of the cash collateral amounts to EUR 93 million, equivalent to SEK 870 million.

In December 1998, TeliaSonera's subsidiary TeliaSonera Finland Oyj (formerly Sonera Oyj) entered into a cross-border finance lease-leaseback agreement under which TeliaSonera Finland leased some of its mobile telecommunications network equipment ("Head Lease") to a group of U.S. equity trusts which simultaneously leased the equipment back to TeliaSonera Finland ("Back Lease"). The ownership of the equipment, total book value of which was EUR 3 million, EUR 3 million and EUR 19 million as of December 31, 2005, 2004 and 2003, respectively, is retained with TeliaSonera Finland. Both the Head Lease receivables and the Back Lease obligations were settled at the inception of the lease agreements, and TeliaSonera Finland received a net cash consideration of USD 11 million (EUR 9 million) which is recorded in the balance sheet as an advance payment received and recognized in income as other financial income over the lease term. No other cash payments are currently expected to be made by TeliaSonera Finland under the lease agreements. The agreement is valid for 15 years, but TeliaSonera Finland has an option to terminate the agreement 11 years after the inception of the agreement. Separate financial institutions are taking care of the annual repayments received by the equity investors and debt financiers participating in the agreement. The funds securing the repayments to equity investors have been invested in U.S. Treasury and other similar bonds, and a bank deposit has been made to secure the repayments of debt financing. At the inception of the agreement, the total amount of funds invested was USD 224 million.

Other unrecognized contractual obligations

As of December 31, 2005, the Group had the following unrecognized contractual obligations regarding future acquisitions (or equivalent) of intangible assets, property, plant and equipment and financial assets.

Maturity SEK in millions	2006	2007	2008	2009	2010	Later years	Total
Intangible assets	9	–	–	–	–	–	**9**
Property, plant and equipment	845	17	9	–	–	–	**871**
Xfera capital commitment	668	666	667	–	–	–	**2,001**
Other holdings of securities	10	–	–	–	–	–	**10**
Total	**1,532**	**683**	**676**	**–**	**–**	**–**	**2,891**

Most of the obligations relating to property, plant and equipment cover the construction under contract of TeliaSonera's fixed networks in Sweden. The Xfera capital commitment (EUR 213 million) is recorded net of recognized provisions and certain guarantees. See section "Contingent assets, collateral pledged and contingent liabilities" above for more information on this and other commitments related to Xfera.

Legal and administrative proceedings

In its normal course of business, TeliaSonera is involved in a number of legal proceedings. These proceedings primarily involve claims arising out of commercial law issues and regulatory matters. TeliaSonera is also involved in administrative proceedings relating principally to telecommunications regulations, competition law and consumer protection issues. Except for proceedings described below, TeliaSonera is not involved in any legal, arbitration or regulatory proceedings expected to have a material adverse effect on its business, financial condition or results of operations.

TeliaSonera has disputes with Tele2 and Vodafone concerning interconnect prices in Sweden. TeliaSonera believes that it has recorded sufficient provisions.

TeliaSonera is currently involved in litigations with former shareholders of the Brazilian mobile operator Tess, relating to such shareholders' disposal of their investments in Tess as well as certain call options and subscription rights in Tess.

Dependency on third parties

Commercial relationships

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

Off-balance sheet arrangements

Except for credit and performance guarantees, there are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on TeliaSonera's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors. See section "Contingent assets, collateral pledged and contingent liabilities" above for information related to credit and performance guarantees issued by TeliaSonera.

29. Cash Flow Information

Financial items

Interest received and interest paid was as follows:

	January–December		
SEK in millions	2005	2004	2003
Interest received	605	601	1,060
Interest paid	–1,474	–1,559	–1,622
Net position	**–869**	**–958**	**–562**

Income taxes

Income taxes paid for the years 2005, 2004 and 2003, totaled SEK 2,048 million, SEK 3,132 million and SEK 1,308 million, respectively.

Non-cash transactions

Vehicles

TeliaSonera leases vehicles through finance lease agreements. In 2005, 2004 and 2003, new acquisitions entailed non-cash investments of SEK 35 million, SEK 54 million and SEK 47 million, respectively.

Asset retirement obligations (AROs)

In 2005, 2004 and 2003, obligations regarding future dismantling and restoration of technical sites entailed non-cash investments of SEK 194 million, SEK 25 million and SEK 106 million, respectively.

Acquisitions and divestitures

The TeliaSonera 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 fair value of assets acquired and liabilities assumed in subsidiaries and the total cash flow from acquisitions were broken down as follows.

	January–December		
SEK in millions	2005	2004	2003
Intangible assets	2,569	10,081	1,735
Property, plant and equipment	11	3,062	577
Financial assets, accounts receivable, inventories etc.	328	1,556	1,316
Assets held-for-sale	31	–	–
Cash and cash equivalents	746	1,024	223
Revaluation reserve	–	–1,641	–
Minority interests	92	–3,615	1,400
Provisions	–128	–153	–237
Long-term liabilities	–635	–558	–856
Current liabilities	–262	–850	232
Total purchase consideration	**2,752**	**8,906**	**4,390**
Less purchase consideration paid prior to 2005	–286	–	–
Less purchase consideration paid prior to 2004	–	–366	–
Less purchase consideration in terms of new share issue (prior to 2004)	–	–1,843	–2,051
Less cash and cash equivalents in acquired group companies	–746	–1,024	–223
Net cash outflow (+)/inflow (–) from acquired group companies	**1,720**	**5,673**	**2,116**
Purchase consideration for other acquisitions	50	496	72
Total cash outflow (+)/inflow (–) from acquisitions	**1,770**	**6,169**	**2,188**

See note "Business Combinations" for more information on significant transactions in 2005 and 2004.

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

	January–December		
SEK in millions	2005	2004	2003
Intangible assets	–	1,747	2,067
Property, plant and equipment	–	187	1,154
Financial assets, accounts receivable, inventories etc.	–	5,618	509
Cash and cash equivalents	69	276	82
Provisions	37	–14	–108
Long-term liabilities	–	–20	–229
Current liabilities	–	–6 278	–806
Total sales consideration	**106**	**1,516**	**2,669**
Less cash and cash equivalents in divested group companies	–69	–276	–82
Repayment of loans in group companies divested	–	5,046	375
Net cash inflow from divested group companies	**37**	**6,286**	**2,962**
Sales consideration for other divestitures	1,617	509	940
Total cash inflow from divestitures	**1,654**	**6,795**	**3,902**

Other cash flow information

Cash flow before financing activities and cash/non-cash effects of restructuring programs are broken down by business segment as follows:

	January–December 2005	
Business segment	Cash flow before financing activities (SEK in millions)	Cash/non-cash effects of restructuring programs (see corresponding sections in note "Restructuring Costs")
Sweden	11,778	Transition programs in Sweden and Finland Redundancies in the Swedish, Finnish and Lithuanian operations
Finland	1,677	Transition programs in Sweden and Finland
Norway	–380	–
Denmark	–623	Implementation of integration synergies in and refocusing of the Danish operations
Baltic countries	3,586	–
Eurasia	1,374	–
Russia	23	–
Turkey	192	–
International Carrier	–341	Implementation of post-merger integration synergies in the international carrier operations, Strategic refocusing of the international carrier operations
Holding	2,995	–
Corporate	–5,527	–
Total	**14,754**	

Investments by class of asset over the last ten-year period were as follows:

	January–December									
SEK in millions	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
CAPEX	**11,583**	**10,331**	**9,267**	**14,345**	**17,713**	**16,580**	**7,701**	**7,663**	**9,637**	**8,304**
Other intangible assets	1,233	752	850	5,119	1,316	509	373	248	233	317
Property	302	103	196	237	269	552	53	370	1,478	477
Plant and equipment	10,048	9,476	8,221	8,989	16,128	15,519	7,275	7,045	7,926	7,510
Mobile networks	5,579	3,908	2,884	2,336	2,124	1,411	1,166	1,273	1,360	1,188
Fixed networks	3,954	3,485	2,855	4,527	7,022	4,115	3,364	2,158	3,023	3,367
Other plant and equipment	515	2,083	2,482	2,126	6,982	9,993	2,745	3,614	3,543	2,955
Acquisitions and other investments	**2,732**	**9,099**	**2,851**	**40,093**	**3,022**	**31,162**	**4,444**	**4,075**	**1,227**	**2,704**
Asset retirement obligations	194	25	106	–	–	–	–	–	–	–
Goodwill and fair value adjustments	2,466	8,495	2,413	30,929	448	22,893	335	223	50	740
Shares and participations	72	579	332	9,164	2,574	8,269	4,109	3,852	1,177	1,964
Total	**14,315**	**19,430**	**12,118**	**54,438**	**20,735**	**47,742**	**12,145**	**11,738**	**10,864**	**11,008**

Investments are broken down by business segments in note "Business Segments." The provisional purchase price allocations for Orange Denmark and Eesti Telekom were finalized in the first quarter of 2005, which resulted in a restatement of certain preliminary figures recognized in 2004.

Changes in net debt, net borrowings and net interest-bearing liability over the last ten-year period were as follows:

	December 31,									
SEK in millions	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Opening balance	**3,741**	**8,847**	**25,034**	**10,661**	**20,235**	**7,527**	**6,767**	**14,609**	**13,534**	**12,065**
Increase (+)/Decrease (–) in long-term loans	7,578	–12,925	–6,257	6,931	4,317	11,753	2,632	–591	2,658	2,404
Increase (+)/Decrease (–) in short-term loans	–5,518	7,046	–7,921	8,677	–9,235	6,232	–128	–669	2,318	2,920
Increase (–)/Decrease (+) in short-term investments	–1,304	–3,412	–4,832	3,776	–7,424	1,086	–1,062	315	–345	586
Increase (–)/Decrease (+) in cash and bank	555	–1,854	–858	–1,313	–166	–839	–32	561	–87	–371
Change in net debt	**1,311**	**–11,145**	**–19,868**	**18,071**	**–12,508**	**18,232**	**1,410**	**–384**	**4,544**	**5,539**
Increase (–)/Decrease (+) in interest-bearing receivables	268	6,561	3,383	–1,564	4,101	–5,803	–2,163	–2,258	–298	–426
Change in net borrowings	**1,579**	**–4,584**	**–16,485**	**16,507**	**–8,407**	**12,429**	**–753**	**–2,642**	**4,246**	**5,113**
Increase (+)/Decrease (–) in pension provisions	–	–522	298	–2,134	–1,167	279	1,513	–5,200	–3,171	–3,644
Change in net interest-bearing liability	**1,579**	**–5,106**	**–16,187**	**14,373**	**–9,574**	**12,708**	**760**	**–7,842**	**1,075**	**1,469**
Closing balance	**5,320**	**3,741**	**8,847**	**25,034**	**10,661**	**20,235**	**7,527**	**6,767**	**14,609**	**13,534**

Over the last ten-year period, capital employed and operating capital developed as follows:

	December 31,									
SEK in millions	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**	**1997**	**1996**
Non-current assets	163,094	152,099	153,042	172,812	94,914	91,340	53,487	49,198	49,471	47,399
Current assets	40,681	39,873	37,018	33,844	33,277	31,375	23,117	18,080	16,439	15,116
Non-interest-bearing liabilities	–25,782	–25,828	–28,375	–29,569	–25,871	–21,014	–16,956	–16,436	–13,042	–13,901
Non-interest-bearing provisions	–15,564	–13,402	–14,775	–18,182	–10,749	–7,826	–7,242	–6,002	–5,329	–4,042
Non-interest-bearing financing	–41,346	–39,230	–43,150	–47,751	–36,620	–28,840	–24,198	–22,438	–18,371	–17,943
Dividend (for 2005 as proposed by the Board)	–15,717	–5,610	–4,675	–1,870	–600	–1,501	–1,470	–1,400	–1,210	–1,152
Total capital employed	**146,712**	**147,132**	**142,235**	**157,035**	**90,971**	**92,374**	**50,936**	**43,440**	**46,329**	**43,420**
Shareholders' equity	127,049	121,133	112,393	108,829	59,885	55,988	32,893	29,344	25,487	24,413
Minority interests	8,645	6,934	3,441	5,120	204	320	210	210	306	218
Less dividend (for 2005 as proposed by the Board)	–15,717	–5,610	–4,675	–1,870	–600	–1,501	–1,470	–1,400	–1,210	–1,152
Long-term interest-bearing liabilities	20,520	12,942	25,867	32,124	25,193	20,876	9,123	6,491	7,082	4,424
Current interest-bearing liabilities	6,215	11,733	4,687	12,608	3,931	13,166	6,934	7,062	7,731	5,413
Provisions for pensions	–	–	522	224	2,358	3,525	3,246	1,733	6,933	10,104
External financing	26,735	24,675	31,076	44,956	31,482	37,567	19,303	15,286	21,746	19,941
Total financing	**146,712**	**147,132**	**142,235**	**157,035**	**90,971**	**92,374**	**50,936**	**43,440**	**46,329**	**43,420**
Interest-bearing financial non-current assets	–2,172	–2,448	–6,112	–8,419	–7,510	–4,968	–5,563	–5,561	–4,401	–4,058
Interest-bearing current assets	–19,241	–18,486	–16,117	–11,503	–13,311	–12,364	–6,213	–2,958	–2,736	–2,349
Operating capital	**125,299**	**126,198**	**120,006**	**137,113**	**70,150**	**75,042**	**39,160**	**34,921**	**39,192**	**37,013**

Operating capital is broken down by business segments in note "Business Segments." The provisional purchase price allocations for Orange Denmark and Eesti Telekom were finalized in the first quarter of 2005, which resulted in a restatement of certain preliminary figures recognized in 2004.

30. Business Segments

Profit Center breakdown

The Group's operations are managed and reported primarily by country-based Profit Centers (PC). PC consolidation is based on the same principles as for the Group as a whole. Intersegment transactions are based on commercial terms.

The country-based PCs have full profit responsibility for their business and are responsible for all operations, including marketing, sales, product and service development as well as production and network operations. The PCs make operational decisions within the framework of centrally established corporate policies and road maps.

Other operations comprise TeliaSonera International Carrier and TeliaSonera Holding. TeliaSonera International Carrier is a common operations unit supporting the Group's business in the Nordic and Baltic home markets by operating TeliaSonera's capacity network on the international carrier market. In 2004, the carrying value of International Carrier was written down by SEK 3,263 million. TeliaSonera Holding is responsible for the Group's non-core/non-strategic operations. The operations in Holding are being gradually divested through sales or closing-down of operations.

Corporate comprises Corporate Head Office, including the two operational units Marketing, Products and Services, and Networks and Technology, which acts on behalf of the CEO by making corporate policies, by coordinating TeliaSonera group matters and by exercising a strong central control to exploit scale advantages and synergies. Corporate also includes eliminations of intersegment transfers and similar items.

Besides net sales and operating income, principal segment control and reporting concepts are EBITDA excluding non-recurring items and operating capital, respectively (see definitions to "Ten-Year Summary" and section "Reconciliation of EBITDA excluding non-recurring items to operating income" below). No income statement items below operating income have been allocated to reportable segments.

	January–December 2005 or December 31, 2005										
SEK in millions	**Sweden**	**Finland**	**Norway**	**Denmark**	**Baltic countries**	**Eurasia**	**Russia**	**Turkey**	**Other operations**	**Corporate**	**Group**
Net sales	38,960	16,308	7,481	7,178	9,293	6,367	–	–	4,922	–2,848	**87,661**
External net sales	38,215	15,969	7,240	7,029	9,136	6,365	–	–	3,721	–14	**87,661**
EBITDA excluding non-recurring items	15,255	3,618	2,614	817	4,255	3,576	–6	–52	102	–768	**29,411**
Non-recurring items	–2,104	–111	–	62	–	–	–	–	275	–25	**–1,903**
EBITDA	13,151	3,507	2,614	879	4,255	3,576	–6	–52	377	–793	**27,508**
Amortization, depreciation and impairment losses	–4,687	–3,273	–932	–1,059	–2,172	–763	–	–	–331	29	**–13,188**
Income from associated companies	–105	87	–	6	220	–	1,176	1,761	84	0	**3,229**
Operating income/loss	8,359	321	1,682	–174	2,303	2,813	1,170	1,709	130	–764	**17,549**
Operating capital	17,292	43,540	27,175	7,027	14,836	7,162	5,303	18,126	–2,634	–12,528	**125,299**
of which Segment assets	32,201	46,839	29,082	9,911	15,821	8,324	5,314	18,198	3,926	12,746	**182,362**
of which Segment liabilities	–14,909	–3,299	–1,907	–2,884	–985	–1,162	–11	–72	–6,560	–25,274	**–57,063**
Equity participation in associated companies	432	102	–	3	598	–	5,311	18,146	615	1	**25,208**
Investments	4,107	2,009	3,275	835	1,152	2,448	2	–	417	70	**14,315**
of which CAPEX	4,067	1,914	876	833	1,085	2,447	2	–	233	126	**11,583**
Number of employees	10,704	6,217	854	1,461	6,331	1,607	2	3	740	256	**28,175**
Average number of full-time employees	10,561	6,151	748	1,403	6,031	1,478	2	3	761	265	**27,403**

	January–December 2004 or December 31, 2004										
SEK in millions	Sweden	Finland	Norway	Denmark	Baltic countries	Eurasia	Russia	Turkey	Other operations	Corporate	**Group**
Net sales	40,448	18,267	6,299	4,495	5,868	4,084	–	–	5,422	–2,946	**81,937**
External net sales	39,667	17,898	6,142	4,389	5,810	4,082	–	–	3,987	–38	**81,937**
EBITDA excluding non-recurring items	16,730	6,663	2,059	414	2,795	2,321	0	1	162	–949	**30,196**
Non-recurring items	645	–35	–	–142	–	–	–	–	177	0	**645**
EBITDA	17,375	6,628	2,059	272	2,795	2,321	0	1	339	–949	**30,841**
Amortization, depreciation and impairment losses	–4,693	–3,350	–876	–1,181	–1,490	–518	–	–	–3,516	28	**–15,596**
Income from associated companies	14	0	–	0	494	–	653	972	1,413	2	**3,548**
Operating income/loss	12,696	3,278	1,183	–909	1,799	1,803	653	973	–1,764	–919	**18,793**
Operating capital	20,530	43,192	23,075	6,350	15,496	4,790	3,376	13,029	–887	–2,753	**126,198**
of which Segment assets	34,432	46,690	24,601	9,595	16,255	5,435	3,385	13,030	6,707	10,908	**171,038**
of which Segment liabilities	–13,902	–3,498	–1,526	–3,245	–759	–645	–9	–1	–7,594	–13,661	**–44,840**
Equity participation in associated companies	518	43	–	4	541	–	3,380	13,010	2,117	0	**19,613**
Investments	4,087	2,522	866	4,624	4,885	1,710	–	–	729	7	**19,430**
of which CAPEX	3,949	2,375	866	485	717	1,710	–	–	212	17	**10,331**
Number of employees	11,256	6,795	709	1,730	6,222	1,272	1	3	814	280	**29,082**
Average number of full-time employees	10,346	6,427	713	1,150	4,271	1,136	1	3	1,046	288	**25,381**

The provisional purchase price allocations for Orange Denmark and Eesti Telekom were finalized in the first quarter of 2005, which resulted in a restatement of certain preliminary figures recognized in 2004.

	January–December 2003 or December 31, 2003										
SEK in millions	Sweden	Finland	Norway	Denmark	Baltic countries	Eurasia	Russia	Turkey	Other operations	Corporate	**Group**
Net sales	42,601	17,697	6,081	3,278	5,881	2,742	–	–	7,478	–3,333	**82,425**
External net sales	41,607	17,324	6,011	3,188	5,823	2,740	–	–	5,809	–77	**82,425**
EBITDA excluding non-recurring items	17,723	6,738	2,499	70	2,846	1,490	0	1	262	–929	**30,700**
Non-recurring items	–341	–71	0	0	–50	0	–	–	1,796	1	**1,335**
EBITDA	17,382	6,667	2,499	70	2,796	1,490	0	1	2,058	–928	**32,035**
Amortization, depreciation and impairment losses	–6,484	–4,757	–2,076	–619	–2,181	–601	–	–	–1,019	30	**–17,707**
Income/Loss from associated companies	–6	70	0	–12	379	0	509	618	–1,176	–	**382**
Operating income/loss	10,892	1,980	423	–561	994	889	509	619	–137	–898	**14,710**
Operating capital	20,656	44,023	22,852	2,368	12,789	3,924	2,890	12,208	221	–1,925	**120,006**
of which Segment assets	34,245	47,875	24,131	4,178	13,366	4,441	2,899	12,208	10,400	14,088	**167,831**
of which Segment liabilities	–13,589	–3,852	–1,279	–1,810	–577	–517	–9	0	–10,179	–16,013	**–47,825**
Equity participation in associated companies	492	45	0	2	2,999	0	3,028	12,208	1,626	1	**20,401**
Investments	3,105	4,506	861	391	1,401	1,077	–	–	718	59	**12,118**
of which CAPEX	3,105	2,529	861	391	797	1,027	–	–	500	57	**9,267**
Number of employees	10,948	6,661	722	1,030	4,741	1,024	1	3	1,266	298	**26,694**
Average number of full-time employees	10,476	5,984	718	1,014	5,011	962	1	3	1,756	263	**26,188**

Product area breakdown

The Group's operations are reported secondarily by product area. Consolidation by product area is based on the same principles as for the Group as a whole.

Fixed Communications include Internet and data services and equipment sales. Other includes non-core/non-strategic operations and Corporate as well as eliminations of intersegment transfers and similar items.

	January–December or December 31,											
	2005				2004				2003			
SEK in millions	Mobile Communi-cations	Fixed Communi-cations	Other	**Group**	Mobile Communi-cations	Fixed Communi-cations	Other	**Group**	Mobile Communi-cations	Fixed Communi-cations	Other	**Group**
External net sales	44,721	39,233	3,707	**87,661**	38,199	42,491	1,247	**81,937**	35,889	44,114	2,422	**82,425**
Amortization, depreciation and impairment losses	–5,846	–7,042	–300	**–13,188**	–5,312	–10,262	–22	**–15,596**	–7,477	–9,718	–512	**–17,707**
Income/Loss from associated companies	2,795	350	84	**3,229**	1,820	315	1,413	**3,548**	975	587	–1,180	**382**
Operating income/loss	13,333	4,850	–634	**17,549**	12,973	4,863	957	**18,793**	9,905	5,577	–772	**14,710**
Operating capital	102,099	39,986	–16,786	**125,299**	84,379	47,773	–5,954	**126,198**	88,342	34,045	–2,381	**120,006**
of which Segment assets	115,066	52,548	14,748	**182,362**	95,897	71,858	3,283	**171,038**	98,237	52,098	17,496	**167,831**
of which Segment liabilities	–12,967	–12,562	–31,534	**–57,063**	–11,518	–24,085	–9,237	**–44,840**	–9,895	–18,053	–19,877	**–47,825**
Equity participation in associated companies	23,455	1,138	615	**25,208**	16,936	560	2,117	**19,613**	19,608	–834	1,627	**20,401**
Investments	8,623	5,206	486	**14,315**	7,219	11,632	579	**19,430**	5,149	6,425	544	**12,118**
of which CAPEX	6,222	5,001	360	**11,583**	5,079	5,190	62	**10,331**	4,088	4,854	325	**9,267**
Number of employees	10,451	16,728	996	**28,175**	10,808	17,706	568	**29,082**	9,022	16,371	1,301	**26,694**
Average number of full-time employees	10,167	16,210	1,026	**27,403**	9,191	15,395	795	**25,381**	8,478	16,005	1,705	**26,188**

The provisional purchase price allocations for Orange Denmark and Eesti Telekom were finalized in the first quarter of 2005, which resulted in a restatement of certain preliminary figures recognized in 2004.

Reconciliation of EBITDA excluding non-recurring items to operating income

TeliaSonera management uses "EBITDA excluding non-recurring items" as one of the principal measures for monitoring profitability in segment reporting. Management believes that, besides operating income, EBITDA excluding non-recurring items is also a measure commonly reported and widely used by analysts, investors and other interested parties in the telecommunications industry. Accordingly, EBITDA excluding non-recurring items is presented to enhance the understanding of TeliaSonera's historical operating performance.

EBITDA equals operating income before amortization, depreciation and impairment losses and excluding income from associated companies. Non-recurring items include impairment losses, capital gains/losses, restructuring/phase-out of operations and personnel redundancy costs. Only impairment losses, capital gains/losses, restructuring programs or similar items that represent more than the equivalent to SEK 100 million on an individual basis, are considered to be reported as non-recurring items. When calculating EBITDA excluding non-recurring items, management does not exclude items that are part of the underlying business operations, even though such items may not recur in the near future.

EBITDA excluding non-recurring items, however, should not be considered as an alternative to operating income as an indicator of operating performance or as an alternative to cash flows from operating activities as a measure of liquidity. EBITDA excluding non-recurring items is not a measure of consolidated financial performance under IFRS or U.S. GAAP and may not be comparable to other similarly titled measures for other companies. EBITDA excluding non-recurring items is not meant to be predictive of potential future results.

For illustrative purposes, the following table sets forth the relationship between operating income, EBITDA and EBITDA excluding non-recurring items:

	January–December		
SEK in millions	2005	2004	2003
EBITDA excluding non-recurring items	**29,411**	**30,196**	**30,700**
Non-recurring items	–1,903	645	1,335
EBITDA	**27,508**	**30,841**	**32,035**
Amortization, depreciation and impairment losses (Note 11)	–13,188	–15,596	–17,707
Income from associated companies (Note 12)	3,229	3,548	382
Operating income	**17,549**	**18,793**	**14,710**

The following table sets forth non-recurring items:

	January–December		
SEK in millions	2005	2004	2003
Restructuring charges, implementation costs to gain synergies, etc.	–1,964	–617	–368
Certain pension-related items	–	741	–
Net capital gains/losses (excluding associated companies)	61	521	1,703
Total	**–1,903**	**645**	**1,335**

Restructuring charges and implementation costs to gain synergies are excluding amortization, depreciation and impairment losses of intangible and tangible assets but include reversals of provisions and foreign exchange rate effects.

EBITDA excluding non-recurring items, non-recurring items, EBITDA and operating income are broken down by country-based business segments in section "Profit Center breakdown" above.

31. Human Resources

Employees, salaries, and social security expenses

Acquired operations in 2005 added 320 employees, of which 144 in Chess Holding in Norway and 176 in MicroLink in the Baltics. At the same time, streamlining efforts resulted in a decrease of the number of employees by 1,227. Hence, the net change during 2005 was a decrease by 907 employees to 28,175 (29,082) at year-end.

The breakdown by business segment is presented in note "Business Segments." The number of employees net increased by 145 in Profit Center Norway, by 109 in the Baltic countries and by 335 in Eurasia. The number of employees net decreased by 552 in Sweden, by 578 in Finland and by 269 in Denmark, while the other business segments in total reported a decrease by 97 employees year on year.

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

	January–December					
	2005		2004		2003	
Country	Total	of which men	Total	of which men	Total	of which men
Sweden	11,061	6,040	10,948	5,933	11,321	6,211
Finland	6,369	3,277	6,750	3,666	6,408	4,103
Norway	748	516	718	486	738	496
Denmark	1,409	916	1,160	614	1,048	679
Lithuania	3,446	1,895	3,672	2,060	4,386	2,459
Latvia	583	338	632	369	632	377
Estonia	2,045	885	38	34	48	39
Kazakhstan	609	307	401	196	300	123
Azerbaijan	452	197	382	206	351	177
Georgia	180	91	159	83	154	79
Moldova	227	111	185	91	149	68
Russia	68	46	79	32	89	53
United Kingdom	48	33	52	35	96	55
Germany	35	27	45	32	66	48
United States	30	25	32	29	53	39
Sri Lanka	–	–	–	–	198	160
Other countries	93	65	128	88	151	86
Total	**27,403**	**14,769**	**25,381**	**13,954**	**26,188**	**15,252**

The Swedish operations were conducted virtually throughout the country, and operations outside Sweden in 24, 26 and 28 countries during the years 2005, 2004 and 2003, respectively.

The number of female and male Group senior executives was as follows. Senior executives include ordinary members of boards of directors, presidents and those on executive management teams at the corporate level, profit center level and company level.

	December 31,					
	2005		2004		2003	
Number	Boards of directors	Other senior executives	Boards of directors	Other senior executives	Boards of directors	Other senior executives
Women	73	41	54	30	50	34
Men	222	111	219	116	224	124

Absence due to illness, as a percentage of ordinary work hours excluding leave time and vacation, was distributed as follows in the Group's Swedish units:

	January–December		
Percent	2005	2004	2003
Total absence due to illness	6.0	6.3	6.3
Absence due to illness that concerns a period of 60 consecutive days or longer	4.2	4.5	4.2
Total absence due to illness, men	3.3	3.4	3.3
Total absence due to illness, women	9.2	9.8	9.7
Total absence due to illness, employees 29 years of age and younger	5.6	4.5	5.6
Total absence due to illness, employees 30–49 years of age	5.1	5.6	5.5
Total absence due to illness, employees 50 years of age and older	7.1	7.3	7.4

Salaries and other remuneration for the Group, along with social security expenses, were as follows:

	January–December		
SEK in millions	2005	2004	2003
Salaries and other remuneration	**9,023**	**8,674**	**8,460**
Social security expenses			
Employer's social security contributions	1,970	1,902	1,950
Pension expenses	1,293	441	1,406
Total social security expenses	**3,263**	**2,343**	**3,356**
Total	**12,286**	**11,017**	**11,816**

Pension expenses for all boards of directors and presidents in the TeliaSonera Group totaled SEK 15 million, SEK 17 million and SEK 23 million for the years 2005, 2004 and 2003, respectively. No pension expenses were recorded for external board members of the parent company TeliaSonera AB.

Salaries and other remuneration were divided between boards of directors and presidents and other employees as follows. Variable salary was expensed in the respective year, but settled in cash in the following year.

SEK in millions	January–December 2005		2004		2003	
Country	Boards and presidents (of which variable salary)	Other employees	Boards and presidents (of which variable salary)	Other employees	Boards and presidents (of which variable salary)	Other employees
Sweden	23 (3)	4,472	28 (5)	4,467	40 (10)	4,576
Finland	15 (2)	2,346	40 (3)	2,461	31 (11)	2,125
Norway	7 (1)	413	4 (1)	366	3 (1)	417
Denmark	2 (0)	690	17 (4)	566	4 (1)	437
Lithuania	15 (1)	320	13 (2)	311	11 (2)	329
Latvia	7 (0)	84	6 (0)	88	2 (0)	98
Estonia	16 (4)	223	0 (0)	5	0 (0)	6
Kazakhstan	5 (0)	55	2 (0)	28	1 (0)	19
Azerbaijan	1 (0)	55	4 (0)	35	1 (0)	37
Georgia	0 (0)	17	0 (0)	7	0 (0)	7
Moldova	1 (0)	15	1 (0)	9	1 (0)	7
Russia	0 (0)	21	0 (0)	19	0 (0)	17
United Kingdom	0 (0)	38	0 (0)	43	3 (0)	96
Germany	3 (1)	21	2 (0)	27	2 (0)	8
United States	0 (0)	28	2 (0)	28	2 (0)	49
Sri Lanka	– (–)	–	– (–)	–	1 (0)	11
Other countries	4 (0)	126	5 (1)	90	6 (0)	113
Total	**99 (12)**	**8,924**	**124 (16)**	**8,550**	**108 (25)**	**8,352**

Remuneration to corporate officers

Principles

As resolved by the Annual General Meeting, remuneration is paid to the chairman of the Board and directors in the amount of SEK 750,000 per year to the chairman, SEK 550,000 per year to the vice chairman and SEK 400,000 per year to each of the other directors, elected by the Annual General Meeting. In addition, remuneration is paid to the chairman of the Board's Audit Committee in the amount of SEK 150,000 per year and SEK 100,000 per year to each of the other members of the Audit Committee. Additional remuneration is also paid to the chairman of the Board's Remuneration Committee in the amount of SEK 40,000 per year and SEK 20,000 per year to each of the other members of the Remuneration Committee. Remuneration is paid monthly. No separate remuneration is paid to directors for other committee work. Directors appointed as employee representatives are not remunerated.

Remuneration to the Chief Executive Officer (CEO), the Executive Vice President and other members of Executive Management consists of a base salary, variable salary, certain taxable benefits and pension benefits. "Other members of Executive Management" refers to the six individuals who are directly reporting to the CEO and which, along with the CEO and the Executive Vice President, constituted TeliaSonera Executive Management on December 31, 2005.

Variable salary to the CEO and to the Executive Vice President is capped at an amount equal to 50 percent and 35 percent of the base salary, respectively. For other members of Executive Management, the variable salary is capped at 35 percent of the base salary. Variable salary is based on the financial performance of the group, financial performance in each officer's area of responsibility and individual performance objectives.

In addition to general employment benefits, TeliaSonera offers the following benefits to members of Executive Management employed in Sweden: health insurance (including coverage for the spouse of an employee), an annual medical examination, a telephone subscription for private use free of charge and the choice of the following: use of a company car, domestic service or a salary increase of an equivalent amount. All benefits, except for health insurance for the employee and the annual medical examination, are treated as taxable income in Sweden. One other member of Executive Management employed in Finland has the standard local benefits provided to other TeliaSonera Finland managers.

Pension benefits and other benefits to the CEO, the Executive Vice President and other members of Executive Management as described above form part of each individual's total remuneration package.

Remuneration and other benefits during the year

SEK	Board remuneration/ Base salary	Variable salary	Other benefits	Pension expense	Financial instruments	Other remuneration	Total
Chairman of the Board	860,998	–	–	–	–	–	**860,998**
Chief Executive Officer	6,490,000	1,298,000	619,196	6,407,245	–	–	**14,814,441**
Executive Vice President	3,570,000	499,800	133,038	1,724,203	–	–	**5,927,041**
Other members of Executive Management (six individuals)	14,728,804	1,818,796	801,345	9,076,124	–	–	**26,425,069**
Total	**25,649,802**	**3,616,596**	**1,553,579**	**17,207,572**	–	–	**48,027,549**

Comments on the table:

- Board remuneration to the Chairman includes remuneration for Audit Committee and Remuneration Committee work amounting to SEK 110,998.
- Base salary in 2006 amounts to SEK 6,814,500 (+5.0 percent) for the CEO, SEK 3,800,000 (+6.4 percent) for the Executive Vice President and the equivalent to SEK 18,470,127 (+4.5 percent) for other members of Executive Management.
- Variable salary was expensed in 2005, but will be settled in cash in 2006. Actual variable salary for 2005 corresponds to 20 percent of the base salary for the CEO, to 14 percent for the Executive Vice President and for other members of Executive Management to 7–15 percent of the base salary. Variable salary with respect to performance in 2004 was paid in 2005 to the CEO in an amount of SEK 2,215,000, to the Executive Vice President in an amount of SEK 844,900 and to other members of current Executive Management in an amount equivalent to SEK 2,929,983.
- Other benefits refer chiefly to company car benefit but also to a number of other taxable items.
- Pension expense refers mainly to defined benefit pension plans and to the expense that affected earnings for the year. See further disclosures concerning the terms and conditions of pension benefits below.

Stock options

As of December 31, 2005, TeliaSonera had no outstanding stock option programs.

Pension benefits

The age of retirement for the CEO is 60. Pension benefits between age 60 and 65 shall equal 70 percent of pensionable salary. Pension benefits after age 65 shall be paid in accordance with the ITP plan with supplementation of benefits for that part of salary exceeding 20 income base amounts, so that the total pension equals 50 percent of the pensionable salary. Pensionable salary equals the base salary. All pension benefits are unassailable, i.e., are not subject to conditions concerning future employment.

The age of retirement for the Executive Vice President is 60. Pension benefits between age 60 and 65 shall equal 70 percent of pensionable salary. Pension benefits after age 65 shall be paid in accordance with the ITP plan with supplementation of benefits, amounting to 32.5 percent of the pensionable salary, for that part of salary exceeding 20 income base amounts. Pensionable salary equals the base salary. All pension benefits are unassailable, i.e. are not subject to conditions concerning future employment.

The age of retirement for other members of Executive Management employed in Sweden varies between 60, 62 and 65. Pension benefits between age 60 (62) and 65, for those having a retirement age below 65, shall equal 70 percent of pensionable salary, except in one case where pension benefits equal 43 percent of pensionable salary. Pension benefits after age 65 shall be paid in accordance with the ITP plan with supplementation of benefits, amounting to 32.5 percent of the pensionable salary, for that part of salary exceeding 20 income base amounts except in one case where pension benefits amounts to 32.5 percent for that part of the salary exceeding 30 income base amounts. Pensionable salary includes base salary and variable salary for those employed prior to July 1, 2002. For those employed after that date the pensionable salary equals the base salary. All pension benefits are unassailable, i.e. are not subject to conditions concerning future employment.

The age of retirement for one other member of Executive Management employed in Finland is 60. Pension benefits as from the age of 60 shall be the same as they would have been, according to the statutory TEL pension plan, at normal retirement age of 63 if the service with the company would have continued to that date. The pensionable salary includes variable salary.

Severance pay

The contract between the company and the CEO requires both parties to provide six months' notice of resignation or termination of employment. Upon termination by the company, the CEO shall be entitled to severance pay equal to his monthly base salary for a period of 24 months. Other income shall be deducted from the severance amount. If the CEO resigns his position, he shall not be entitled to severance pay.

The contract between the company and the Executive Vice President as well as other members of Executive Management, requires a period of notice of six months from the employee and 12 months from the company with respect to resignation or termination of employment. Upon termination by the company, the employee shall be entitled to severance pay equal to the monthly base salary for a period of 12 months. Other income shall be deducted against the salary during the notice period and against the severance amount. If the employee resigns his or her position, he or she shall not be entitled to severance pay.

Planning and decision process

Remuneration to the CEO is decided by the Board of Directors based on the recommendation of the Remuneration Committee.

Remuneration to other members of Executive Management is approved by the Remuneration Committee, based on the CEO's recommendation.

Stock-based compensation

General

At General Meetings of shareholders of TeliaSonera AB in 2002 and 2001, a number of stock option schemes were adopted. Under IFRS applicable until 2004, TeliaSonera did not record an expense with respect to these option schemes. The option schemes are described below, together with pro forma information regarding net income and earnings per share, determined as if TeliaSonera had accounted for its stock options at fair value.

Due to non-fulfillment of certain subscription criteria, most of the option programs were cancelled in 2004 and 2003 and the subscription periods for the two remaining programs expired on May 31 and June 30, 2005, respectively. No option holder subscribed for shares under these programs.

The fair value of the options was estimated at the date of grant using a Black-Scholes option-pricing model. The estimated fair value of the options was amortized to expense over the options' vesting period. TeliaSonera's aggregate pro forma information was as follows:

SEK in millions	2005	2004	2003
Reported net income	13,964	14,264	10,049
Less: Compensation expense	–	–	–18
Pro forma net income	13,964	14,264	10,031
Pro forma basic and diluted earnings per share (SEK)	2.56	2.77	1.94

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because most of TeliaSonera's stock options had characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models did not necessarily provide a reliable single measure of the fair value of its employee stock options.

2001 Employee stock option program (ESOP)

The 2001 Annual General Meeting voted in favor of establishing an employee stock option program involving issue of debt instruments with option rights to subscribe for shares in TeliaSonera AB. The employee stock options were allotted free of charge and all employees affected were given 1,000 options.

The program covered a total of no more than 21,000,000 options that entitled the holder to acquire an equal number of shares in TeliaSonera AB. Furthermore; a maximum of 6,500,000 options could be transferred to the market in order to counteract the effect of payroll overhead incurred by the option program. Payroll overhead would then be charged to expense, while consideration for options issued would be booked directly to shareholders' equity.

The 2001 stock options were exercisable from May 31, 2003 to May 31, 2005. The exercise price was set at SEK 69. The terms of the ESOP might be recalculated as a consequence of share issues, etc.

The fair value of these options, estimated at the date of grant, was SEK 273 million. The fair value was estimated using the following weighted-average assumptions. No options were granted in 2005, 2004 and 2003.

	2002	2001
Fair market value of underlying share (SEK)	45.60	62.00
Expected volatility of underlying share (%)	50.0	47.3
Expected dividend yield (%)	0.4	0.3
Risk-free interest rate for expected term (%)	4.59	4.24
Expected life of options (years)	2.4	3.0

For the years ended December 31, 2003, 2002 and 2001, compensation costs amortized over the vesting period amounted to SEK 18 million, SEK 121 million and SEK 91 million, respectively, totaling SEK 230 million. Due to forfeitures and all options being fully vested, no compensation cost was incurred as from 2004.

A summary of the 2001 stock option activity for the years ended December 31, 2005, 2004 and 2003 is presented below.

	Number of options	Weighted average exercise price (SEK)
Options outstanding at December 31, 2002	*14,302,000*	*69.00*
Forfeited	–1,752,000	69.00
Options outstanding at December 31, 2003	*12,550,000*	*69.00*
Forfeited	–625,000	69.00
Options outstanding at December 31, 2004	*11,925,000*	*69.00*
Cancelled	–11,925,000	69.00
Options outstanding at December 31, 2005	–	–

2002 stock option scheme – series 2002/2005:A-B

On November 4, 2002, the extraordinary General Meeting of TeliaSonera AB (then Telia AB) adopted a resolution to issue warrants of series 2002/2005:A and 2002/2005:B warrants in exchange for Sonera Oyj warrants of series 1999A and 1999B, respectively, as follows:

	Number of warrants			
Series	Issued in the merger exchange offer	Issued in the merger redemption offer	Exercise price per share (SEK)	Subscription period
2002/2005:A	5,798,880	157,870	69.42	June 1, 2001–June 30, 2005
2002/2005:B	5,145,708	132,082	132.82	June 1, 2003–June 30, 2005
Total	**10,944,588**	**289,952**		

Each warrant entitled the warrant holder to subscribe for one and a half (1.5) new share in TeliaSonera AB. The exercise price as well as the number of new shares that each warrant entitled to subscribe for might be recalculated as a consequence of share issues, cash dividends, etc.

Series 2002/2005:A warrants were immediately exercisable. On December 9, 2002, series A warrants were listed on the Helsinki Exchange, and an employee could sell the warrants on the stock exchange, at a price determined by public quotes. However, option holders could exercise their options no later than June 30, 2005. In 2005, 2004 and 2003, according to the said terms, the exercise price of the series A warrants was adjusted by the 2004, 2003 and 2002 cash dividend per share, respectively.

The subscription rights could be exercised with series 2002/2005:B warrants provided that certain financial performance conditions were fulfilled. In May 2003, the Board of Directors of TeliaSonera AB concluded that these subscription criteria were not fulfilled and consequently decided to cancel all warrants of series B.

The fair value, in total SEK 49.4 million, of all 10,944,588 warrants issued in the exchange offer was recognized in 2002 as part of the purchase price for the merger. The fair value, in total SEK 0.7 million, of all 289,952 warrants issued in the mandatory redemption offer, was recognized as part of the completed purchase price calculation recorded in 2003. The assumptions used in calculating the fair value of the 2002/2005 option schemes, at the date of grant, relating to the exercise price of warrants is presented in the table above. The other weighted average assumptions used in calculating the fair value were as follows. No options were granted in 2005 and 2004.

	2003	2002
Fair market value of underlying share (SEK)	29.50	34.70
Expected volatility of underlying share (%)	50.0	50.0
Expected dividend yield (SEK)	0.74	0.73
Risk-free interest rate for expected term (%)	5.5	5.5
Expected life of warrants (years)	2.39	2.58

A summary of the series 2002/2005 option schemes as of and changes in the years ended December 31, 2005, 2004 and 2003 is presented below.

	Number of warrants	Weighted average exercise price (SEK)	Weighted average fair value (SEK)
Series 2002/2005:A			
Warrants outstanding on December 31, 2002	*5,798,880*	*72.02*	
Granted (exercise price higher than the share market price)	157,870	72.02	3.77
Forfeited	–100	71.62	
Warrants outstanding on December 31, 2003	*5,956,650*	*71.62*	
Warrants outstanding on December 31, 2004	*5,956,650*	*70.62*	
Cancelled	–5,956,650	69.42	
Warrants outstanding on December 31, 2005	–	–	
Series 2002/2005:B			
Warrants outstanding on December 31, 2002	*5,145,708*	*132.82*	
Granted (exercise price higher than the share market price)	132,082	132.82	0.87
Cancelled	–5,277,790	132.82	
Warrants outstanding on December 31, 2003	–	–	

2002 stock option scheme – series 2002/2008:A-F and 2002/2010:A-F

On November 4, 2002, the extraordinary General Meeting of TeliaSonera AB (then Telia AB) adopted a resolution to issue warrants of series 2002/2008:A-F and 2002/2010:A-F in exchange for Sonera warrants of series 2000/A1–C2 and 2000/A3-C4, as follows:

	Number of warrants			
Series	Issued in the merger exchange offer	Issued in the merger redemption offer	Exercise price per share (SEK)	Subscription period
2002/2008:A	2,433,350	73,800	347.38	Nov. 2, 2002–May 31, 2008
2002/2008:B	2,433,350	73,800	347.38	May 2, 2003–May 31, 2008
2002/2008:C	4,866,700	147,600	347.38	May 2, 2004–May 31, 2008
2002/2008:D	30,600	3,600	108.17	Nov. 2, 2002–May 31, 2008
2002/2008:E	30,600	3,600	108.17	May 2, 2003–May 31, 2008
2002/2008:F	61,200	7,200	108.17	May 2, 2004–May 31, 2008
2002/2010:A	915,146	2,501	49.09	Nov. 2, 2002–May 31, 2010
2002/2010:B	915,146	2,501	49.09	May 2, 2003–May 31, 2010
2002/2010:C	1,830,292	5,002	49.09	May 2, 2004–May 31, 2010
2002/2010:D	571,500	3,000	33.64	Nov. 2, 2002–May 31, 2010
2002/2010:E	571,500	3,000	33.64	May 2, 2003–May 31, 2010
2002/2010:F	1,143,000	6,000	33.64	May 2, 2004–May 31, 2010
Total	**15,802,384**	**331,604**		

Each warrant entitled the warrant holder to subscribe for one and a half (1.5) new share in TeliaSonera AB. The exercise price as well as the number of new shares that each warrant entitled to subscribe for might be recalculated as a consequence of share issues, cash dividends, etc.

The subscription rights could be exercised with series 2002/2008:A-F and 2002/2010:A-F warrants provided that certain financial performance conditions were fulfilled. In February and March 2004, the Board of Directors of TeliaSonera AB concluded that these subscription criteria were not fulfilled and consequently decided to cancel all warrants of series 2002/2008 and 2002/2010.

The fair value, in total SEK 177.5 million, of all 15,802,384 warrants issued in the exchange offer was recognized in 2002 as part of the purchase price. The fair value, in total SEK 0.9 million, of all 331,604 warrants issued in the mandatory redemption offer, was recognized as part of the completed purchase price calculation for the merger recorded in 2003. The assumptions used in calculating the fair value of the 2002/2008 and the 2002/2010 option schemes, at the date of grant, relating to the exercise price of warrants is presented in the table above. The other weighted average assumptions used were as follows. No options were granted in 2004.

	Series 2002/2008:A-F		Series 2002/2010:A-F	
	2003	2002	2003	2002
Fair market value of underlying share (SEK)	29.50	34.70	29.50	34.70
Expected volatility of underlying share (%)	50.0	50.0	50.0	50.0
Expected dividend yield (SEK)	1.67	1.74	2.20	2.48
Risk-free interest rate for expected term (%)	5.5	5.5	5.5	5.5
Expected life of warrants (years)	5.31	5.49	7.31	7.49

A summary of the 2002/2008 and 2002/2010 stock option schemes as of and changes in the years ended December 31, 2004 and 2003 is presented below:

	Number of warrants	Weighted average exercise price (SEK)	Weighted average fair value (SEK)
Series 2002/2008:A-C			
Warrants outstanding on December 31, 2002	*9,733,400*	*347.38*	
Granted (exercise price higher than the share market price)	295,200	347.38	1.27
Forfeited	–584,000	347.38	
Warrants outstanding on December 31, 2003	*9,444,600*	*347.38*	
Cancelled	–9,444,600	347.38	
Warrants outstanding on December 31, 2004	–	–	
Series 2002/2008:D-F			
Warrants outstanding on December 31, 2002	*122,400*	*108.17*	
Granted (exercise price higher than the share market price)	14,400	108.17	7.04
Forfeited	–35,000	108.17	
Warrants outstanding on December 31, 2003	*101,800*	*108.17*	
Cancelled	–101,800	108.17	
Warrants outstanding on December 31, 2004	–	–	
Series 2002/2010:A-C			
Warrants outstanding on December 31, 2002	*3,660,584*	*49.09*	
Granted (exercise price higher than the share market price)	10,004	49.09	18.50
Forfeited	–241,352	49.09	
Warrants outstanding on December 31, 2003	*3 429 236*	*49,09*	
Cancelled	–3,429,236	49.09	
Warrants outstanding on December 31, 2004	–	–	
Series 2002/2010:D-F			
Warrants outstanding on December 31, 2002	*2,286,000*	*33.64*	
Granted (exercise price lower than the share market price)	12,000	33.64	22.35
Forfeited	–52,000	33.64	
Warrants outstanding on December 31, 2003	*2,246,000*	*33.64*	
Cancelled	–2,246,000	33.64	
Warrants outstanding on December 31, 2004	–	–	

32. Restructuring Costs

Major restructuring activities were as follows.

Transition programs in Sweden and Finland

In Sweden and Finland, management has launched transition programs to keep the profitability by achieving competitive cost levels and focusing of the service offerings. In Sweden, the restructuring program is expected to reduce annual costs by SEK 4–5 billion as of 2008. The changes are expected to result in a reduction of approximately 3,000 employees. The program is proceeding as planned. At year-end 2005, 802 employees had accepted an early retirement offer and 560 employees were transferred to the redeployment unit. The number of hired personnel decreased by 400. In total, employees and hired personnel in the operative units decreased by 15 percent during 2005.

In Finland, streamlining efforts initiated in 2005 are expected to lower annual costs by SEK 1 billion as of 2006. Late in the year, additional initiatives were taken and a turn-around program was launched. A new business organization was introduced. The program accelerates the focusing of the service portfolio and the migration to the IP based network technology through investments in infrastructure and services. At the same time, additional efficiency measures were implemented to achieve competitive cost levels in the operations. The program is estimated to result in an additional annual cost reduction of SEK 2 billion as of 2008.

Each of the elements of the transition costs would result in future cash outflows except for impairment losses, which are non-cash in nature. The material elements of the transition costs and related cash outflows were as follows:

	2005					
	Sweden			Finland		
SEK in millions	**Transition charges**	**Cash outflow**	**Change in transition provision**	**Transition charges**	**Cash outflow**	**Change in transition provision**
Transition provision, opening balance	–	–	–	–	–	–
Workforce reduction	1,837	–127	1,710	110	–107	3
Reclassification to pension provision	–1,138	–	–1,138	–	–	–
Leasing contracts, offices	267	–6	261	–	–	–
Exchange rate differences	–	–	–	–	–	–1
Transition provision, closing balance	–	–	*833*	–	–	*2*
Impairment losses on plant and equipment	405	–		–	–	
Total charges/total cash outflow	**1,371**	**–133**		**110**	**–107**	

Implementation of integration synergies in and refocusing of the Danish operations

TeliaSonera's Danish operations have continuously been reviewed by management. During 2002, the Danish fixed network operations were reviewed in order to value their assets and determine a new focus. Looking forward, the operations were focused on telephony sales to businesses and consumers and wholesale network capacity to operators and service providers. Unprofitable products were discontinued or frozen to serve current customers under a transition period. Most of the workforce reduction was effectuated in the last few months of 2002, when the number of employees was reduced by approximately 100 people and consultants and temporary staff were reduced by more than 100 people. In terms of product offerings and workforce the restructuring program gained full effect at the end of 2003. Settlement of leasing and other long-term contracts will take place during the next three-year period.

Following the acquisition of Orange Denmark and to realize synergy gains, management in 2004 decided to integrate the Danish mobile operations previously run separately by Telia and Orange. The integration program involved branding, customer migration, new service portfolio, premises, personnel and handling of overlapping GSM networks and UMTS licenses. Personnel overlaps existed mainly within management, administration, network operations and product and services development. At year-end 2004, the two companies employed a workforce of 1,050 and notice was given of a redundancy of 300 employees. The redundancy process began in 2005.

In 2005, management decided to further improve efficiency in the Danish operations by integrating the mobile operations Telia Mobile and the fixed network operations Telia Networks. The integration will decrease annual costs and reduce the number of full-time positions by approximately 110. Most activities are expected to be completed in 2006.

Under this program TeliaSonera recorded integration provisions and impairment charges related to tangible assets, licenses and other intangible assets as well as a release of a license fee liability. Each of the elements of the Danish integration costs would result in future cash outflows except for impairment losses and releases, which are non-cash in nature. The material elements of the integration costs and related cash outflows were as follows.

	2002	2002–2003		2004			2005	
SEK in millions	**Integration charges**	**Cash outflow**	**Change in integration provision**	**Additional integration charges**	**Cash outflow**	**Change in integration provision**	**Cash outflow**	**Change in integration provision**
Integration provision, opening balance	–	–	–	–	–	*250*	–	*528*
Workforce reduction	45	–54	–9	154	–1	158	–70	–53
Leasing and service contracts, technical sites	113	–68	45	2	–9	–37	–6	–6
Leasing contracts, offices	11	–22	–11	22	–	20	–31	–15
Dismantling of technical sites and offices	157	–19	138	176	–	176	–28	–28
Legal and other expert fees, other costs	193	–105	88	10	–44	–35	–6	–6
Reversal, not utilized	–	–	–	–	–	–	–	–140
Exchange rate differences	–	–	–1	–1	–	–4	–	11
Integration provision, closing balance	–	–	*250*	–	–	*528*	–	*291*
Impairment losses on and discards of intangible and tangible assets	3,033	–		–	–		–	
Impairment losses on licenses and other intangible assets	–	–		497	–		–	
Release of license fee liability	–	–		–221	–		–	
Total charges/ total cash outflow	**3,552**	**–268**		**639**	**–54**		**–141**	

Possibilities to use a larger part of the Orange network than anticipated, which reduced the need for dismantling activities, and lower than expected redundancy payments enabled a reversal of the integration provision in 2005.

Implementation of post-merger integration synergies in the international carrier operations

To realize post-merger synergy gains, management in 2003 decided to integrate the international carrier operations previously run separately by Telia and Sonera. Overlapping operations will be phased out and the traffic moved over from leased capacity to the wholly owned network. Parts of Sonera's operations in the United Kingdom, the United States, Sweden and Germany have been closed down. Under this program TeliaSonera recorded integration provisions, but to some extent costs were also expensed as incurred. The integration program also incurred impairment charges related to network capacity and equipment. The program activities are completed. The remaining part of the integration provision will be used later, when phasing out long-term contracts.

Each of the elements of the international carrier integration costs would result in future cash outflows except for impairment losses, which are non-cash in nature. The material elements of the integration costs and related cash outflows were as follows:

	2003			2004		2005	
SEK in millions	**Integration charges**	**Cash outflow**	**Change in integration provision**	**Cash outflow**	**Change in integration provision**	**Cash outflow**	**Change in integration provision**
Integration provision, opening balance	–	–	–	–	*327*	–	*329*
Workforce reduction	27	–10	17	–21	–21	–	–
Leasing and service contracts, technical sites	211	–3	208	–32	38	–35	–35
Leasing contracts, offices	66	–4	62	–8	–8	–1	–1
Dismantling of technical sites and offices	19	–	19	–	–	–19	–19
Other costs	16	–1	15	–2	–2	–1	–1
Reversal, not utilized	–	–	–	–	–12	–	–62
Exchange rate differences, timing effects	–	–	6	–	7	–	29
Integration provision, closing balance	–	–	*327*	–	*329*	–	*240*
Workforce reduction	8	–8		–		–	
Leasing and service contracts, technical sites	3	–3		–		–	
Leasing contracts, offices	4	–4		–		–	
Dismantling of technical sites and offices	9	–9		–		–	
Impairment losses on plant and equipment	54	–		–		–	
Total charges/total cash outflow	**417**	**–42**		**–63**		**–56**	

Redundancies in the Swedish, Finnish and Lithuanian operations

The organization and control models introduced in 2003 significantly increased efficiency and created potential to eliminate duplicate functions within several areas, like product and service development. Efficiency was also enhanced within administration and certain support functions.

The management of TeliaSonera Sweden under this program established a redundancy of approximately 1,200 employees, including 500 hired personnel. TeliaSonera negotiated with the trade unions to determine which of the permanent employees were affected by the redundancy. Of these employees, approximately 300 have left TeliaSonera Sweden or been redeployed within the Group. The remaining redundancies were handled through natural attrition, tailored pension plans and within the framework of TeliaSonera Redeployment, which manages redundancies in wholly-owned Swedish operations.

In Finland, a redundancy of 400 employees was determined after negotiations with the employee organizations. 176 permanent employees were given notice and the remainder of the reduction was handled through pension plans, non-renewal of temporary contracts and redeployment within the Group.

In the Lithuanian fixed-line operations an efficiency enhancement program was started in 2003 to further reduce personnel, operating costs and CAPEX. In the second half of 2003, the number of employees was reduced by 478 to 3,586 at year-end, and in 2004, the workforce was reduced by another 466 employees. The Lithuanian program also incurred impairment charges related to real estate, network capacity and equipment.

Each of the elements of the restructuring costs would result in future cash outflows except for impairment losses, which are non-cash in nature. The material elements of the restructuring costs and related cash outflows were as follows:

	2003			2004		2005	
SEK in millions	**Restructuring charges**	**Cash outflow**	**Change in restructuring provision**	**Cash outflow**	**Change in restructuring provision**	**Cash outflow**	**Change in restructuring provision**
Restructuring provision, opening balance	–	–	–	–	*190*	–	*10*
Workforce reduction	435	–44	391	–127	–127	–7	–7
Reclassification to pension provision	–	–	–173	–	–8	–	–
Other costs	4	–4	0	–1	–1	–	–
Reversal, not utilized	–	–	–28	–	–44	–	–3
Restructuring provision, closing balance	–	–	*190*	–	*10*	–	–
Impairment losses on and discards of property, plant and equipment	120	–		–		–	
Total charges/total cash outflow	**559**	**–48**		**–128**		**–7**	

Strategic refocusing of the international carrier operations

In 2002, TeliaSonera completed a comprehensive review of its international carrier operations. Management decided to change the strategic focus of Telia International Carrier and significantly restructure its operations. As part of the restructuring program, management decided to close down Telia International Carrier's Asian operations as well as its domestic voice reseller business in the United Kingdom and Germany, discontinue offering domestic network services in the United States and terminate its co-location business. TeliaSonera has also centralized Telia International Carrier's sales, administration and customer care resources. Further, the strategic refocusing and restructuring has enabled Telia International Carrier to substantially scale down the number of offices and technical facilities, as well as led to reduced operating and maintenance costs and leased lines.

Management also estimated that, as part of the restructuring, Telia International Carrier would reduce its original workforce of approximately 800 persons by more than 50 percent, most of which was executed in 2002 and 2003. Approximately half of the restructuring provision was used in 2003 and 2004. The remaining part will be used later during the phaseout of long-term contracts.

Each of the elements of the international carrier restructuring costs would result in future cash outflows except for impairment losses, which are non-cash in nature. The material elements of the restructuring costs and related cash outflows were as follows:

	2002	2002–2003		2004		2005	
SEK in millions	Restructuring charges	Cash outflow	Change in restructuring provision	Cash outflow	Change in restructuring provision	Cash outflow	Change in restructuring provision
Restructuring provision, opening balance	–	–	–	–	*2,267*	–	*1,817*
Workforce reduction	303	–205	103	–32	–72	–12	–12
Leasing and service contracts, technical sites and land	2,860	–893	1,967	–190	–489	–126	–177
Leasing contracts, offices	186	–33	166	–93	–81	–110	–110
Dismantling of technical sites and offices	230	–55	188	–53	–53	–58	–58
Customer compensation	233	–66	167	–1	–101	–	–52
Legal and other expert fees	151	–16	135	–8	–8	–3	–3
Timing effects	–	–	68	–	36	–	76
Reversal, not utilized	–	–	–427	–	–103	–	–169
Allocation of previous year's reversal	–	–	–	–	427	–	103
Exchange rate differences	–	–	–100	–	–6	–	76
Restructuring provision, closing balance	–	–	*2,267*	–	*1,817*	–	*1,491*
Impairment losses on intangible and tangible assets	5,307	–		–		–	
Write-downs of financial assets	824	–		–		–	
Total charges/total cash outflow	**10,094**	**–1,268**		**–377**		**–309**	

Lower than expected restructuring costs, mainly due to the foreign operations but also to redundancies in Sweden and certain customer contracts, enabled reversals of the restructuring reserve in 2005, 2004 and 2003.

33. Auditors' Fees and Services

Remuneration

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, using Group auditors or other audit firms, in the fields of Tax/Law and Corporate Finance as well as other consulting services. Audit fees to other accounting firms refer to subsidiaries not audited by the Group auditors. Auditors are elected by the Annual General Meeting.

PricewaterhouseCoopers AB has served as TeliaSonera AB's independent auditor (Group auditor) since April 28, 2004. Ernst & Young AB and KPMG Bohlins AB jointly served as TeliaSonera's independent auditors for fiscal 2003 and up to April 28, 2004.

	January–December		
SEK in millions	2005	2004	2003
PricewaterhouseCoopers AB			
Audits	49	41	9
Audit-related services	6	0	2
Tax services	2	1	2
All other services	6	3	3
Total	**63**	**45**	**16**
Ernst & Young AB			
Audits	–	7	28
Audit-related services	2	3	11
Tax services	1	2	7
All other services	28	24	0
Total	**31**	**36**	**46**
KPMG Bohlins AB			
Audits	–	10	25
Audit-related services	1	1	11
Tax services	6	1	3
All other services	3	5	1
Total	**10**	**17**	**40**
Other accounting firms			
Audits	1	3	1
Audit-related services, tax services and all other services	6	8	0
Total	**7**	**11**	**1**
Total	**111**	**109**	**103**

In addition, fees for accounting firm services in 2005 capitalized as transaction costs in business combinations and similar transactions totaled SEK 11 million (tax services: KPMG SEK 4 million and other accounting firms SEK 1 million; other non-audit services: Ernst & Young SEK 6 million).

Audit Committee pre-approval policies and procedures

The Audit Committee of the Board of Directors of TeliaSonera AB is responsible, among other matters, for the oversight of TeliaSonera's independent auditors, subject to the requirement of Swedish law. The Board of Directors has adopted a policy regarding pre-approval of audit and permissible non-audit services provided by the independent auditors.

This policy outlines the procedures for the approval of four categories of services provided by the independent auditors, namely, audit, audit-related, tax and other services.

Audit services

Audit services include, among other things, the annual financial statement audit, quarterly reviews, information system and procedural reviews, attestation engagements and other procedures required to be performed by the independent auditors to be able to form an opinion on TeliaSonera's consolidated financial statements.

The annual audit engagement is subject to the specific approval of the Audit Committee. The Audit Committee monitors the audit services engagement on a quarterly basis and has the authority to approve any changes in the terms, conditions or fees in the annual audit engagement. All audit services, not specifically included under the audit services engagement letter, which exceed SEK 250,000 on a project basis, must be approved by the Audit Committee or the chairman of the Audit Committee. Any other audit services, not specifically included under the audit services engagement letter which cost less than SEK 250,000 on a project basis, may be approved by TeliaSonera's chief executive officer or chief financial officer subject to such services being reported to the Audit Committee in the following quarterly meeting of the Committee.

Audit-related services

Audit-related services comprise assurance and related services that are reasonably related to the performance of the audit or review of TeliaSonera's financial statements, including, among other things, certain due diligence services, assistance with understanding and implementing accounting and reporting requirements, financial audits of employee benefit plans, audit procedures required to comply with regulatory reporting matters, and assistance with internal control reporting requirements.

All audit-related services to be provided by the independent auditors, which individually exceed SEK 250,000 on a project basis, must be approved by the Audit Committee or the chairman of the Audit Committee. Any audit-related services which cost less than SEK 250,000 on a project basis may be approved by the chief executive officer or chief financial officer subject to such services being reported to the Audit Committee in the following quarterly meeting of the Committee.

Tax services

Tax services consist of services such as tax compliance, tax planning assistance and general tax advice.

All tax services to be provided by the independent auditors, which individually exceed SEK 250,000 on a project basis, must be approved by the Audit Committee or the chairman of the Audit Committee. Any tax services which cost less than SEK 250,000 on a project basis may be approved by the chief executive officer or chief financial officer subject to such services being reported to the Audit Committee in the following quarterly meeting of the Committee.

Any other services

As a general rule any other services to be provided by the independent auditors are either prohibited or require the specific approval of the Audit Committee or the chairman of the Audit Committee.

Any services pre-approved by the chairman of the Audit Committee must be reported to the full Audit Committee at the next scheduled meeting of the Committee.

34. Business Combinations

Acquisition of Chess Holding

Description of and reasons for the acquisition

On November 7, 2005, TeliaSonera for cash consideration acquired 91.2 percent of the shares in Vollvik Gruppen AS (now renamed TeliaSonera Chess Holding AS) in Norway. After making a voluntary offer at the same price per share for the remaining shares, TeliaSonera held all but a small fraction of the shares in Chess Holding at December 31, 2005.

The acquisition has been accounted for using the purchase method of accounting. Under this method, TeliaSonera has allocated the total purchase price to assets acquired and liabilities assumed based on their respective fair values. The determination of fair values has been made using generally accepted procedures. The results of the operations in Chess Holding have been included in the consolidated financial statements as of November 7, 2005.

Chess Holding owns 100 percent of the mobile service provider Chess/Sense in Norway with 396,000 subscribers at the end of October 2005. The acquisition strengthens TeliaSonera's position on the Norwegian mobile market and emphasizes TeliaSonera's ability to progress successfully with its strategy to enhance growth in the home markets. The transaction is expected to be earnings and cash flow accretive to TeliaSonera, before any synergies. The synergies are mostly related to increased utilization of NetCom's network. Chess/Sense continues to operate as a service provider under its own brand on the Norwegian market.

Financial effects

In the period November 7–December 31, 2005, Chess Holding contributed net sales of SEK 208 million and net income of SEK 19 million to the Group.

The following table shows the TeliaSonera Group pro forma net sales, net income and earnings per share, including fair value adjustments, had the acquisition taken place at January 1, 2005.

SEK in millions, except per share data	TeliaSonera Group (January–December 2005)	Chess Holding (January–December 2005)	TeliaSonera Group pro forma (January–December 2005)
Pro forma net sales	87,661	1,036	88,697
Pro forma net income	13,694	38	13,732
Pro forma basic and diluted earnings per share (SEK)	2.56	0.01	2.57

Purchase consideration, goodwill and cash-flow effects

Details of purchase consideration and goodwill were as follows:

SEK in millions	
Purchase consideration	
Basic purchase consideration	2,048
Estimated additional purchase consideration	186
Transaction related direct expenses	19
Total purchase consideration	**2,253**
Less fair value of net assets acquired (as specified below)	–164
Goodwill	**2,089**

Transaction related direct expenses capitalized by TeliaSonera in connection with the acquisition represent bankers' fees as well as transaction related legal and accounting fees, and other direct fees and expenses.

Total purchase consideration and the determination of fair values of assets acquired and liabilities assumed is based on preliminary appraisal; thus, such values and goodwill are subject to refinement.

The cash-flow effects were as follows:

SEK in millions	
Total cash purchase consideration	2,054
Less acquired cash and cash equivalents	–199
Net cash outflow from acquisition	**1,855**

Assets acquired and liabilities assumed

Book values and fair values of assets acquired and liabilities assumed were as follows:

SEK in millions	Book value	Fair value adjustments	Fair value
Trade names	4	–	4
Licenses	7	–	7
Subscriber contracts	248	136	384
Equipment, tools and installations	4	–	4
Deferred tax assets	86	–9	77
Inventories	3	–	3
Receivables and other current assets	247	–	247
Cash and cash equivalents	199	–	199
Total assets acquired	**798**	**127**	**925**
Deferred tax liabilities	–99	–39	–138
Long-term liabilities	–388	–	–388
Short-term liabilities	–235	–	–235
Total liabilities assumed	**–722**	**–39**	**–761**
Net assets acquired	**76**	**88**	**164**

There were no purchased in-process research and development assets acquired nor any collateral pledged and contingent liabilities arising from the acquisition.

Acquisition of Orange Denmark and Eesti Telekom

General

On October 11, 2004, TeliaSonera acquired Orange's mobile operations in Denmark (Orange Denmark). The previously associated company AS Eesti Telekom became a majority-owned subsidiary of TeliaSonera as of December 28, 2004. The determination of fair values of assets acquired and liabilities assumed as presented in TeliaSonera's 2004 Annual Report was based on preliminary appraisal. After finalizing the valuations and taking into account the additional Eesti Telekom shares acquired in the first quarter of 2005 as a result of the mandatory public offer, the following amendments have been made.

Purchase consideration and additional goodwill

Details of purchase consideration and additional goodwill were as follows:

	Orange Denmark			Eesti Telekom				
	2004			2004			2005	
SEK in millions	Reported	Adjustments	Restated	Reported	Adjustments	Restated	Additional acquisition	Reported
Purchase consideration								
Cash consideration	5,522	–	5,522	472	–	472	23	495
Consideration in terms of new share issue (prior to 2004)	–	–	–	1,843	–	1,843	–	1,843
Transaction related direct expenses	26	–	26	–	–	–	8	8
Total purchase consideration	**5,548**	**–**	**5,548**	**2,315**	**–**	**2,315**	**31**	**2,346**
Less fair value of net assets acquired (for 2004 as specified below)	–1,685	–243	–1,928	–1,655	–20	–1,675	–12	–1,687
Less amortization of fair values before the company becoming a subsidiary	–	–	–	–142	20	–122	–	–122
Less goodwill (net of amortization until 2003) before the company becoming a subsidiary	–	–	–	–515	–	–515	–	–515
Additional goodwill	**3,863**	**–243**	**3,620**	**3**	**–**	**3**	**19**	**22**

Assets acquired and liabilities assumed

Book values and fair values of assets acquired and liabilities assumed were as follows:

	Orange Denmark				Eesti Telekom			
SEK in millions	Book value	Preliminary fair value adjustments	Final fair value adjustments	Restated fair value	Book value	Preliminary fair value adjustments	Final fair value adjustments	Restated fair value
Trade names	–	–	–	–	–	101	40	141
Patents, licenses and rights of way	1,133	–629	–	504	52	–	–	52
Interconnect and roaming agreements	–	–	–	–	–	1,004	–352	652
Subscriber contracts	–	536	–	536	–	2,891	–404	2,487
Buildings, land and land improvements	628	–258	–	370	207	180	–64	323
Mobile networks	618	–326	–	292	449	365	–266	548
Fixed networks	–	–	–	–	465	198	–	663
Equipment, tools and installations	422	–241	–	181	42	20	–	62
Investments in associated companies and other equity holdings	1	–	–	1	12	–	–	12
Deferred tax asset	365	–	243	608	–	–	–	–
Other financial fixed assets	–	–	–	–	11	–	–	11
Inventories	23	–	–	23	72	–	–	72
Receivables and other current assets	596	–	–	596	432	–	–	432
Cash and cash equivalents	183	–	–	183	840	–	–	840
Total assets acquired	**3,969**	**–918**	**243**	**3,294**	**2,582**	**4,759**	**–1,046**	**6,295**
Revaluation reserve	–	–	–	–	–	–1,641	543	–1,098
Minority interests	–	–	–	–	–	–3,776	523	–3,253
Other provisions	–	–	–	–	–3	–	–	–3
Long-term liabilities	–553	–	–	–553	–4	–	–	–4
Short-term liabilities	–813	–	–	–813	–262	–	–	–262
Total liabilities assumed	**–1,366**	**–**	**–**	**–1,366**	**–269**	**–5,417**	**1,066**	**–4,620**
Net assets acquired	**2,603**	**–918**	**243**	**1,928**	**2,313**	**–658**	**20**	**1,675**

35. Specification of Shareholdings and Participations

Associated companies

Associated company, Corp. Reg. No., registered office	Participation (%)	Number of shares	Par value in local currency (in millions)	Equity participation in consolidated accounts 2005 (SEK in millions)	Equity participation in consolidated accounts 2004 (SEK in millions)	Book value in each parent company 2005 (SEK in millions)	Book value in each parent company 2004 (SEK in millions)
Parent company holdings							
Swedish companies							
Overseas Telecom AB, 556528-9138, Stockholm	65	1,180,575	SEK 118	318	504	198	198
isMobile AB, 556575-0014, Luleå	50	996,008	SEK 0	0	0	0	0
Lokomo Systems AB, 556580-3326, Stockholm	40	676,504	SEK 0	1	1	0	0
Telefos AB, 556523-6865, Stockholm	26	2,560,439	SEK 0	256	177	104	104
SNPAC Swedish Number Portability Administrative Centre AB, 556595-2925, Stockholm	20	400	SEK 0	3	5	1	1
Service Factory SF AB, 556575-5682, Stockholm	19	1,620,960	SEK 1	0	0	0	20
Other operating, dormant and divested companies				–	287	–	0
Companies outside Sweden							
Drutt Corp., 3186891, Wilmington, DE	30	1,000,000	USD 0	6	6	3	15
OAO Telecominvest, St. Petersburg	26	4,262,165	RUR 43	1,294	865	700	700
Other operating, dormant and divested companies				–	1,045	–	1,474
Total parent company						**1,006**	**2,512**
Subsidiaries' holdings							
Swedish companies							
Svenska UMTS-nät AB, 556606-7996, Stockholm	50	501,000	SEK 50	429	513	500	500
SmartTrust AB, 556179-5161, Stockholm	30	70,991,460	SEK 1	33	80	84	80
Other operating, dormant and divested companies				0	0	0	0
Companies outside Sweden							
AS Sertifitseerimiskeskus, 10747013, Tallinn	50	16	EEK 2	1	2	10	6
Päämieskauppiaat Oy, 1090044-0, Helsinki	50	66,055	EUR 1	93	–	8	–
Lattelekom SIA, 4000305278, Riga	49	71,581,000	LVL 72	596	526	1,058	1,020
Punwire Paging Services Ltd, S/RP/PB/000196, Chandigarh	49	14,699,780	INR 147	0	0	0	0
Turkcell Holding A.S., 430991-378573, Istanbul	47	214,871,670	TRY 215	8,762	6,767	1,833	1,763
Turkcell Iletisim Hizmetleri A.S., 304844-252426, Istanbul	13	246,603,233	TRY 247	9,384	6,243	1,258	1,210
OAO MegaFon, 7812014560, Moscow	36	2,207,234	RUR 22	4,017	2,515	402	410
AUCS Communications Services v.o.f., 34097149, Hoofddorp	33	–	EUR –	1	17	2	0
Johtotieto Oy, 0875145-8, Helsinki	33	170	EUR 0	1	1	0	0
Operators Clearing House A/S, 18936909, Copenhagen	33	1,333	DKK 1	3	4	5	2
UAB TietoEnator Consulting, 2594163, Vilnius	26	4,160	LTL 0	3	3	1	0
Voicecom OÜ, 10348566, Tallinn	26	–	EEK 0	2	2	0	1
Suomen Numerot NUMPAC Oy, 1829232-0, Helsinki	25	3,000	EUR 0	0	0	0	0
Eltel Networks Länsi Oy, 0731522-4, Paimio	21	11,430	EUR 0	5	7	6	6
Other operating, dormant and divested companies				0	43	0	39
Total				**25,208**	**19,613**		

The share of voting power in Overseas Telecom AB is 42 percent. OAO Telecominvest owns an additional 31 percent of the shares in OAO MegaFon. Turkcell Holding A.S. owns 51 percent of the shares in Turkcell Iletisim Hizmetleri A.S.

The parent company's and subsidiaries' respective holdings of Other associated companies for the comparative year chiefly related to companies acquired and divested. The former associated companies IKT I Holding AB (formerly Lagrummet Juni nr 74 AB) and IKT II Holding AB (formerly Lagrummet Juni nr 75 AB) became subsidiaries in 2005. Divestitures in 2005 included Infonet Services Corp., AS Intergate, Telekolmio Oy and Helsingin GSM-Palvelut Oy. Altogether, the Group's equity participation in the named companies amounted to SEK 1,375 million and the book value in each parent company to SEK 1,513 million.

Other holdings of securities

Company, Corp. Reg. No., registered office	Participation (%)	Number of shares	Par value in local currency (in millions)	Book/fair value in consolidated accounts 2005	Book/fair value in consolidated accounts 2004	Book value in each parent company 2005	Book value in each parent company 2004
				SEK in millions			
Parent company holdings							
Swedish companies							
NGF NetGame Factory AB, 556588-3344, Stockholm	10	147,000	SEK 0	0	0	0	0
Slottsbacken Fund Two KB, 969660-9875, Stockholm	18	–	SEK –	6	5	6	5
Hyglo AB, 556601-6761, Stockholm	8	16,800	SEK 0	0	0	0	0
Other operating, dormant and divested companies				0	0	0	0
Companies outside Sweden							
Digital Telecommunications Philippines Inc., Manila-Quezon City	9	600,000,000	PHP 600	84	124	84	124
Vision Capital L.P., LP64, Saint Helier	6	–	USD 2	2	4	2	4
Atrica, Inc., 770532447, Santa Clara, CA	0	249,377	USD 0	0	0	0	0
Other operating, dormant and divested companies				0	7	0	7
Total parent company						**92**	**140**
Subsidiaries' holdings							
Swedish companies							
Other operating, dormant and divested companies				0	0	0	0
Companies outside Sweden							
Digital Media & Communications II L.P., 3037042, Boston, MA	22	–	USD –	6	8	6	8
Eveo Inc., 3028413, San Francisco, CA	10	2,000,000	USD 0	0	0	0	0
Wideray Corp., 3269105, San Francisco, CA	7	11,147,967	USD 0	10	10	10	10
Media Technology Equity Partners, L.P., 199817710056, Los Altos, CA	7	–	USD –	0	0	0	0
Magnum Communications L.P., Cayman Islands	7	–	USD –	14	14	14	14
CellGlide Inc., 51-0411553, Netanya	6	136,081	USD 0	0	11	0	11
Oy Merinova Ab, 0778620-2, Vaasa	6	800	EUR 0	1	1	1	1
Diamondhead Ventures, L.P., 3145188, Menlo Park, CA	4	–	USD –	13	10	13	10
Siennax International B.V., 23074433, Amstelveen	3	1,841,211	EUR 0	0	0	0	0
Santapark Oy, 1095079-8, Rovaniemi	3	10,000	EUR 0	2	2	2	2
Codetoys Oy, 1082133-9, Espoo	2	636,851	EUR 0	0	0	0	0
Bytemobile, Inc., 3255024, Mountain View, CA	2	735,476	USD 0	5	5	5	5
Pargas Telefon Ab – Paraisten Puhelin Oy, 0135996-3, Pargas	2	7,100	EUR 0	1	1	1	1
SysOpen Digia Oyj, 0831312-4, Helsinki	1	220,710	EUR 0	2	49	2	49
Helsinki Halli Oy, 1016235-3, Helsinki	1	42	EUR 0	4	4	4	4
Intellect Capital Ventures, L.L.C., 3173982, Los Angeles, CA	0	–	USD –	17	24	17	24
TelAdvent LP, 2705077, Wilmington, DE	0	–	USD –	11	11	11	11
Radioliikkeiden Oy, 0113089-4, Espoo	0	7,515	EUR 0	1	0	1	0
Asunto Oy Helsingin Oskar, 0881553-8, Helsinki	0	280	EUR 0	1	1	1	1
Kiinteistö Oy Turun Monitoimihalli, 0816425-3, Turku	0	1	EUR 0	1	1	1	1
Participations in other real estate and housing companies, Finland	–	–	EUR –	22	21	22	21
Participations in other phone companies, Finland	–	–	EUR –	6	7	6	7
Other operating, dormant and divested companies				0	6	0	6
Total				**209**	**326**		

The parent company's and subsidiaries' respective holdings of Other securities for the comparative year chiefly related to companies divested. Divestitures in 2005 included Intelsat, Ltd., Dejima, Inc., PacketVideo Corp. and Technopolis Oyj. SX Holdings, LLC was liquidated. Altogether, carrying values of the named companies were SEK 13 million in the Group and SEK 13 million in each parent company. The carrying value of SysOpen Digia Oyj for the comparative year refers to the ownership in former Digia Oy.

36. U.S. GAAP

Differences in principles

TeliaSonera's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), which differ in certain respects from United States Generally Accepted Accounting Principles (U.S. GAAP). Application of U.S. GAAP would have affected shareholders' equity as of December 31, 2005, 2004 and 2003 and net income for each of the years in the three-year period ended December 31, 2005. The significant differences between IFRS and U.S. GAAP as related to TeliaSonera are discussed below.

Revenue recognition

The SEC Staff Accounting Bulletin No. 104 "Revenue Recognition" (SAB 104) addresses revenue recognition under U.S. GAAP. Under this guidance, revenue earned from access, connection and similar fees should be recognized over the estimated life of the customer relationship. Also, SAB 104 permits, but does not require, companies to defer costs directly associated with such revenue and to also recognize these costs over the life of the customer relationship. Under IFRS, TeliaSonera recognizes this revenue and related costs when the services are provided and the related costs are incurred.

Under U.S. GAAP, TeliaSonera has adjusted revenues to reflect the deferral of access, connection and similar revenues and subsequent amortization over the estimated average customer life of 7 years. TeliaSonera has elected not to defer any associated costs and accordingly, as permitted under U.S. GAAP, such costs are expensed as incurred. In early 2005, the Swedish National Post and Telecom Agency (PTS) decided that consumers can freely choose which supplier to subscribe to for fixed telephony. During the year, 850,000 retail subscriptions were transformed into wholesale subscriptions. As a consequence, a release of deferred revenue related to the transformed subscriptions has been recognized in income. On the other hand, the connection fee paid for transformation is deferred and recognized over the estimated average customer life.

TeliaSonera may bundle services and products into one customer offering. Offerings may involve the delivery or performance of multiple products, services, or rights to use assets (multiple deliverables). In some cases, the arrangements include initial installation, initiation, or activation services and involve consideration in the form of a fixed fee or a fixed fee coupled with a continuing payment stream. Telecom equipment is accounted for separately from service where a market for each deliverable exists and if title to the equipment passes to the end customer. Costs associated with the equipment are recognized at the time of revenue recognized. The revenue is allocated to equipment and services in proportion to the fair value of the individual elements and recognized when the respective equipment is delivered and services rendered.

Under U.S. GAAP, the amount allocated to delivered items is limited to the amount that is not contingent upon delivery of additional items or meeting other specified performance conditions. Costs associated with the equipment are under U.S. GAAP recognized in an amount equal to the revenue recognized and cost in excess is deferred to the extent those costs are not in excess of the expected remaining revenues for the item.

Sale and leaseback

In 1998 and in 2001, TeliaSonera sold certain real estate properties to external buyers, while TeliaSonera group companies stayed on as tenants. The profit from the divestitures was recognized as revenue in its entirety, under IFRS, because the rental contracts are considered operating leases and the real estate was sold at market value.

Under U.S. GAAP additional conditions must be met in order to immediately recognize gains on sale-leaseback transactions. As TeliaSonera retained use of more than an insignificant portion, but less than substantially all of the properties sold, gain recognition is being deferred. Under U.S. GAAP, during the periods 1998–2012 and 2001–2013, respectively, that portion of the profit in excess of the discounted present value of the related future gross rental payments at the time of sale is recognized as revenue in proportion to the gross rental payments.

Other than related operating lease commitments, which extend for 3–15 years from the respective transaction dates, TeliaSonera is not bound by any other outstanding commitments or contingent obligations related to these properties.

Stock-based compensation

Under IFRS applicable until 2004, TeliaSonera did not record an expense with respect to its employee stock option programs, implemented in 2001 and 2002. Until the third quarter of 2001, TeliaSonera under U.S. GAAP accounted for employee stock options under the recognition and measurement provisions of APB Opinion No. 25 "Accounting for Stock Issued to Employees" (APB 25) and related interpretations under this method. In December 2002, FASB Statement No. 148 "Accounting for Stock-Based Compensation – Transition and Disclosure" (FAS 148) was issued. FAS 148 amends FAS 123 "Accounting for Stock-Based Compensation" and provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation under FAS 123. In addition, FAS 148 amends the disclosure requirements of FAS 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. FAS 148 became effective for fiscal years ending after December 15, 2002. Under U.S. GAAP, TeliaSonera began expensing the cost of employee stock options in the fourth quarter of 2002 and has elected to use the retroactive restatement method of FAS 148. Accordingly, all prior periods presented have been restated to reflect compensation costs that would have been recognized had the recognition provisions of FAS 123, as amended by FAS 148, been applied to all awards granted to employees.

By decisions made by the Board of Directors of TeliaSonera AB in February and March 2004, all unvested employee stock option series were cancelled, due to non-fulfillment of certain exercise criteria.

Non-current Assets-Held-for-Sale

Under U.S. GAAP and under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations," an entity should classify a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Once classified as held for sale, the asset should be measured at the lower of its carrying amount and fair value less costs to sell and cease amortization and depreciation. TeliaSonera did not adopt IFRS 5 until January 1, 2005 and consequently assets held for sale in prior periods were not separately disclosed or accounted for.

Pensions

Under IFRS, pension assets, defined benefit pension liabilities and expenses are determined in a similar manner to U.S. GAAP. However, under IFRS, prior service cost, transition adjustments and expenses resulting from plan amendments are generally recognized immediately. Under U.S. GAAP, these expenses are generally recognized over a longer period. Additionally, any related payroll taxes are adjusted for differences between IFRS and U.S. GAAP.

Under U.S. GAAP and unlike IFRS, when the accumulated benefit obligation (ABO) exceeds the fair value of plan assets, a liability at least equal to the unfunded ABO must be recognized in the balance sheet. To the extent that the unfunded ABO exceeds the liability already recognized, an additional minimum liability (AML) must be recognized as a reduction of shareholders' equity, net of tax. If the unfunded ABO is less than the liability already recognized, no further liability is recognized. An accumulated AML was initially recognized in 2004.

In 2000, Alecta, a Swedish pension insurance company, announced a refund of pension premiums paid. Part of the refund was repaid in cash and the remaining balance could be applied against future premiums, be paid in cash over several years, or be paid in a lump sum. Under IFRS, TeliaSonera recognized the present value of the total refund as other operating revenue. Under U.S. GAAP, cash refunds were recognized up until 2003 as other operating revenue when received.

Restructuring costs

Under IFRS, a provision for restructuring costs is recognized when the general requirements for recording provisions are met. Under U.S. GAAP, a restructuring charge is recorded when a detailed plan for exit costs has been developed and those costs relating to employee termination benefits have been developed in sufficient detail so that employees who may be subject to termination would be aware of the benefit they were to receive upon involuntary termination. U.S. GAAP requires that significant changes in the plan are unlikely. Certain provisions of the restructuring accruals recorded under IFRS in 2005, 2004 and in 2002 related to workforce reduction and certain other exit costs did not meet the U.S. GAAP requirements and accordingly were reversed and instead recognized as incurred. For restructuring accruals recorded in 2003, the U.S. GAAP requirements related to workforce reduction were met.

Under IFRS, unavoidable costs of meeting obligations under a contract that exceed the economic benefits to be received under the contract are recognized as a provision, for instance a contract for office space to be left vacant, when the vacation is decided and the amount is reliably estimable. Under U.S. GAAP, a provision is not recognized until the contract is terminated in accordance with the contract terms.

Share of earnings in associated companies

TeliaSonera's share of net income of its associated companies is determined using the equity method and is based on financial statements of the investees prepared in accordance with IFRS. This reconciliation item reflects adjustments for the differences between IFRS and U.S. GAAP relating to the associates.

Financing of associated companies

TeliaSonera, under IFRS, records interest costs arising from financing of associated companies in its operations as incurred. U.S. GAAP requires that interest costs be capitalized to the extent that such costs relate to an associated company while the associated company has activities in progress necessary to commence its planned principal activities as prescribed by FASB Statement No. 34 "Capitalization of Interest Costs."

Associated companies in hyperinflationary economies

Under IFRS, when the functional currency for a subsidiary or an associated company is the currency of a hyper-inflationary economy, the reported non-monetary assets and liabilities, and equity are restated in terms of the measuring unit current at the balance sheet date. The restated financial statements are translated into SEK at the closing rate. The restating effects are recognized as financial revenue or expense and in income from associated companies, respectively.

Under U.S. GAAP, the temporal method should be used to translate the financial statements of subsidiaries and equity accounted investees where they are denominated in currencies of highly-inflationary economies. The remeasurement of the financial statements is done as if the reporting currency of the parent had been the functional currency.

Goodwill
Until 2003, under IFRS applicable at the time, TeliaSonera amortized goodwill and other intangible assets. In accordance with FASB Statement No. 142 "Goodwill and Other Intangible Assets" (FAS 142), goodwill and indefinite lived intangible assets are not amortized but will be reviewed annually for impairment. Intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. The amortization provisions of FAS 142 applied to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, TeliaSonera began applying the new accounting rules starting January 1, 2002.

Effective January 1, 2004, TeliaSonera adopted IFRS 3 "Business Combinations," involving among other things that goodwill is no longer amortized but will be tested for impairment at least annually. According to generally accepted principles and standard company procedures, carrying values of all cash-generating units (reporting units) have been tested for impairment. The recoverable amounts of the cash-generating units were found to be in excess of their carrying values at all tests under IFRS and therefore the related goodwill was not impaired. Tests were also performed under U.S. GAAP, in 2005 showing that the carrying value of TeliaSonera Finland was too high and consequently an impairment loss was recognized relating to TeliaSonera Finland goodwill. This was mainly due to the differences between IFRS and U.S. GAAP with respect to the determination of the purchase consideration in the merger of Telia and Sonera, leading to a substantially higher TeliaSonera Finland carrying value under U.S. GAAP (as further described below).

Business combinations
Merger with Sonera Oyj
The merger of Telia and Sonera was announced in March 2002 and finalized in 2003. Under IFRS, the TeliaSonera shares and warrants issued to Sonera shareholders and warrantholders in the exchange offer and the mandatory redemption offer were valued based on the quoted closing market price of TeliaSonera shares as of the respective dates of the Board of Directors decisions to issue new shares. Under U.S. GAAP, the average market price for a reasonable period before and after the date the terms of a transaction are agreed and announced is to be used in determining the fair value of securities issued. Accordingly, under U.S. GAAP, all TeliaSonera shares and warrants issued to Sonera shareholders and warrantholders in consideration for the merger were valued based on a weighted average share price for the five consecutive trading days starting two days before and ending two days after the announcement day.

Furthermore, under IFRS, the total fair value of TeliaSonera warrants issued was recorded as part of the purchase consideration. Under U.S. GAAP, the fair value of fully vested warrants was recognized as part of the purchase consideration, while the fair value of the unvested warrants was amortized to expense over the future remaining vesting period as stock-based employee compensation cost. By decisions made by the Board of Directors of TeliaSonera AB in February and March 2004, all unvested warrants were cancelled, due to non-fulfillment of certain exercise criteria.

In assessing the fair value of other intangible assets under IFRS applicable at the time of the merger, roaming and interconnect agreements with other operators as well as most of the customer list (''portfolio of customers'') did not meet the definition of an intangible asset. Therefore, TeliaSonera under IFRS did not assign any value to Sonera's roaming and interconnect agreements and only assigned a limited value to Sonera's customer list, reflecting certain long-term contractual agreements with customers. Under U.S. GAAP, the fair values of roaming and interconnect agreements and the total customer list were recorded as intangible assets and are amortized over their remaining useful lives.

Besides different carrying values of Sonera's net assets and of Sonera's investments in associated companies, differences in the methods of calculating the fair value of TeliaSonera shares and warrants issued and the fair value of other intangible assets affected the amount of goodwill from the transaction under U.S. GAAP. Under IFRS applicable at the time of the merger, the purchase price allocated to identifiable assets and liabilities was amortized based on the estimated useful life of the identifiable assets and liabilities. The excess purchase consideration after this allocation is described as goodwill and recognized as a separate asset. Under IFRS applicable at the time of the merger, TeliaSonera amortized goodwill arising from the merger over a useful life of 20 years. Under U.S. GAAP, goodwill arising in a business combination shall not be amortized. Effective January 1, 2004, TeliaSonera adopted IFRS 3 "Business Combinations," involving among other things that goodwill is no longer amortized.

Other business combinations
Effective January 1, 2004, TeliaSonera adopted IFRS 3 "Business Combinations." IFRS 3 states that acquired identifiable assets, liabilities, and contingent liabilities should be measured initially at 100 percent of the fair values at the acquisition date, irrespective of the extent of any minority interest. In other words, the identifiable assets acquired, and liabilities and contingent liabilities incurred or assumed, must be initially measured at full fair value, including any minority interest's share of the acquired item.

Consequently, minority interest under IFRS 3 includes the minority's portion of the net fair values acquired. Under U.S. GAAP, fair values are only included to the share of net assets acquired and the interest's historical carrying value prior to the acquisition of the additional interest remains unchanged. In step acquisitions under IFRS, the fair values of the net assets in a previously held associate are revalued to the fair values on the date it becomes a consolidated subsidiary. An increase in the fair values is recorded directly in equity and included in a revaluation reserve, while a decrease is recorded as an impairment loss in the income statement. Under U.S. GAAP any previous interest is not restated.

Under IFRS 3, a provision for restructuring costs on acquisition may be recognized only if the acquiree already recognized a provision. Under U.S. GAAP, a provision may be recognized if a plan to exit an activity or terminate employees has been initiated before the acquisition.

Under IFRS, the UMTS license acquired in the Orange Denmark transaction in 2004 was valued at zero net of a related liability to the Danish authorities. As of the acquisition date, management had decided to hand back the license which led to an impairment loss on the value of the license and a release of part of the recorded liability. The remaining liability equaled the fee agreed to be paid on returning the license. Under U.S. GAAP, since it was TeliaSonera's intention to return the license, the net liability equivalent to the fee agreed to be paid to the Danish authorities was recorded already in the purchase price allocation. The different treatment also affected the amount of goodwill from the transaction under U.S. GAAP.

Cost of a business combination contingent on future events
Under IFRS, when a business combination agreement provides for an adjustment to the cost of the combination contingent on future events the amount of that adjustment should be included in the cost of the combination at the acquisition date if the adjustment is probable (more likely than not) and can be measured reliably. The purchase consideration recognized for one business combination in 2005 includes an estimated additional cost. Under U.S. GAAP, this cost is not recognized until the contingency is resolved or the amount is determinable.

Hedging acquisitions of shares
Unlike IFRS, to be able to use hedge accounting under U.S. GAAP, the hedged item, inter alia, cannot be related to a minority interest in a consolidated subsidiary. The acquisition price for a foreign subsidiary should be calculated by using the currency rate at the transaction date. The change in fair value of the derivative that has been used to hedge the acquisition is recognized as foreign currency gain or loss in other operating revenues or expenses.

Minority interests
Starting January 1, 2005, with retrospective application, minority interest under IFRS is a component of shareholders' equity, whereas under U.S. GAAP it should be presented outside of shareholders' equity, between shareholders' equity and liabilities. Consequently, in the income statement under IFRS, minority interest is a component of net income, while under U.S. GAAP it is a separate line item.

Income taxes and exchange rate differences
Deferred income tax and exchange rate differences are calculated for all differences between IFRS and U.S. GAAP, when applicable, for deferred tax including related recalculations to reflect enacted tax rate changes.

Translation into U.S. GAAP

Application of U.S. GAAP had the following effects on consolidated net income and shareholders' equity.

	January–December		
SEK in millions	**2005**	**2004**	**2003**
Net income under IFRS	13,694	14,264	10,049
Revenue recognition	–159	–415	–325
Sale and leaseback	119	120	120
Stock-based compensation	–	–	–18
Pensions	–91	–145	6
Restructuring costs	461	77	–335
Share of earnings in associated companies	–1	–41	8
Financing of associated companies	0	0	0
Associated companies in hyperinflationary economies	121	–174	–743
Goodwill	–6,142	–	4,205
Business combinations	–1,806	–1,584	–2,073
Deferred income taxes	378	1,491	703
Minority interests	–2,155	–1,300	–969
Net income under U.S. GAAP	**4,419**	**12,293**	**10,628**

The provisional purchase price allocations under IFRS for Orange Denmark and Eesti Telekom were finalized in the first quarter of 2005, which resulted in a restatement of certain preliminary figures recognized in 2004. For more information, see section "Acquisition of Orange Denmark and Eesti Telekom" in note "Business Combinations." Under U.S. GAAP, completion of the provisional purchase price allocations also triggered restatement of certain 2004 reconciliation items, reflecting the differences in accounting treatment related to business combinations.

SEK in millions	December 31, 2005	2004	2003
Total equity under IFRS	135,694	128,067	115,834
Revenue recognition	–5,002	–4,843	–4,428
Sale and leaseback	–837	–956	–1,076
Pensions	–4,435	–2,672	–
Restructuring costs	673	212	135
Share of earnings in associated companies	–0	–	41
Financing of associated companies	3	3	3
Associated companies in hyper inflationary economies	–5,975	–4,919	–3,292
Goodwill	–131	6,011	6,011
Business combinations	–2,894	–1,088	1,593
Deferred income taxes	5,156	4,310	2,111
Minority interests in equity	–8,803	–6,934	–3,441
Exchange rate differences	–1,296	81	–1,711
Shareholders' equity under U.S. GAAP	**112,153**	**117,272**	**111,780**

The adjustments would have changed certain items in the consolidated income statements and balance sheets. The following tables show summary income statements and balance sheets after the application of U.S. GAAP.

SEK in millions, except per share data	January–December 2005	2004	2003
Income statements under U.S. GAAP			
Net sales	87,522	81,395	82,099
Income from associated companies	3,262	3,108	284
Operating income	10,052	16,632	15,555
Income after financial items	9,522	15,286	14,744
Income taxes	–2,948	–1,693	–3,147
Minority interests	–2,155	–1,300	–969
Net income	4,419	12,293	10,628
Basic and diluted earnings per share (SEK)	0.97	2.63	2.28

SEK in millions	December 31, 2005	2004	2003
Balance sheets under U.S. GAAP			
Non-current assets	155,058	154,154	163,769
Current assets	43,624	41,946	37,018
Assets-held-for-sale	186	1,052	–
Total assets	*198,868*	*197,152*	*200,787*
Shareholders' equity	112,153	117,272	111,780
Minority interests	6,871	5,077	3,441
Provisions	19,474	16,250	21,072
Long-term loans	20,520	12,942	25,867
Short-term loans	6,215	11,733	4,687
Long-term liabilities	3,426	4,182	4,826
Current liabilities	30,209	29,696	29,114
Total shareholders' equity and liabilities	*198,868*	*197,152*	*200,787*

Expected future amortization of other intangible assets

Given the current ownership structure and the same exchange rates as in 2005, and that no events will occur that would trigger impairment charges, TeliaSonera expects the following amortization of other intangible assets during the next five-year period.

SEK in millions	2006	2007	2008	2009	2010
Expected amortization of other intangible assets	4,139	4,077	3,630	3,525	3,366

Recently issued accounting pronouncements

FAS 123(R)

In December 2004, FASB Statement No. 123 (revised 2004) "Share-Based Payment" (FAS 123(R)) was issued. FAS 123(R) is a revision of FASB Statement No. 123 "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25 "Accounting for Stock Issued to Employees," and its related implementation guidance. FAS 123(R) requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). FAS 123(R) is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. TeliaSonera under U.S. GAAP accounts for any stock-based awards at fair value in accordance with FAS 123 and the adoption of FAS 123(R) does not have a material effect on its earnings and financial position.

FAS 150

In May 2003, FASB Statement No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (FAS 150) was issued. FAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. FAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of FAS 150 and still existing at the beginning of the interim period of adoption. Restatement is not permitted. The effective date of certain provisions of FAS 150 for certain mandatorily redeemable financial instruments has been deferred by FASB Staff Position (FSP) No. 150-3. Under the FSP, certain mandatorily redeemable shares are subject to the provisions of FAS 150 for the first fiscal period beginning after December 15, 2004. Other mandatorily redeemable shares are deferred indefinitely but may be subject to classification or disclosure provisions of FAS 150. Adoption of FAS 150 did not have a material effect on TeliaSonera's earnings and financial position under U.S. GAAP.

FAS 151

In November 2004, FASB Statement No. 151 "Inventory Costs – an amendment of ARB No. 43, Chapter 4" (FAS 151) was issued. FAS 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 24, 2004. FAS 151 should be applied prospectively. The provisions of FAS 151 do not have a material effect on TeliaSonera's earnings and financial position under U.S. GAAP.

FAS 152

In December 2004, FASB Statement No. 152 "Accounting for Real Estate Time-Sharing Transactions – an amendment of FASB Statements No. 66 and 67" (FAS 152) was issued. FAS 152 is effective for financial statements for fiscal years beginning after June 15, 2005. Restatement of previously issued financial statements is not permitted. Currently, the provisions of FAS 152 are not relevant to TeliaSonera.

FAS 153

In December 2004, FASB Statement No. 153 "Exchanges of Non-monetary Assets – an amendment of APB Opinion No. 29" (FAS 153) was issued. FAS 153 amends APB 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. FAS 153 is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Earlier application is permitted for non-monetary asset exchanges occurring in fiscal periods beginning after December 16, 2004. FAS 153 should be applied prospectively. TeliaSonera does not expect that the adoption of FAS 153 will materially affect its financial position or results of operations under U.S. GAAP.

FAS 154
In May 2005, FASB Statement No. 154 "Accounting Changes and Error Corrections" (FAS 154) was issued, replacing APB Opinion No. 20 "Accounting Changes" (APB 20) and FASB Statement No. 3 "Reporting Accounting Changes in Interim Financial Statements." FAS 154 requires retrospective application to prior periods' financial statements of a change in accounting principle. It applies both to voluntary changes and to changes required by an accounting pronouncement if the pronouncement does not include specific transition provisions. APB 20 previously required that most voluntary changes in accounting principles be recognized by recording the cumulative effect of a change in accounting principle. FAS 154 is effective for fiscal years beginning after December 15, 2005. TeliaSonera does not expect that the adoption of FAS 154 will materially affect its financial position or results of operations under U.S. GAAP.

FIN 47
In March 2005, FASB Interpretation No. 47 "Accounting for Conditional Asset Retirement Obligations" (FIN 47) was issued. FIN 47 clarifies that FASB Statement No. 143 "Accounting for Asset Retirement Obligations" requires that a liability for the fair value of a conditional asset retirement obligation is recognized when incurred if the liability's fair value can be reasonably estimated. FIN 47 is effective no later than at the end of fiscal years ending after December 15, 2005. The adoption of FIN 47 did not have a material impact on TeliaSonera's financial position or results of operations under U.S. GAAP.

EITF 03-1
In March 2004, the Emerging Issues Task Force (EITF) within FASB reached a consensus on Issue No. 03-1 "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" (EITF 03-1). The issue is to determine the meaning of other-than-temporary impairment and its application to debt and equity securities within the scope of FASB Statement No. 115 "Accounting for Certain Investments in Debt and Equity Securities." The impairment methodology for investments accounted for under the equity method is predicated on the notion of other-than-temporary. The taskforce reached a consensus that the application guidance in EITF 03-1 should be used in determining when an investment is considered impaired, whether that impairment is other-than-temporary and the measurement of the impairment. EITF 03-1 was effective for other-than-temporary impairment evaluation made in reporting periods beginning after June 15, 2004. Paragraphs 10–18 in EITF 03-1 were later nullified by FASB FAS 115-1 and 124-1, issued in November, 2005. Applying the other provisions of EITF 03-1 did not have a material effect on TeliaSonera's consolidated financial statements under U.S. GAAP.

FSP FAS 143-1
In June 2005, FASB Staff Position No. FAS 143-1 "Accounting for Electronic Equipment Waste Obligations" (FSP FAS 143-1) was issued. FSP FAS 143-1 addresses accounting by commercial users and producers of electrical and electronic equipment, in connection with Directive 2002/96/EC on Waste Electrical and Electronic Equipment ("WEEE") issued by the European Union (EU) on February 13, 2003. This Directive requires EU member countries to adopt legislation to regulate the collection, treatment, recovery, and environmentally sound disposal of electrical and electronic waste equipment, and sets forth certain obligations relating to covering the cost of disposal of such equipment by commercial users. Producers will also be required to cover the cost of disposal of such equipment under the WEEE legislation if they are participating in the market as of August 13, 2005. FSP FAS 143-1 shall be applied the later of the first reporting period ending after June 8, 2005 or the date of the adoption of the law by the applicable EU member country (in Sweden adopted on August 13, 2005). Adoption of FSP FAS 143-1 did not have a material effect on TeliaSonera's consolidated financial statements under U.S. GAAP.

Parent Company Income Statements

		January–December		
SEK in millions	**Note**	**2005**	**2004**	**2003**
Net sales	3, 6	21,363	21,601	21,858
Costs of production	4, 7	–15,006	–14,553	–14,829
Gross income		**6,357**	**7,048**	**7,029**
Sales, administrative, and research & development expenses	4, 7	–838	–1,414	–1,837
Other operating revenues and expenses	5, 7	–816	–24	30
Operating income		**4,703**	**5,610**	**5,222**
Financial revenues and expenses	8	6,823	–1,640	228
Income after financial items		**11,526**	**3,970**	**5,450**
Appropriations	9	–10,835	10,961	–616
Income before taxes		**691**	**14,931**	**4,834**
Income taxes	9	1,162	–4,464	–1,506
Net income		**1,853**	**10,467**	**3,328**

Parent Company Balance Sheets

		December 31,		
SEK in millions	**Note**	**2005**	**2004**	**2003**
Assets				
Goodwill and other intangible assets	10	394	360	283
Property, plant and equipment	11	19,972	21,485	22,628
Financial assets	12	98,022	96,159	96,560
Total non-current assets		**118,388**	**118,004**	**119,471**
Inventories	13	0	0	0
Trade and other receivables	14	10,073	7,424	8,995
Current tax assets		1,411	414	–
Short-term investments	15	11,558	11,508	8,159
Cash and bank	24	970	1,617	650
Total current assets		**24,012**	**20,963**	**17,804**
Total assets		**142,400**	**138,967**	**137,275**
Shareholders' equity and liabilities				
Restricted equity				
Share capital		14,961	14,961	14,961
Other reserves		5,263	57,530	58,099
Non-restricted equity				
Retained earnings		61,579	14,686	19,810
Net income		1,853	10,467	3,328
Total shareholders' equity		**83,656**	**97,644**	**96,198**
Untaxed reserves	9	**13,972**	**3,137**	**14,097**
Provisions for pensions and employment contracts	17	859	1,213	1,445
Deferred tax liabilities	9	2,358	3,503	804
Other provisions	18	1,175	1,201	1,216
Total provisions		**4,392**	**5,917**	**3,465**
Interest-bearing liabilities				
Long-term loans	19	18,285	10,636	13,162
Short-term loans	19	15,144	9,085	847
Non-interest-bearing liabilities				
Long-term liabilities	20	896	704	806
Current tax liabilities		–	–	1,273
Short-term provisions, trade payables and other current liabilities	21	6,055	11,844	7,427
Total liabilities		**40,380**	**32,269**	**23,515**
Total shareholders' equity and liabilities		**142,400**	**138,967**	**137,275**
Unrecognized contingent assets	23	–	–	–
Unrecognized collateral pledged	23	–	–	–
Unrecognized contingent liabilities	23	2,549	2,819	2,992

Parent Company Cash Flow Statements

		January–December		
SEK in millions	**Note**	**2005**	**2004**	**2003**
Net income		1,853	10,467	3,328
Adjustments:				
Amortization, depreciation and impairment losses		4,620	12,333	8,021
Capital gains/losses on sales/discards of non-current assets		–444	–2,437	–1,651
Income from partnerships		–	–	–2
Pensions and other provisions		–1,194	–1,497	–1,410
Financial items	24	232	–55	–95
Group contributions and appropriations		8,520	–10,961	–318
Income taxes	24	–2,004	2,735	1,758
Cash flow before change in working capital		**11,583**	**10,585**	**9,631**
Increase (–)/Decrease (+) in operating receivables		–4,612	1,311	–1,263
Increase (–)/Decrease (+) in inventories etc.		0	0	9
Increase (+)/Decrease (–) in operating liabilities		4,434	–996	–816
Change in working capital		**–178**	**315**	**–2,070**
Cash flow from operating activities		**11,405**	**10,900**	**7,561**
Intangible and tangible non-current assets acquired		–2,927	–2,828	–2,427
Shares and participations		–4,070	–11,629	–5,759
Non-current assets divested, etc.		2,435	6,526	3,550
Loans made and other investments		–1,076	7,258	1,802
Repayment of loans made and other investments		4	316	–79
Compensation from/Payment to pension fund		1,000	1,000	1,000
Net change in interest-bearing current receivables		–18	12	–42
Cash flow from investing activities		**–4,652**	**655**	**–1,955**
Cash flow before financing activities		**6,753**	**11,555**	**5,606**
Purchase of treasury shares including transaction costs		–10,218	–	–
Dividend to shareholders		–5,610	–4,675	–1,870
Group contributions and dividends received		–6,344	–1,084	–4,668
Loans raised		13,138	–	0
Loans amortized		–3,240	–3,702	27
Change in interest-bearing current liabilities		4,924	2,222	6,420
Cash flow from financing activities		**–7,350**	**–7,239**	**–91**
Cash flow for the year		**–597**	**4,316**	**5,515**
Cash and cash equivalents, opening balance		**13,125**	**8,809**	**3,294**
Cash flow for the year		–597	4,316	5,515
Cash and cash equivalents, closing balance	15	**12,528**	**13,125**	**8,809**

Parent Company Statements of Changes in Shareholders' Equity

SEK in million	Share capital	Statutory reserve	Share premium reserve	Revaluation reserve	Non-restricted equity	Total equity
Closing balance, December 31, 2002	**14,738**	**1,855**	**50,853**	**–**	**21,692**	**89,138**
Write-up of tangible assets (Note 16)	–	–	–	3,563	–	3,563
Reporting financial instruments at fair value (Note 16)	–	–	–	–	–12	–12
Net income recognized directly in equity	–	–	–	*3,563*	*–12*	*3,551*
Net income	–	–	–	–	3,328	3,328
Total recognized net income	–	–	–	*3,563*	*3,316*	*6,879*
Dividend	–	–	–	–	–1,870	–1,870
New share issue at a premium	223	–	1,828	–	–	2,051
Closing balance, December 31, 2003	**14,961**	**1,855**	**52,681**	**3,563**	**23,138**	**96,198**
Depreciation on tangible assets written-up (Note 16)	–	–	–	–569	569	–
Reporting financial instruments at fair value (Note 16)	–	–	–	–	93	93
Group contributions to subsidiaries net of tax (Note 9)	–	–	–	–	–4,439	–4,439
Net income recognized directly in equity	–	–	–	*–569*	*–3,777*	*–4,346*
Net income	–	–	–	–	10,467	10,467
Total recognized net income	–	–	–	*–569*	*6,690*	*6,121*
Dividend	–	–	–	–	–4,675	–4,675
Closing balance, December 31, 2004	**14,961**	**1,855**	**52,681**	**2,994**	**25,153**	**97,644**
Depreciation on tangible assets written-up (Note 16)	–	–	–	414	–414	–
Reporting financial instruments at fair value (Note 16)	–	–	–	–	–28	–28
Net income recognized directly in equity	–	–	–	*414*	*–442*	*–28*
Net income	–	–	–	–	1,853	1,853
Total recognized net income	–	–	–	*414*	*1,411*	*1,825*
Dividend	–	–	–	–	–5,610	–5,610
Transfer to non-restricted equity decided by the AGM in 2005	–	–	–52,681	–	52,681	–
Treasury shares (repurchase decided by the AGM in 2005)	–	–	–	–	–10,203	–10,203
Closing balance, December 31, 2005	**14,961**	**1,855**	**–**	**3,408**	**63,432**	**83,656**

Notes to Parent Company Financial Statements

1. Basis for Preparation

General

The parent company TeliaSonera AB's financial statements have been prepared in accordance with the Swedish Annual Accounts Act, other Swedish legislation, and standard RR 32 and statements issued by the Swedish Financial Accounting Standards Council and its Emerging Issues Task Force.

Accounting principles

The applied accounting principles are described in full in "Notes to Consolidated Financial Statements." Descriptions in the following notes are limited to existing discrepancies.

Amounts and dates

Unless otherwise specified, all amounts are in millions of Swedish kronor (SEK million) or other currency specified and are based on the twelve-month period ended December 31 for income statement items and as of December 31 for balance sheet items, respectively.

New accounting standards

The Swedish Financial Accounting Standards Council's standard RR 32 "Accounting for Legal Entities" became effective January 1, 2005 and is applicable to Swedish legal entities whose equities on the balance sheet day are listed on a Swedish stock exchange or authorized equity market place. In their consolidated financial statements such companies have to comply with the EU regulation on international accounting standards, while they still have to comply with the Annual Accounts Act in their own financial statements. RR 32 states that as a main rule listed parent companies should apply IFRS and specifies exceptions and additions, caused by legal provisions or by the connection between accounting and taxation in Sweden. TeliaSonera AB adopted the provisions of RR 32 in prior years.

2. Critical Accounting Policies, Estimates and Assumptions

For information relevant to TeliaSonera AB, see "Notes to Consolidated Financial Statements" (Note 2).

3. Net Sales

Sales (including exports) were distributed among economic regions as follows.

	January–December		
SEK in millions	**2005**	**2004**	**2003**
European Union (EU)	21,349	21,585	21,846
European Economic Area (EEA)	14	14	12
Rest of Europe	–	–	0
North-American Free Trade Agreement (NAFTA)	0	2	–
Total	**21,363**	**21,601**	**21,858**
of which Sweden	19,707	21,569	21,823

Net sales were broken down by product category as follows.

	January–December		
SEK in millions	**2005**	**2004**	**2003**
Fixed telephony	12,604	13,363	14,530
Internet	2,805	2,722	2,314
Network capacity	3,324	3,121	2,982
Data communications	1,784	1,311	1,207
Other	846	1,084	825
Total	**21,363**	**21,601**	**21,858**

There was no invoiced advertising tax in the years 2005, 2004 and 2003, respectively.

4. Operating Costs

Operating costs were distributed by function as follows.

	January–December		
SEK in millions	**2005**	**2004**	**2003**
Production	**15,006**	**14,553**	**14,829**
Other functions			
Sales	221	244	377
Administration	503	997	1,270
Research and development	114	173	190
Total other functions	**838**	**1,414**	**1,837**
Total	**15,844**	**15,967**	**16,666**

Each function includes amortization, depreciation and impairment losses as specified in note "Amortization, Depreciation and Impairment Losses." This is also broken down by class of asset.

Operating costs were distributed by nature as follows.

	January–December		
SEK in millions	**2005**	**2004**	**2003**
Goods purchased	90	211	674
Network expenses, interconnect traffic	7,653	6,698	6,666
Change in inventories	22	37	96
Total	**7,765**	**6,946**	**7,436**
Salaries and remuneration	1,340	1,436	1,245
Employer's social security contributions	446	482	425
Pension expenses	–649	–178	38
Other personnel expenses	147	125	62
Total	**1,284**	**1,865**	**1,770**
Rent and leasing fees	827	914	781
Energy expenses	245	230	209
Travel expenses	127	136	169
Consultants' services	413	389	335
Marketing expenses	221	322	201
Bad debt expense	38	15	104
Information technology	377	602	757
Other expenses	272	379	362
Total	**2,520**	**2,987**	**2,918**
Amortization, depreciation and impairment losses	4,275	4,169	4,542
Total	**15,844**	**15,967**	**16,666**

Refer to note "Provisions for Pensions and Employment Contracts" for a breakdown of pension expenses.

5. Other Operating Revenues and Expenses

Other operating revenues and expenses were distributed as follows.

	January–December		
SEK in millions	**2005**	**2004**	**2003**
Other operating revenues			
Capital gains	11	–	–
Exchange rate gains	127	42	77
Commissions	13	7	1
Recovered accounts receivable	0	1	0
Damages received	2	1	6
Total other operating revenues	**153**	**51**	**84**
Other operating expenses			
Capital losses	–71	–17	–28
Provisions for onerous contracts	–250	–	–4
Exchange rate losses	–84	–46	–2
Sonera merger expenses	–	–	–3
Restructuring costs	–564	–12	–17
Total other operating expenses	**–969**	**–75**	**–54**
Net effect on income	**–816**	**–24**	**30**

6. Related Party Transactions

General
Conventional commercial terms apply for the supply of goods and services to and from subsidiaries and associated companies.

Group units
Sales to subsidiaries totaled SEK 16,046 million, SEK 16,892 million and SEK 17,108 million, while purchases from subsidiaries totaled SEK 3,836 million, SEK 2,886 million and SEK 3,312 million for the respective years.

Other transactions
For descriptions of certain other transactions with related parties, see "Notes to Consolidated Financial Statements" (Note 10).

7. Amortization, Depreciation and Impairment Losses

Effective January 1, 2004, management decided, based on a useful-life analysis, to extend the useful-life of copper cables in the fixed local access network from 8 years to 20 years and of switching equipment for ADSL customers from 3 years to 10 years. For more information, see "Notes to Consolidated Financial Statements" (Note 11).

Amortization, depreciation and impairment losses on intangible and tangible assets were distributed by function as follows.

	January–December		
SEK in millions, except proportions	**2005**	**2004**	**2003**
Production	4,271	4,163	4,490
Sales	0	0	0
Administration	4	6	52
Total	**4,275**	**4,169**	**4,542**
Proportion to net sales (%)	20.0	19.3	20.8

Amortization, depreciation and impairment losses were distributed by asset class as follows.

	January–December		
SEK in millions	**2005**	**2004**	**2003**
Goodwill	22	13	–
Other intangible assets	113	162	204
Fixed networks	4,108	3,964	4,319
Other plant and equipment	32	30	19
Total	**4,275**	**4,169**	**4,542**

Accelerated depreciation, to the extent allowed by Swedish tax legislation, is recorded as appropriations and untaxed reserves (see this section in note "Income Taxes").

8. Financial Revenues and Expenses

Financial revenues and expenses were distributed as follows.

	January–December		
SEK in millions	**2005**	**2004**	**2003**
Income from shares in subsidiaries			
Dividends, etc.	4,388	4,509	1,299
Capital gains/losses, net	273	2,281	883
Impairment losses	–76	–8,330	–2,380
Net Group contributions etc.	2,314	–	934
Total	**6,899**	**–1,540**	**736**
Income from shares in associated companies			
Dividends, etc.	268	208	196
Capital gains/losses, net	182	115	792
Impairment losses	–49	–104	–1,051
Total	**401**	**219**	**–63**
Income from other financial investments			
Dividends	–	0	0
Capital gains/losses, net	59	59	–19
Impairment losses	–2	0	–49
Total	**57**	**59**	**–68**
Other financial revenues			
Interest from subsidiaries	872	1,003	1,638
Other interest revenues	315	289	162
Exchange rate gains	111	81	69
Total	**1,298**	**1,373**	**1,869**
Other financial expenses			
Interest to subsidiaries	–871	–886	–1,161
Other interest expenses	–854	–680	–1,000
Exchange rate losses	–64	–117	–9
Interest component of the year's pension provision	–43	–68	–76
Total	**–1,832**	**–1,751**	**–2,246**
Net effect on income	**6,823**	**–1,640**	**228**

Refer to section "Appropriations and untaxed reserves" in note "Income Taxes" on Group contributions. See also note "Provisions for Pensions and Employment Contracts" for calculation of the interest component of the year's pension provision.

9. Income Taxes

Income tax expense
Recorded income tax expense was distributed as follows.

	January–December		
SEK in millions	**2005**	**2004**	**2003**
Current tax	–13	1,769	1,446
Deferred tax	–1,149	2,695	60
Total	**–1,162**	**4,464**	**1,506**

Current tax expense for each fiscal year attributable to the previous years' earnings and tax booked directly to equity were as follows.

	January–December		
SEK in millions	**2005**	**2004**	**2003**
Current tax attributable to previous years	–31	–46	–1
Tax booked directly to equity	–10	–	–

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

	January–December		
Percent	2005	2004	2003
Swedish income tax rate	28.0	28.0	28.0
Adjustment of current taxes for previous periods	–4.5	–0.3	0.0
Losses for which deferred tax assets were not recognized	12.9	–	1.3
Non-deductible expenses	8.8	15.9	21.8
Non-taxable revenues	–213.4	–13.7	–19.9
Effective tax rate as per the income statement	**–168.2**	**29.9**	**31.2**
Tax booked directly to equity	–1.4	–	–
Effective tax rate	**–169.6**	**29.9**	**31.2**
Tax rate, current tax	**–1.9**	**11.8**	**29.9**

No accumulated non-expiring tax loss carry-forwards exist for the years 2005, 2004 and 2003.

Income tax assets and liabilities

Deferred tax assets and liabilities changed as follows.

	December 31,		
SEK in millions	2005	2004	2003
Deferred tax assets			
Book value, opening balance	523	582	639
Income statement period change	–168	–70	–61
Recorded in equity	–20	11	4
Book value, closing balance	**335**	**523**	**582**
Deferred tax liabilities			
Book value, opening balance	4,026	1,386	–
Income statement period change	–1,318	2,625	1,386
Recorded in equity	–15	15	–
Book value, closing balance	**2,693**	**4,026**	**1,386**

Deferred tax assets and liabilities were distributed as follows.

	December 31,		
SEK in millions	2005	2004	2003
Deferred tax assets			
Provisions	335	523	582
Total deferred tax assets	**335**	**523**	**582**
Deferred tax liabilities			
Other non-current assets	2,693	4,011	1,386
Provisions	–	15	–
Total deferred tax liabilities	**2,693**	**4,026**	**1,386**
Net deferred tax assets (+)/liabilities (–)	**–2,358**	**–3,503**	**–804**

The parent company's unrecognized deferred tax liability in untaxed reserves amounted to SEK 3,912 million in 2005, SEK 878 million in 2004 and SEK 3,947 million in 2003.

Appropriations and untaxed reserves

Untaxed reserves in the balance sheet were distributed as follows.

	December 31,		
SEK in millions	2005	2004	2003
Profit equalization reserve	1,733	3,137	3,031
Accumulated excess amortization and depreciation	12,239	–	11,066
Total	**13,972**	**3,137**	**14,097**

Excess amortization and depreciation changed as follows.

	December 31,					
	2005		2004		2003	
SEK in millions	Intangible assets	Plant and machinery	Intangible assets	Plant and machinery	Intangible assets	Plant and machinery
Opening balance	–	–	287	10,779	399	11,751
Provisions	710	11,529	–	–	–	–
Reversals	–	–	–287	–10,779	–112	–972
Closing balance	**710**	**11,529**	**–**	**–**	**287**	**10,779**

For additional information on provisions in 2005 and reversals in 2004, see "Notes to Consolidated Financial Statements" (corresponding section in Note 14).

Appropriations brought to income were comprised as follows.

	January–December		
SEK in millions	2005	2004	2003
Profit equalization reserve	1,404	–105	–1,700
Accumulated excess amortization and depreciation	–12,239	11,066	1,084
Net effect on income	**–10,835**	**10,961**	**–616**

Under certain conditions, 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 tax-driven shareholder contributions, net received by the parent company are regarded as dividends and recorded as income from shares in subsidiaries (see note "Financial Revenues and Expenses"), while such contributions, if net rendered are recorded directly in shareholders' equity, net of income tax.

	January–December		
SEK in millions	2005	2004	2003
Pre-tax Group contributions			
– net rendered (recorded in equity)	–	–6,166	–
– net received (recorded in income)	2,314	–	934

10. Goodwill and Other Intangible Assets

The total book value of goodwill and other intangible assets changed as follows.

	December 31,					
	2005		2004		2003	
SEK in million	Goodwill	Other	Goodwill	Other	Goodwill	Other
Acquisition value, opening balance	111	1,319	–	1,072	–	1,253
Purchases	–	174	111	212	–	206
Sales/discards	–	–208	–	–6	–	–411
Reclassifications	–	55	–	41	–	24
Accumulated acquisition value, closing balance	**111**	**1,340**	**111**	**1,319**	**–**	**1,072**
Amortization, opening balance	–13	–1,057	–	–789	–	–581
Purchases	–	–	–	–109	–	–
Sales/discards	–	153	–	3	–	0
Reclassifications	–	–5	–	–	–	–4
Amortization for the year	–22	–113	–13	–162	–	–204
Accumulated amortization, closing balance	**–35**	**–1,022**	**–13**	**–1,057**	**–**	**–789**
Total book value, closing balance	**76**	**318**	**98**	**262**	**–**	**283**

Goodwill is amortized over 5 years. No interest is included in the acquisition value for the years 2005, 2004 and 2003.

During 2005, 2004 and 2003, in-house developed software was capitalized at SEK 125 million, SEK 203 million and SEK 194 million, respectively. In the three years, amortization was SEK 113 million, SEK 231 million and SEK 204 million, respectively.

The total book value of goodwill and other intangible assets was distributed as follows.

	December 31,		
SEK in millions	2005	2004	2003
Goodwill	76	98	–
Administrative support systems	277	202	245
Licenses, contractual agreements, patents, etc.	41	60	38
Total book value	**394**	**360**	**283**

Given that no events will occur that would trigger impairment charges, TeliaSonera AB expects the following amortization of goodwill and other intangible assets during the next five-year period.

SEK in millions	2006	2007	2008	2009	2010
Expected future amortization of goodwill	22	22	22	10	–
Expected future amortization of other intangible fixed assets	67	72	72	72	72

11. Property, Plant and Equipment

Buildings and land

The total book value of buildings and land changed as follows.

SEK in millions	December 31, 2005	2004	2003
Acquisition value, opening balance	27	27	27
Accumulated acquisition value, closing balance	**27**	**27**	**27**
Depreciation, opening balance	–24	–24	–23
Reclassifications	–	–	–1
Depreciation for the year	–	–	0
Accumulated depreciation, closing balance	**–24**	**–24**	**–24**
Total book value, closing balance	**3**	**3**	**3**

No interest is included in the acquisition value for the years 2005, 2004 and 2003. No real estate properties owned by the parent company were assigned tax-assessed values.

Plant and machinery

The total book value of plant and machinery changed as follows.

SEK in millions	December 31, 2005	2004	2003
Acquisition value, opening balance	66,421	63,253	61,008
Purchases	2,754	2,654	2,315
Sales/discards	–767	–208	–588
Reclassifications	–93	722	518
Accumulated acquisition value, closing balance	**68,315**	**66,421**	**63,253**
Depreciation, opening balance	–49,195	–45,667	–41,376
Purchases	–30	–4	–43
Sales/discards	690	194	553
Reclassifications	7	–544	–482
Depreciation for the year	–3,357	–3,174	–4,319
Accumulated depreciation, closing balance	**–51,885**	**–49,195**	**–45,667**
Write-ups, opening balance	4,159	4,949	–
Write-ups for the year	–	–	4,949
Depreciation for the year	–751	–790	–
Accumulated write-ups, closing balance	**3,408**	**4,159**	**4,949**
Total book value, closing balance	**19,838**	**21,385**	**22,535**

Based on a useful-life analysis, resulting in a decision to extend the useful-life of copper cables in the fixed local access network from 8 years to 20 years and of switching equipment for ADSL customers from 3 years to 10 years, assets were written up as of December 31, 2003. The write-up, net of deferred income taxes, was recognized as a revaluation reserve in restricted shareholders' equity.

No interest is included in the acquisition value for the years 2005, 2004 and 2003. Excess tax depreciation is discussed in section "Appropriations and untaxed reserves" in note "Income Taxes."

Equipment, tools, and installations

The total book value of equipment, tools and installations changed as follows.

SEK in millions	December 31, 2005	2004	2003
Acquisition value, opening balance	313	230	807
Purchases	30	847	35
Sales/discards	–6	–1	–70
Reclassifications	37	–763	–542
Accumulated acquisition value, closing balance	**374**	**313**	**230**
Depreciation, opening balance	–216	–140	–665
Purchases	–1	–591	–7
Sales/discards	5	1	66
Reclassifications	1	544	485
Depreciation for the year	–32	–30	–19
Accumulated depreciation, closing balance	**–243**	**–216**	**–140**
Total book value, closing balance	**131**	**97**	**90**

No interest is included in the acquisition value for the years 2005, 2004 and 2003. Assets from other Group companies were taken over at gross book value.

Distribution by class of asset

The total book value of property, plant and equipment was distributed as follows.

SEK in millions	December 31, 2005	2004	2003
Buildings and land			
Land and land improvements	3	3	3
Total	**3**	**3**	**3**
Plant and machinery			
Mobile networks	386	598	–
Fixed networks – switching systems and peripheral equipment	1,861	2,703	3,601
Fixed networks – transmission systems	3,990	4,420	4,648
Fixed networks – transmission media and other types of media	13,601	13,664	14,286
Total	**19,838**	**21,385**	**22,535**
Equipment, tools, and installations	**131**	**97**	**90**
Total book value	**19,972**	**21,485**	**22,628**

12. Financial Assets

General

Shares and participations in subsidiaries and associated companies are recorded at acquisition cost, which is written down if a decline in value is regarded as permanent. Other holdings of securities are valued at market value if listed, otherwise at acquisition cost unless an assessment of the market value indicates that a write-down is necessary. For further discussion of the valuation of financial fixed assets, see note "Financial Instruments and Financial Risk Management" in "Notes to Consolidated Financial Statements."

Participations in associated companies

The book value of participations in associated companies changed as follows.

SEK in millions	December 31, 2005	2004	2003
Book value, opening balance	2,513	2,344	3,431
Acquisitions	182	348	40
Issues of new shares and shareholder contributions	2	–	–
Impairment losses	–50	–68	–1,051
Divestitures	–1,201	–111	–423
Reclassifications	–440	–	347
Book value, closing balance	**1,006**	**2,513**	**2,344**

Other holdings of securities

The book value of other holdings of securities changed as follows.

SEK in millions	December 31, 2005	2004	2003
Book value, opening balance	140	122	257
Acquisitions	1	11	19
Divestitures	–7	–76	–230
Impairment losses	–2	–	–49
Reclassifications	–	–	127
Changes in fair value	–40	83	–
Share of earnings in partnerships	–	–	–2
Book value, closing balance	**92**	**140**	**122**

Other long-term financial assets

The book value of other long-term financial assets changed as follows.

SEK in millions	December 31, 2005	2004	2003
Book value, opening balance	93,506	94,094	88,051
Purchases	4,254	11,292	10,523
Sales/discards	–791	–3,499	–1,021
Impairment losses	–292	–8,359	–2,380
Reclassifications	205	–22	–1,079
Exchange rate differences	42	0	0
Book value, closing balance	**96,924**	**93,506**	**94,094**

In 2004, most of the impairment losses were related to shares in subsidiaries, primarily within the Group's international carrier operations.

Distribution by class of asset

The total book value of financial assets was distributed as follows.

	December 31,		
SEK in millions	2005	2004	2003
Subsidiaries and associated companies			
Shares in subsidiaries	96,255	92,987	93,408
Receivables from subsidiaries, interest-bearing	277	149	–
Participations in associated companies	1,006	2,513	2,344
Receivables from associated companies, interest-bearing	94	97	–
Receivables from associated companies, non-interest-bearing	0	–	172
Total	**97,632**	**95,746**	**95,924**
Other holdings of securities			
Shares and participations	92	140	122
Total	**92**	**140**	**122**
Other long-term receivables			
Interest-bearing			
Cross currency interest rate swaps	229	261	469
Other	69	12	45
Total	**298**	**273**	**514**
Total	**98,022**	**96,159**	**96,560**

Shareholdings and participations in subsidiaries are specified in note “Specification of Shareholdings and Participations,” while information about associated companies and other holdings of securities is found in “Notes to Consolidated Financial Statements” (Note 35).

13. Inventories

No deductions for inventory obsolescence were needed for the years 2005, 2004 and 2003. The book value referred to raw materials and essential inputs and was SEK 0 million in each of the three years.

14. Trade and Other Receivables

The book value of trade and other receivables was distributed as follows.

	December 31,		
SEK in millions	2005	2004	2003
Accounts receivable			
Invoiced receivables	1,821	1,949	1,772
Allowance for doubtful receivables	–120	–102	–103
Total accounts receivable	**1,701**	**1,847**	**1,669**
Other current receivables			
Interest-bearing			
Receivables from subsidiaries	–	–	727
Receivables from associated companies	1	0	21
Cross currency interest rate swaps	124	209	45
Receivables from others	369	315	305
Non-interest-bearing			
Receivables from subsidiaries	6,459	1,241	3,250
Receivables from associated companies	19	38	46
Currency swaps, forward exchange contracts	14	76	82
Receivables from others	176	185	290
Total other current receivables	**7,162**	**2,064**	**4,766**
Accrued revenues and deferred expenses			
Receivables from subsidiaries	941	3,028	2,114
Interconnect and roaming charges	15	149	196
Prepaid rent and leasing fees	22	26	69
Other accrued or prepaid items	232	310	181
Total accrued revenues and deferred expenses	**1,210**	**3,513**	**2,560**
Total	**10,073**	**7,424**	**8,995**

Written-down accounts receivable (bad debt expense) and recovered accounts receivable for the years 2005, 2004 and 2003 are recorded in note “Operating Costs” and note “Other Operating Revenues and Expenses.” Other interest-bearing accounts receivable from subsidiaries refer to the cash pool balance. For additional information on leases, see note “Operating Lease Agreements.”

15. Short-term Investments, Cash and Cash Equivalents

Short-term investments

None of the parent company’s short-term investments as of December 31, 2005, 2004 or 2003 had maturities over three months.

Cash and cash equivalents

Short-term investments with maturities up to and including three months are combined with Cash and bank to produce the item Cash and cash equivalents, as follows.

	December 31,		
SEK in millions	2005	2004	2003
Short-term investments with maturities up to and including three months	11,558	11,508	8,159
Cash and bank	970	1,617	650
Cash and cash equivalents	**12,528**	**13,125**	**8,809**

16. Shareholders’ Equity

Share capital and treasury shares

See “Notes to Consolidated Financial Statements” (corresponding sections in Note 21).

Revaluation reserve

The revaluation reserve changed as follows.

	December 31,		
SEK in millions	2005	2004	2003
Book value, opening balance	2,994	3,563	–
Write-up of non-current assets	–	–	4,949
Depreciation	–751	–790	–
Tax effect	1,165	221	–1,386
Book value, closing balance	**3,408**	**2,994**	**3,563**

Fair value reserve

The fair value reserve changed as follows.

	December 31,					
	2005		2004		2003	
SEK in millions	Securities	Derivatives	Securities	Derivatives	Securities	Derivatives
Book value, opening balance	230	–208	117	–188	46	–105
Provisions	–	–	121	–51	99	–115
Reversals	–186	159	–	23	–	–
Tax effect	–	–	–8	8	–28	32
Book value, closing balance	**44**	**–49**	**230**	**–208**	**117**	**–188**

No part of the reversed amount referred to reversals that necessitate adjusting the acquisition value.

17. Provisions for Pensions and Employment Contracts

All employees in TeliaSonera AB are covered by a defined benefit pension plan (the ITP-Tele plan) which means that the individual is guaranteed a pension equal to a certain percentage of his or her salary. The pension plan mainly includes old-age pension, disability pension and family pension.

The existing pension obligations that TeliaSonera AB assumed when it was converted into a limited liability company on July 1, 1993 and other pension obligations of the parent company are secured by Telia Pension Fund. Certain commitments, chiefly the contractual right to retire at age 55, 60, or 63 for certain categories of personnel, are secured by a taxed reserve in the balance sheet.

Pension obligations are calculated annually, on the balance sheet date, based on actuarial principles, according to FAR recommendation no. 4.

The pension liability reported contains the following components.

	December 31,		
SEK in millions	2005	2004	2003
FPG/PRI pensions	5,765	5,543	5,276
Other pension obligations	5,159	5,488	5,759
Taxed reserves for employment contracts	609	990	1,245
Total present value of pension obligations	**11,533**	**12,021**	**12,280**
Fair value of plan assets	–10,674	–10,808	–10,835
Book value	**859**	**1,213**	**1,445**

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

	January–December		
SEK in millions	2005	2004	2003
Contractual pension obligations			
Current service cost	201	164	185
Pension-related social charges and taxes	48	26	19
Total	**249**	**190**	**204**
Non-recurring items			
Termination benefits	306	34	25
Pension-related taxes	74	8	6
Less termination benefits (incl. premiums and pension-related taxes) recorded as restructuring costs	–380	–	–
Changes in estimates	–360	98	–40
Total	**–360**	**140**	**–9**
Interest expense on principal			
– recognized as a financial expense	43	68	76
– recognized in operating income	328	373	378
Total	**371**	**441**	**454**
Effect on income of change in plan assets	**–866**	**–881**	**–535**
Total pension revenues (–)/ expenses (+)	**–606**	**–110**	**114**
of which pension premiums paid to the ITP pension plan	58	59	52

Surplus capital in plan assets has changed as follows.

	December 31,		
SEK in millions	2005	2004	2003
Surplus capital, opening balance	818	570	59
Change in value during the year	1,901	1,129	1,046
Items that affect earnings			
– change in recorded pension liability	134	119	465
– compensation from pension fund	–1,000	–1,000	–1,000
Net effect on earnings	–866	–881	–535
Surplus capital, closing balance	**1,853**	**818**	**570**

Telia Pension Fund totals for secured commitments, surplus capital and compensation paid to TeliaSonera AB are provided in the table below.

	January–December or December 31,		
SEK in millions	2005	2004	2003
Secured commitments (principal)	10,674	10,808	10,836
Surplus capital in pension fund	1,853	818	570
Compensation from pension fund	1,000	1,000	1,000

Actuarial calculation assumptions, strategic asset allocation and future contributions

Actuarial calculation assumptions

The actuarial calculation of pension obligations and pension expenses is based on principles set by the FPG/PRI system and the Swedish Financial Supervisory Authority.

Strategic plan asset allocation

See “Notes to Consolidated Financial Statements” (corresponding section in Note 23).

Future contributions

For companies in Sweden, part of the pension liabilities is secured also by credit insurance. This means, should the pension obligations increase, that TeliaSonera AB can choose if and when to contribute to the pension fund or otherwise to recognize a pension provision in the balance sheet.

18. Other Provisions

Changes in other provisions were as follows.

	December 31,		
SEK in millions	2005	2004	2003
Book value, opening balance	1,406	1,394	1,686
Provisions for the period	877	629	606
Operations acquired	–	8	–
Utilized provisions	–120	–212	–806
Operations divested	–	–	–19
Reversals of provisions	–211	–414	–11
Reclassifications	–380	–	–
Exchange rate differences	47	1	–62
Book value, closing balance	**1,619**	**1,406**	**1,394**

The book value of other provisions was distributed as follows.

	December 31,		
SEK in millions	2005	2004	2003
Payroll taxes on future pension payments	148	240	302
Restructuring provisions	128	29	44
Onerous contracts	876	555	623
Warranty provisions	407	515	354
Other	60	67	71
Total other provisions	**1,619**	**1,406**	**1,394**
Less other provisions classified as short-term	–444	–205	–178
Total other long-term provisions	**1,175**	**1,201**	**1,216**

Onerous contracts include provisions for termination of lease contracts for an office building in the Stockholm area and for a development property in London, U.K. See also note “Restructuring Costs” in “Notes to Consolidated Financial Statements.” Warranty provisions include warranties, provisions for potential litigation and other provisions related to disposals and winding-up of group entities and associated companies.

19. Financial Instruments and Financial Risk Management

General

For information on financial instruments and financial risk management relevant to TeliaSonera AB, see corresponding note in “Notes to Consolidated Financial Statements” (Note 22).

Long-term loans

The book value of long-term loans was distributed as follows.

	December 31,		
SEK in millions	2005	2004	2003
TeliaSonera FTN/FTO	800	4,167	4,903
TeliaSonera EMTN, other foreign currency loans	16,617	5,476	7,272
Other loans	781	778	777
Interest rate swaps	28	132	102
Cross currency interest rate swaps	59	83	108
Total	**18,285**	**10,636**	**13,162**

For the years 2005, 2004 and 2003, SEK 15,212 million, SEK 1,641 million and SEK 2,739 million, respectively, of the loans fell due more than five years after the balance sheet date.

Short-term loans

The book value of short-term loans was distributed as follows.

	December 31,		
SEK in millions	2005	2004	2003
Loans from subsidiaries	9,236	5,623	–
TeliaSonera FTN	3,275	752	300
TeliaSonera EMTN, other foreign currency loans	2,633	2,706	523
Interest rate swaps	–	4	24
Total	**15,144**	**9,085**	**847**

Fully unutilized bank overdraft facilities had a total limit of SEK 863 million, SEK 852 million and SEK 961 million for the years 2005, 2004 and 2003, respectively.

20. Long-term Liabilities

The book value of long-term liabilities was distributed as follows.

	December 31,		
SEK in millions	**2005**	**2004**	**2003**
Liabilities to subsidiaries	177	50	344
Prepaid contracts for broadband build-out	712	648	462
Other liabilities	7	6	–
Total	**896**	**704**	**806**

For the years 2005, 2004 and 2003, no liabilities fell due more than five years after the balance sheet date.

21. Short-term Provisions, Trade Payables and Other Current Liabilities

The book value of short-term provisions, trade payables and other current liabilities was distributed as follows.

	December 31,		
SEK in millions	**2005**	**2004**	**2003**
Short-term provisions	**444**	**205**	**178**
Accounts payable	**1,920**	**2,126**	**1,770**
Liabilities to subsidiaries	**360**	**6,861**	**2,451**
Liabilities to associated companies	**411**	**390**	**461**
Other liabilities			
Advances, deposits, etc.	556	492	378
Value-added tax, excise taxes	168	101	221
Employee withholding tax, payable to employees	102	85	63
Currency swaps, forward exchange contracts	23	12	85
Other	8	13	1
Total other liabilities	**857**	**703**	**748**
Accrued expenses and deferred revenues			
Liabilities to subsidiaries	354	12	262
Accrued payroll expenses, social security contributions, etc.	311	444	351
Accrued interest	448	594	788
Interconnect charges	84	102	10
Additional purchase consideration in business combinations	179	–	–
Other accrued or deferred items	687	407	408
Total accrued expenses and deferred revenues	**2,063**	**1,559**	**1,819**
Total current liabilities	**6,055**	**11,844**	**7,427**

22. Operating Lease Agreements

All lease agreements are accounted for as operating leases. TeliaSonera AB leases primarily premises and land. Most of the leases are from outside parties, while subletting of premises is mainly to subsidiaries. The leases are on commercial terms with respect to prices and duration.

Future minimum leasing fees under operating lease agreements in effect as of December 31, 2005 that could not be canceled in advance and were in excess of one year were as follows.

Maturity SEK in millions	**2006**	**2007**	**2008**	**2009**	**2010**	**Later years**	**Total**
Future leasing fees	369	246	233	85	89	1,212	**2,234**
Subleasing	40	40	40	40	40	110	**310**

Total rent and leasing fees paid were SEK 827 million, SEK 810 million and SEK 781 million for the years 2005, 2004 and 2003, respectively. For these years, revenue for subleased items totaled SEK 40 million, SEK 34 million and SEK 32 million, respectively.

23. Contingencies, Other Contractual Obligations and Litigation

Contingent assets, collateral pledged and contingent liabilities

As of the balance sheet date, unrecognized contingent assets, collateral pledged and contingent liabilities were distributed as follows.

	December 31,		
SEK in millions	**2005**	**2004**	**2003**
Contingent assets	–	–	–
Collateral pledged	–	–	–
Contingent liabilities			
Guarantees and contingent liabilities on behalf of subsidiaries	865	1,498	2,120
Credit guarantee on behalf of Svenska UMTS-nät AB	1,475	1,007	363
Other credit and performance guarantees, etc.	82	191	392
Guarantees for pension obligations	127	123	117
Total	**2,549**	**2,819**	**2,992**

Some loan covenants agreed limit the scope for divesting or pledging certain assets.

For all guarantees, except the credit guarantee on behalf of TeliaSonera AB's 50 percent owned associated company Svenska UMTS-nät AB, stated amounts equal the maximum potential amount of future payments that TeliaSonera AB could be required to make under the respective guarantee. For information on the credit guarantee on behalf of Svenska UMTS-nät, see corresponding section in "Notes to Consolidated Financial Statements" (Note 28).

In addition to the contingent liabilities indicated above, guarantees for fulfillment of contractual undertakings are granted by TeliaSonera AB on behalf of subsidiaries, as part of the Group's normal course of business. At the balance sheet date, there was no indication that payment will be required in connection with any such contractual guarantee.

Other unrecognized contractual obligations

As of December 31, 2005, TeliaSonera AB had the following unrecognized contractual obligations regarding future acquisitions (or equivalent) of property, plant and equipment and financial assets.

Maturity SEK in millions	**2006**	**Later years**
Property, plant and equipment	580	–
Associated companies	107	–
Total	**687**	–

Obligations with respect to property, plant and equipment refer to the continued expansion of transmission capacity in the Swedish fixed network.

Legal and administrative proceedings

For additional information relevant to TeliaSonera AB, see corresponding section in "Notes to Consolidated Financial Statements" (Note 28).

Dependency on third parties

For additional information relevant to TeliaSonera AB, see corresponding section in "Notes to Consolidated Financial Statements" (Note 28).

24. Cash Flow Information

Financial items

Interest received, interest paid and dividends received were as follows.

	January–December		
SEK in millions	**2005**	**2004**	**2003**
Interest received	1,187	1,292	1,800
Interest paid	–1,725	–1,586	–2,161
Dividends received	4,656	1,527	1,495
Net position	**4,118**	**1,233**	**1,134**

Income taxes

Income taxes paid for the years 2005, 2004 and 2003, respectively, totaled SEK 955 million, SEK 1,800 million and SEK 519 million.

Non-cash transactions

In 2005, claims on subsidiaries totaling SEK 921 million were converted to equity in the companies.

Other cash flow information

Changes in net debt, net borrowings and net interest-bearing liability over the last ten-year period were as follows.

	December 31,									
SEK in millions	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Opening balance	**6,626**	**4,739**	**1,962**	**5,288**	**7,433**	**13,444**	**15,554**	**13,111**	**14,910**	**9,422**
Increase (+)/Decrease (–) in long-term loans	7,649	–2,526	154	–9,071	4,505	8,733	2,476	–418	2,200	1,869
Increase (+)/Decrease (–) in short-term loans	6,059	8,238	–7,489	5,194	–8,534	–5,881	–10	4,111	–55	7,574
Increase (–)/Decrease (+) in short-term investments	–50	–3,349	–5,558	4,795	–7,396	1,055	–1,015	310	–340	–10
Increase (–)/Decrease (+) in cash and bank	647	–967	44	–21	–135	–225	–287	328	240	–263
Change in net debt	**14,305**	**1,396**	**–12,849**	**897**	**–11,560**	**3,682**	**1,164**	**4,331**	**2,045**	**9,170**
Increase (–)/Decrease (+) in interest-bearing receivables	–72	723	15,610	–4,222	9,339	–9,128	–3,390	1,371	184	483
Change in net borrowings	**14,233**	**2,119**	**2,761**	**–3,325**	**–2,221**	**–5,446**	**–2,226**	**5,702**	**2,229**	**9,653**
Increase (+)/Decrease (–) in pension provisions	–354	–232	16	–1	76	–565	116	–3,259	–4,028	–4,165
Change in net interest-bearing liability	**13,879**	**1,887**	**2,777**	**–3,326**	**–2,145**	**–6,011**	**–2,110**	**2,443**	**–1,799**	**5,488**
Closing balance	**20,505**	**6,626**	**4,739**	**1,962**	**5,288**	**7,433**	**13,444**	**15,554**	**13,111**	**14,910**

25. Human Resources

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

	January–December					
	2005		2004		2003	
Country	Total	of which men	Total	of which men	Total	of which men
Sweden	3,119	2,293	3,421	2,282	3,118	1,993
Total	**3,119**	**2,293**	**3,421**	**2,282**	**3,118**	**1,993**

The operations were conducted virtually throughout the country.

The number of female and male senior executives was as follows. Senior executives include ordinary members of the Board of Directors, the president and the executive management team.

	December 31,					
	2005		2004		2003	
Number	Board of Directors	Other senior executives	Board of Directors	Other senior executives	Board of Directors	Other senior executives
Women	4	1	4	2	2	2
Men	7	10	8	9	7	7

Absence due to illness, as a percentage of ordinary work hours excluding leave time and vacation, was distributed as follows.

	January–December		
Percent	2005	2004	2003
Total absence due to illness	3.7	4.7	4.0
Absence due to illness that concerns a period of 60 consecutive days or longer	2.5	3.3	2.6
Total absence due to illness, men	3.1	3.2	2.8
Total absence due to illness, women	5.3	7.9	6.2
Total absence due to illness, employees 29 years of age and younger	2.5	3.1	2.0
Total absence due to illness, employees 30–49 years of age	3.3	4.0	3.4
Total absence due to illness, employees 50 years of age and older	4.2	5.4	4.7

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

	January–December		
SEK in millions	2005	2004	2003
Salaries and other remuneration	**1,340**	**1,436**	**1,245**
Social security expenses			
Employer's social security contributions	446	428	425
Pension expenses	–606	–110	114
Total social security expenses	**–160**	**318**	**539**
Total	**1,180**	**1,754**	**1,784**

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

	January–December or December 31,		
SEK in millions	2005	2004	2003
Pension expenses	10	9	8
Outstanding pension commitments	136	128	120

Salaries and other remuneration were divided between the Board of Directors and the CEO, and other employees as follows.

	January–December					
SEK in millions	2005		2004		2003	
Country	Board and CEO (of which variable salary)	Other employees	Board and CEO (of which variable salary)	Other employees	Board and CEO (of which variable salary)	Other employees
Sweden	13 (1)	1,327	13 (2)	1,423	12 (3)	1,233
Total	**13 (1)**	**1,327**	**13 (2)**	**1,423**	**12 (3)**	**1,233**

See also section "Remuneration to corporate officers" in "Notes to Consolidated Financial Statements" (Note 31).

26. Auditors' Fees and Services

The following remuneration was paid. See also additional information in "Notes to Consolidated Financial Statements" (Note 33).

	January–December		
SEK in millions	2005	2004	2003
PricewaterhouseCoopers AB			
Audits	12	11	–
Audit-related services	2	0	–
Tax services	1	0	1
All other services	3	3	–
Total	**18**	**14**	**1**
Ernst & Young AB			
Audits	0	1	15
Audit-related services	1	0	–
Tax services	0	2	2
All other services	12	13	6
Total	**13**	**16**	**23**
KPMG Bohlins AB			
Audits	–	2	–
Audit-related services	1	–	–
Tax services	1	0	9
All other services	0	2	2
Total	**2**	**4**	**11**
Other accounting firms			
Tax services	–	1	0
All other services	0	1	4
Total	**0**	**2**	**4**
Total	**33**	**36**	**39**

In addition, fees for accounting firm services in 2005 capitalized as transaction costs in business combinations and similar transactions totaled SEK 6 million (tax services: Ernst & Young SEK 1 million; other non-audit services: Ernst & Young SEK 5 million).

27. Specification of Shareholdings and Participations

Subsidiary, Corp. Reg. No., registered office	Participation (%)	Number of shares	Par value in local currency (in millions)	Book value (SEK in millions) 2005	2004
Swedish companies					
TeliaSonera Sverige AB, 556430-0142, Stockholm	100	3,000,000	SEK 300	2,749	2,749
TeliaSonera Mobile Networks AB, 556025-7932, Nacka	100	550,000	SEK 550	2,683	2,192
TeliaSonera Network Sales AB, 556458-0040, Stockholm	100	10,000	SEK 1	3	3
TeliaSonera Payphone AB, 556446-3734, Stockholm	100	5,000	SEK 1	3	3
TeliaSonera IT-Service AB, 556329-5566, Haninge	100	450,000	SEK 45	243	190
TeliaSonera Sverige Finans AB, 556404-6661, Stockholm	100	1,000	SEK 0	222	157
TeliaSonera Sverige Net Fastigheter AB, 556368-4801, Stockholm	100	5,000	SEK 1	169	169
Sonera Sverige AB, 556476-3133, Stockholm	100	52,000	SEK 5	75	75
Telia Communications AB, 556027-2287, Haninge	100	275,000	SEK 275	0	333
Infonet Svenska AB, 556263-3080, Stockholm	100	40,000	SEK 4	25	25
Telia Research AB, 556235-8738, Stockholm	100	20,000	SEK 20	25	25
Telia Internet Services AB, 556559-5930, Stockholm	100	1,000	SEK 0	137	126
Telia Electronic Commerce AB, 556228-8976, Stockholm	100	27,500	SEK 28	45	29
Telia Norge Holding AB, 556591-9759, Stockholm	100	1,000	SEK 0	0	0
Telia Nättjänster Norden AB, 556459-3076, Stockholm	100	10,000	SEK 1	377	377
Amber Mobile Teleholding AB, 556554-7774, Stockholm	100	1,000	SEK 0	2,806	2,806
Baltic Tele AB, 556454-0085, Stockholm	100	100,000	SEK 10	3,096	3,096
TeliaSonera International Carrier AB, 556583-2226, Stockholm	100	1,000,000	SEK 100	181	181
Telia International Management AB, 556595-2917, Stockholm	100	1,000	SEK 0	5	5
Telia International AB, 556352-1284, Stockholm	100	20,000	SEK 20	1,722	1,091
Telia Fastigheter AB, 556343-6434, Stockholm	100	50,000,000	SEK 500	731	812
TeliaSonera Försäkring AB, 516401-8490, Stockholm	100	1,000,000	SEK 100	200	100
Sergel Kredittjänster AB, 556264-8310, Stockholm	100	5,000	SEK 1	8	8
Telia Holding Personal AB, 556595-2958, Stockholm	100	1,000	SEK 0	4	1
IKT I Holding AB, 556635-7298, Stockholm	100	3,759,720	SEK 376	317	–
IKT II Holding AB, 556635-7306, Stockholm	100	1,822,791	SEK 182	138	–
Telia International Holdings AB, 556572-1486, Stockholm	100	1,000	SEK 0	508	508
Telia Business Innovation AB, 556559-2473, Stockholm	100	100,000	SEK 10	12	12
Telia exBN AB, 556455-2304, Stockholm	100	250,000	SEK 25	54	54
Telia InfoMedia Interactive AB, 556138-5781, Stockholm	100	250,000	SEK 25	8	8
Other operating, dormant and divested companies				0	380
Companies outside Sweden					
TeliaSonera Finland Oyj, 1475607-9, Helsinki	100	1,115,301,730	EUR –	59,116	59,116
TeliaSonera International Carrier Finland Oy, 1649304-9, Helsinki	100	100	EUR 0	37	37
Telia Service Oy, 0676258-3, Espoo	100	10	EUR 0	0	0
Telia NetCom Holding AS, 954393232, Oslo	100	100	NOK 0	4,596	4,596
TeliaSonera Chess Holding AS, 980107760, Bergen	100	160,959,656	NOK 16	2,253	–
TeliaSonera International Carrier Norway AS, 981946685, Oslo	100	32,666	NOK 0	80	80
Telia Norge AS, 975961176, Oslo	100	2,000	NOK 2	189	189
TeliaSonera Danmark A/S, 18530740, Copenhagen	100	14,500	DKK 14	6,835	6,835
Amber Teleholding A/S, 20758694, Copenhagen	100	1,000	DKK 1	3,048	3,048
TeliaSonera International Carrier Denmark A/S, 24210413, Copenhagen	100	1,000	DKK 1	172	172
Latvijas Mobilais Telefons SIA, 40003050934, Riga	24.5	140,679	LVL 0	2	2
TeliaSonera International Carrier Latvia SIA, 40003251354, Riga	100	205,190	LVL 1	13	13
SIA Telia Latvija, 40003057574, Riga	100	192,280	LVL 10	20	20
TeliaSonera International Carrier Germany GmbH, HRB50081, Frankfurt am Main	100	–	EUR 3	1,329	1,329
Sonera Deutschland GmbH, HRB36244, Düsseldorf	100	–	EUR 1	15	15
TeliaSonera International Carrier France S.A., B421204793, Paris	100	2,699,994	EUR 40	681	681
TeliaSonera International Carrier Switzerland AG, 2171000547-8, Zurich	100	1,000	CHF 1	54	54
TeliaSonera International Carrier Austria GmbH, FN191783i, Vienna	100	–	EUR 0	0	0
TeliaSonera International Carrier Netherlands B.V., 34128048, Amsterdam	100	910	EUR 0	60	60
Telefos II B.V., 34188614, Amsterdam	100	180	EUR 0	26	–
TeliaSonera International Carrier Belgium S.A., 469422293, Brussels	100	50,620	EUR 5	20	20
TeliaSonera International Carrier Italy S.p.A, 07893960018, Turin	100	530,211	EUR 1	20	20
ZAO TeliaSonera International Carrier Russia, 102780919732, Moscow	100	220,807,825	RUR 221	200	200
ZAO Telia International Carrier Russia, 102770055716, Moscow	100	100	RUR 0	0	0
TeliaSonera International Carrier Poland Sp. z o.o., KRS00000186, Warsaw	100	52,500	PLN 26	63	30
TeliaSonera International Carrier Czech Republic a.s., 26207842, Prague	100	20,000	CZK 200	182	182
TeliaSonera International Carrier Hungaria Távközlési Kft., 01-09-688192, Budapest	100	1	HUF 50	16	16
TeliaSonera International Carrier Ireland Ltd., 347074, Dublin	100	27	EUR 0	2	2
TeliaSonera International Carrier, Inc., 541837195, Herndon, VA	100	100	USD 0	678	678
TeliaSonera International Carrier Hong Kong Ltd., 700272, Hong Kong	100	3,010,000	HKD 3	0	0
Telia Swedtel (Philippines), Inc., AS095-003695, Manila	100	124,995	PHP 12	2	2
Other operating, dormant and divested companies				0	75
Total				**96,255**	**92,987**

In all companies, equity participation corresponds to voting rights participation.

Telia Norge Holding AB and Telia NetCom Holding AS jointly own all shares in NetCom AS. Baltic Tele AB holds a majority stake in AS Eesti Telekom (50.3 percent at December 31, 2005; 53.7 percent at the end of March 2006). Amber Teleholding A/S owns 60 percent of the shares in AB Lietuvos Telekomas. Amber Mobile Teleholding AB owns all shares in UAB Omnitel. Another 24.5 percent of the shares in Latvijas Mobilais Telefons SIA are owned by a subsidiary. TeliaSonera has a board majority on Latvijas Mobilais Telefons.

Other operating and dormant companies do not control Group assets of significant value. Holdings of other Swedish and non-Swedish subsidiaries for the comparative year referred to companies sold, SEK 13 million (Telia Reinsurance S.A.) and to companies liquidated, SEK 442 million (Telia Promotor AB, Telia Networks Management AB, Telia Online AB, Telia Partner AB, Telia Försäljning AB, Telia Handel AB, Telia Internet Services Management AB, Halebop AB, Netpool Sverige AB, Telia Scanswitch AB, Thoreb ITMobile AB and NorSea Com AS) in 2005.

In addition to the companies mentioned above, TeliaSonera AB indirectly controls a number of operating and dormant subsidiaries of subsidiaries.

Proposed Appropriation of Earnings

At the disposal of the Annual General Meeting:

	SEK
Retained earnings	61,579,002,885
Net income	1,852,827,189
Total	**63,431,830,074**

The Board proposes that this sum be appropriated as follows:

	SEK
SEK 1.25 per share ordinary dividend to the shareholders	5,613,071,516
SEK 2.25 per share extra dividend to the shareholders	10,103,528,729
To be carried forward to 2006	47,715,229,829
Total	**63,431,830,074**

Stockholm, April 6, 2006

Tom von Weymarn
Chairman

Carl Bennet
Vice Chairman

Elof Isaksson

Yvonne Karlsson

Eva Liljeblom

Lennart Låftman

Sven-Christer Nilsson

Timo Peltola

Paul Smits

Caroline Sundewall

Berith Westman

Anders Igel
President and CEO

Our auditors' report was rendered April 6, 2006

PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Auditor in charge

Håkan Malmström
Authorized Public Accountant

Auditors’ Report

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President and CEO of TeliaSonera AB (publ) for the year 2005. The Board of Directors and the President and CEO are responsible for these accounts and the administration of the company as well as the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts 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 accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and CEO and significant estimates made by the Board of Directors and the President and CEO when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President and CEO. We also examined whether any Board member or the President and CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company’s financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group’s financial position and results of operations. The statutory Report of the Directors is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual Meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the Report of the Directors and that the members of the Board of Directors and the President and CEO be discharged from liability for the financial year.

Stockholm, April 6, 2006

PricewaterhouseCoopers AB

Göran Tidström
Authorized Public Accountant
Auditor in charge

Håkan Malmström
Authorized Public Accountant

Ten-Year Summary

TeliaSonera Group Financial Data (IFRS)	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Income statements (SEK in millions)										
Net sales	87,661	81,937	82,425	59,483	57,196	54,064	52,121	49,569	45,665	42,430
Operating income	17,549	18,793	14,710	–10,895	5,460	12,006	5,946	7,220	3,218	3,264
Income after financial items	17,019	17,448	13,899	–11,616	4,808	11,717	5,980	7,143	3,128	3,353
Net income	13,694	14,264	10,049	–7,997	1,891	10,270	4,226	5,051	2,182	2,323
of which attributable to parent company shareholders	11,697	12,964	9,080	–8,067	1,869	10,278	4,222	5,011	2,222	2,337
EBITDA excluding non-recurring items	29,411	30,196	30,700	15,692	12,915	13,087	14,059	13,309	12,324	13,185
EBITDA	27,508	30,841	32,035	9,421	13,299	21,425	12,875	15,070	10,679	10,961
Amortization, depreciation and impairment losses	13,188	15,596	17,707	20,844	13,975	8,222	7,652	7,146	7,298	7,154
Balance sheets (SEK in millions)										
Goodwill and other intangible assets	74,367	69,534	61,820	68,106	26,816	25,198	2,146	1,844	1,566	1,809
Property, plant and equipment	48,201	47,212	49,161	56,172	47,314	43,807	33,318	34,801	39,239	38,366
Financial assets	40,526	35,353	42,061	48,534	20,784	22,335	18,023	12,553	8,666	7,224
Non-current assets held-for-sale and current assets	40,681	39,873	37,018	33,844	33,277	31,375	23,117	18,080	16,439	15,116
Total assets	*203,775*	*191,972*	*190,060*	*206,656*	*128,191*	*122,715*	*76,604*	*67,278*	*65,910*	*62,515*
Total equity	135,694	128,067	115,834	113,949	60,089	56,308	33,103	29,554	25,793	24,631
of which shareholders' equity	127,049	121,133	112,393	108,829	59,885	55,988	32,893	29,344	25,487	24,413
Provisions	15,564	13,402	15,297	18,406	13,107	11,351	10,488	7,735	12,262	14,146
Interest-bearing liabilities	26,735	24,675	30,554	44,732	29,124	34,042	16,057	13,553	14,813	9,837
Non-interest-bearing liabilities	25,782	25,828	28,375	29,569	25,871	21,014	16,956	16,436	13,042	13,901
Total equity and liabilities	*203,775*	*191,972*	*190,060*	*206,656*	*128,191*	*122,715*	*76,604*	*67,278*	*65,910*	*62,515*
Capital employed	146,712	147,132	142,235	157,035	90,971	92,374	50,936	43,440	46,329	43,420
Operating capital	125,299	126,198	120,006	137,113	70,150	75,042	39,160	34,921	39,192	37,013
Net debt	8,373	7,062	18,207	38,075	20,004	32,512	14,280	12,870	13,254	8,710
Net interest-bearing liability	5,320	3,741	8,847	25,034	10,661	20,235	7,527	6,767	14,609	13,534
Cash flows (SEK in millions)										
Cash flow from operating activities	26,990	24,403	26,443	12,449	10,416	10,152	10,715	10,301	8,920	9,783
Cash flow from investing activities	–12,236	–7,991	–3,443	–5,553	3,632	–37,121	–10,701	–8,967	–12,426	–14,744
Cash flow before financing activities	*14,754*	*16,412*	*23,000*	*6,896*	*14,048*	*–26,969*	*14*	*1,334*	*–3,506*	*–4,961*
Cash flow from financing activities	–15,653	–11,102	–16,412	–10,344	–6,608	26,818	1,005	–2,301	3,896	4,784
Cash flow for the year	*–899*	*5,310*	*6,588*	*–3,448*	*7,440*	*–151*	*1,019*	*–967*	*390*	*–177*
Free cash flow	15,594	14,118	17,351	3,877	–6,506	–5,845	2,828	2,638	–707	1,480
Investments (SEK in millions)										
CAPEX	11,583	10,331	9,267	14,345	17,713	16,580	7,701	7,663	9,637	8,304
Acquisitions and other investments	2,732	9,099	2,851	40,093	3,022	31,162	4,444	4,075	1,227	2,704
Total investments	*14,315*	*19,430*	*12,118*	*54,438*	*20,735*	*47,742*	*12,145*	*11,738*	*10,864*	*11,008*
Business ratios										
EBITDA margin (%)	33.6	36.9	37.2	26.4	22.6	24.2	27.0	26.8	27.0	31.1
Operating margin (%)	20.0	22.9	17.8	–18.3	9.5	22.2	11.4	14.6	7.0	7.7
Return on sales (%)	15.6	17.4	12.2	–13.4	3.3	19.0	8.1	10.2	4.8	5.5
Amortization, depreciation and impairment losses as a percentage of net sales	15.0	19.0	21.5	35.0	24.4	15.2	14.7	14.4	16.0	16.9
CAPEX as a percentage of net sales	13.2	12.6	11.2	24.1	31.0	30.7	14.8	15.5	21.1	19.6
Total asset turnover (multiple)	0.44	0.43	0.42	0.36	0.46	0.54	0.72	0.74	0.71	0.70
Turnover of capital employed (multiple)	0.60	0.57	0.55	0.48	0.62	0.75	1.10	1.10	1.02	1.01
Return on assets (%)	9.4	10.5	8.7	–5.7	5.7	13.6	9.4	11.9	6.0	6.6
Return on capital employed (%)	12.6	13.9	11.6	–7.7	7.8	18.9	14.4	17.6	8.6	9.6
Return on equity (%)	10.3	11.6	8.5	–9.7	3.3	23.9	14.2	19.2	9.3	10.3
Equity/assets ratio (%)	58.9	63.8	58.5	54.2	46.4	44.7	41.3	41.8	37.3	37.6
Net debt/equity ratio (%)	7.0	5.8	16.4	34.0	33.6	59.3	45.1	45.7	53.9	37.1
Interest coverage ratio (multiple)	11.7	7.6	5.1	–4.7	3.0	7.3	8.5	10.4	5.3	6.1
Self-financing rate (multiple)	1.89	1.26	2.18	0.23	0.50	0.21	0.88	0.88	0.82	0.89
Share data										
Number of outstanding shares (millions)										
– at the end of the period	4,490.5	4,675.2	4,675.2	4,605.8	3.001.2	3.001.2	8.8	8.8	8.8	8.8
– average, basic[1)]	4,574.0	4,675.2	4,667.6	3,124.3	3,001.2	2,932.8	2,851.2	2,851.2	2,851.2	2,851.2
– average, diluted[1)]	4,574,0	4,675.2	4,668.4	3,125.3	3,001.2	2,932.8	2,851.2	2,851.2	2,851.2	2,851.2
Basic and diluted earnings/loss per share (SEK)	2.56	2.77	1.95	–2.58	0.62	3.50	1.48	1.76	0.78	0.82
Cash dividend per share (SEK)[2)]	3.50	1.20	1.00	0.40	0.20	0.50	0.52	0.49	0.42	0.40
Cash dividend per share (USD)[2, 3)]	0.45	0.17	0.13	0.05	0.02	0.05	0.06	0.06	0.05	0.05
Total cash dividend (SEK in millions)[2)]	15,717	5,610	4,675	1,870	600	1,501	1,470	1,400	1,210	1,152
Payout ratio (%)	136.7	43.3	51.4	n/a	32.1	14.3	34.8	27.9	54.5	49.3
Shareholders' equity per share (SEK)	28.29	25.91	24.04	23.63	19.95	18.66	11.54	10.29	8.94	8.56
Comparative figures under U.S. GAAP										
Net sales (SEK in millions)	87,522	81,395	82,099	59,336	56,957	53,849	51,931	49,389	45,542	42,363
Net income (SEK in millions)	4,419	12,293	10,628	–8,755	4,443	9,991	4,218	3,600	2,133	2,288
Shareholders' equity (SEK in millions)	112,153	117,272	111,780	110,269	58,589	51,870	29,168	25,575	23,167	22,253
Balance sheet total (SEK in millions)	198,868	197,152	200,787	217,464	132,495	123,689	77,974	68,598	66,716	63,356
Basic and diluted earnings/loss per share (SEK)	0.97	2.63	2.28	–2.80	1.48	3.41	1.48	1.26	0.75	0.80

1) Adjusted for 324-to-1 share split in 2000.

2) For 2005 as proposed by the Board of Directors and including an extra dividend of SEK 2.25 (USD 0.29) per share totaling SEK 10,104 million.

3) Dividend amounts have been translated into USD at the Noon Buying Rate for the relevant dividend payment date except for the 2005 dividend, which amount has been translated into USD at the Noon Buying Rate on March 31, 2006.

TeliaSonera Group Operational Data	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Sweden										
Mobile telephony, total subscriptions (thousands)	4,387	4,243	3,838	3,604	3,439	3,257	2,638	2,206	1,935	1,745
Mobile telephony, total GSM/UMTS (thousands)	4,267	4,117	3,706	3,467	3,295	3,076	2,348	1,703	1,180	824
Mobile telephony, total NMT (thousands)	120	126	132	137	144	181	290	503	755	921
Mobile telephony, outgoing traffic (millions of minutes)	4,456	3,814	3,313	3,201	3,016	2,591	2,089	1,745	1,554	1,221
Mobile telephony, incoming traffic (millions of minutes)	2,750	2,573	2,400	2,272	2,067	1,766	1,416	1,091	885	677
Mobile telephony, traffic per customer and month (minutes)	139	131	128	131	127	123	121	114	111	99
Mobile telephony, SMS messages (millions)	923	905	794	488	389	185	46	13	4	–
Mobile telephony, GSM churn (%)	11	10	11	12	8	8	9	14	12	n/a
Mobile telephony, ARPU (SEK)	213	227	252	262	285	308	332	362	345	366
Broadband ADSL/LAN, subscriptions (thousands)	711	526	394	317	194	27	2	–	–	–
Broadband dedicated access, subscriptions (thousands)	6	7	5	4	3	2	1	1	1	1
Internet dial-up access, subscriptions (thousands)	722	817	823	763	747	687	598	439	230	105
Fixed telephony, PSTN subscriptions (thousands)	4,369	5,390	5,493	5,579	5,663	5,783	5,889	5,965	6,010	6,032
Fixed telephony, ISDN channels (thousands)	667	725	790	836	922	838	630	424	244	129
Finland										
Mobile telephony, total subscriptions (thousands)	2,507	2,297	2,428	2,790	239	149	33	8	–	–
of which Sonera	2,507	2,297	2,428	2,490	–	–	–	–	–	–
Mobile telephony, outgoing traffic (millions of minutes)	5,642	4,820	4,743	–	–	–	–	–	–	–
Mobile telephony, incoming traffic (millions of minutes)	2,405	2,147	2,090	–	–	–	–	–	–	–
Mobile telephony, traffic per customer and month (minutes)	277	253	232	–	–	–	–	–	–	–
Mobile telephony, SMS messages (millions)	1,216	993	832	–	–	–	–	–	–	–
Mobile telephony, GSM churn (%)	26	29	17	–	–	–	–	–	–	–
Mobile telephony, ARPU (EUR)	30	38	38	–	–	–	–	–	–	–
Broadband, subscriptions (thousands)	350	243	150	82	–	–	–	–	–	–
Internet dial-up access, subscriptions households (thousands)	76	113	149	181	–	–	–	–	–	–
Fixed telephony, PSTN subscriptions (thousands)	456	525	570	503	–	–	–	–	–	–
Fixed telephony, ISDN channels (thousands)	191	215	234	219	–	–	–	–	–	–
Norway										
Mobile telephony, total subscriptions (thousands)	1,651	1,308	1,195	1,089	970	850	–	–	–	–
Norway, NetCom										
Mobile telephony, traffic per customer and month (minutes)	194	175	164	156	133	130	–	–	–	–
Mobile telephony, SMS messages (millions)	1,444	1,171	1,043	756	501	302	–	–	–	–
Mobile telephony, ARPU (NOK)	338	339	342	330	310	308	–	–	–	–
Denmark										
Mobile telephony, total subscriptions (thousands)	1,154	1,115	472	421	288	263	170	112	–	–
Mobile telephony, SMS messages (millions)	3,579	2,542	1,041	175	61	39	23	–	–	–
Internet dial-up access, subscriptions (thousands)	24	43	28	34	n/a	n/a	n/a	n/a	n/a	–
Cable TV, subscriptions (thousands)	204	201	195	188	179	175	170	164	145	137
Broadband, subscriptions (thousands)	151	126	104	81	58	30	11	3	–	–
Fixed telephony, prefix and contract customers (thousands)	195	212	172	223	n/a	n/a	n/a	n/a	n/a	n/a
Baltic countries										
Mobile telephony, subscriptions, Estonia (thousands)	677	595	–	–	–	–	–	–	–	–
Fixed telephony, subscriptions, Estonia (thousands)	388	426	–	–	–	–	–	–	–	–
Mobile telephony, subscriptions, Latvia (thousands)	735	649	534	447	–	–	–	–	–	–
Mobile telephony, subscriptions, Lithuania (thousands)	1,889	1,338	1,052	851	–	–	–	–	–	–
Fixed telephony, subscriptions, Lithuania (thousands)	798	819	828	936	–	–	–	–	–	–
Eurasia										
Mobile telephony, subscriptions (thousands)	6,146	3,866	2,385	1,614	–	–	–	–	–	–
Human Resources										
Number of employees as of December 31	28,175	29,082	26,694	29,173	17,149	29,868	30,643	30,593	32,549	34,192
Average number of employees during the year	27,403	25,381	26,188	17,277	24,979	30,307	29,546	31,320	33,930	34,031
of which, in Sweden	11,061	10,948	11,321	12,593	20,922	25,383	25,414	27,540	30,474	31,290
of which, in Finland	6,369	6,750	6,408	1,142	775	999	662	521	421	178
of which, in other countries	9,973	7,683	8,459	3,542	3,282	3,925	3,470	3,259	3,035	2,563
of which, women	12,634	11,427	10,936	7,546	9,196	11,521	11,268	11,486	13,703	12,416
of which, men	14,769	13,954	15,252	9,731	15,783	18,786	18,278	19,834	20,227	21,615
Salaries and remuneration (SEK in millions)	9,023	8,674	8,460	6,732	8,852	9,543	9,184	9,098	9,472	8,876
Employer's social security contributions (SEK in millions)	1,970	1,902	1,950	1,804	2,614	3,055	2,895	2,762	2,807	2,719
Salaries and employer's social security contributions as a percentage of operating costs	15.5	16.4	14.9	14.9	19.4	25.5	26.2	25.8	28.5	29.9
Net sales per employee (SEK in thousands)	3,199	3,228	3,147	3,443	2,290	1,784	1,764	1,583	1,346	1,247
Operating income per employee (SEK in thousands)	640	740	562	–631	219	396	201	230	95	96
Change in labor productivity (%)	8.3	10.8	–4.9	53.5	31.9	8.3	17.9	20.2	8.4	5.4
Net income per employee (SEK in thousands)	500	511	347	–467	75	339	143	160	65	69

Definitions

Concepts

EBITDA
An abbreviation of "Earnings Before Interest, Tax, Depreciation and Amortization." Equals operating income before amortization, depreciation and impairment losses, and before income from associated companies.

Non-recurring items
Non-recurring items include capital gains and losses, costs for phasing out operations, personnel redundancy costs, and non-capitalized expenses in conjunction with the merger with Sonera in 2002. Effective January 1, 2003, only capital gains/losses, write-downs, restructuring programs or similar that represent more than SEK 100 million on an individual basis, will be reported as non-recurring. Comparable periods have not been re-stated.

Adjusted shareholders' equity
Reported equity (excluding minority interests) less the (proposed) dividend.

Capital employed
Total assets less non-interest-bearing liabilities and non-interest-bearing provisions recorded, and the (proposed) dividend.

Operating capital
Non-interest-bearing assets less non-interest-bearing liabilities, including the (proposed) dividend, and non-interest-bearing provisions.

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.

Net debt
Interest-bearing liabilities less short-term investments and cash and bank.

Free cash flow
Cash flow from operating activities less cash CAPEX.

CAPEX
An abbreviation of "Capital Expenditure." Investments in intangible and tangible non-current assets but excluding goodwill, fair-value adjustments and asset retirement obligations.

Acquisitions and other investments
Investments in goodwill and fair-value adjustments, shares and participations, and asset retirement obligations.

EBITDA margin
EBITDA excluding non-recurring items expressed as a percentage of net sales.

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

Return on sales
Net income (including minority interests) 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.

Return on equity
Net income (excluding minority interests) expressed as a percentage of average adjusted shareholders' equity.

Equity/assets ratio
Adjusted shareholders' equity and minority interests expressed as a percentage of total assets.

Net debt/equity ratio
Net debt expressed as a percentage of adjusted shareholders' equity and minority interests.

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

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

Share data
Earnings per share are based on the weighted average number of shares before and after dilution with potential ordinary shares, while shareholders' equity per share is based on the number of shares at the end of the period.

Pay-out ratio
Dividend per share divided by basic earnings per share.

ARPU
Average monthly revenue per user.

Churn
The number of post-paid customers that have left the company expressed as a percentage of the average number of post-paid 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

In conformance with Swedish and international standards, this report applies the following currency notations:

SEK	Swedish krona	JPY	Japanese yen
AZM	Azerbaijan manat	KZT	Kazakhstan tenge
CHF	Swiss franc	LKR	Sri Lankan rupee
CZK	Czech koruna	LTL	Lithuanian lita
DEM	German mark	LVL	Latvian lat
DKK	Danish krone	NOK	Norwegian krone
EEK	Estonian kroon	PHP	Philippine peso
EUR	European euro	PLN	Polish zloty
GEL	Georgian lari	RUR	Russian ruble
GBP	Pound sterling	SGD	Singapore dollar
HKD	Hong Kong dollar	TRY	Turkish lira
HUF	Hungarian forint	UGX	Ugandan shilling
ILS	Israeli shekel	USD	U.S. dollar
INR	Indian rupee		

Forward-Looking Statements

This annual report contains forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements and can be identified by the context, including the use of forward-looking terminology such as the words "believe," "expect," "seek," "plan," "intend," "anticipate," "estimate," or "predict." These statements are based on current plans, estimates and projections. Forward looking statements involve inherent risks and uncertainties. A number of factors, including factors beyond the control or knowledge of TeliaSonera, could cause actual results or outcomes to differ materially from those expressed in any forward looking statement. These factors include, but are not limited to, the following:

- the level of demand for telecommunications services generally and for particular services such as mobile services;
- regulatory developments and changes, including with respect to the levels of tariffs, the terms of inter-connection, customer access and national roaming;
- the outcome of legal and regulatory proceedings in which we are involved, may become involved or are affected by;
- the effects of competition from current and future competitors, products and services;
- technological innovations, including the cost of developing new products and the need to increase expenditures to improve the quality of service;
- the performance of Universal Mobile Telecommunications System (UMTS) networks and other new, enhanced or upgraded networks, systems, products and services;
- the success of our international investments;
- changes in the telecommunications industry generally, including as a result of mergers and consolidations;
- fluctuations in interest rates, exchange rates, currency devaluations and other macroeconomic factors, including governmental actions such as devaluations; and
- other factors, including those described under "Risk Factors."

We undertake no obligation to update or alter our forward looking statements, whether as a result of new information, future events or otherwise.

Annual General Meeting 2006

TeliaSonera's Annual General Meeting will be held on Thursday, April 27, 2006 at 5:00 p.m. at München-Bryggeriet, Stockholm, Sweden. The complete notification was published on TeliaSonera's website, www. teliasonera.com at the end of March. The AGM will be interpreted from Swedish into English and Finnish.

Right to participate in the Annual General Meeting

Shareholders wishing to participate in the Annual General Meeting must be listed as shareholders in the print-out of the register of shareholders issued by VPC AB on Friday, April 21, 2006, and must have notified TeliaSonera AB of their intent to participate in the Annual General Meeting no later than 4:00 p.m. Swedish time on Friday, April 21, 2006.

Registration procedure

TeliaSonera's register of shareholders is maintained by VPC AB. Stock may be registered either in the shareholder's name or in the name of a nominee. To attend the meeting, shareholders whose stock has been registered in the names of nominees must arrange for their shares to be re-registered in their own names at VPC no later than Friday, April 21, 2006. This procedure also applies to shareholders using a bank's share deposit and/or trading over the Internet. Contact your trustee in advance for more information.

Finnish shareholders within the Finnish book-entry system (APK) are nominee registered at VPC and must contact APK by e-mail, thy@ncsdgroup.com or by phone, +358 (0)20 770 6609, for re-registration well in advance of April 21, 2006, to be able to participate in the AGM. Please note that APK will not automatically re-register all shareholders. Please also note that these Finnish shareholders must still notify the company of their intention to participate via one of the methods described below.

Notice of intention to attend

Notice can be given from March 28, 2006:

- by phone: +46 (0)8 611 60 15
- by fax: +46 (0)8 611 60 17
- by mail: TeliaSonera AB, Box 10, SE-182 11 Danderyd, Sweden
- on TeliaSonera's website: www.teliasonera.com under Investor Relations

In providing such notice, shareholders should state:

- name/company
- personal identification/corporate registration number
- daytime telephone number (including area/country code)
- number of accompanying persons

Decisions to be made by the AGM

The Annual General Meeting determines, among other matters, the appropriation of the Company's profits and whether to discharge the Board of Directors and President from liability. The Annual General Meeting also appoints the Board of Directors and makes decisions regarding remuneration to the Board.

The Board of Directors and the CEO proposes to the AGM 2006 that a dividend of SEK 3.50 per share, composed of an ordinary dividend of SEK 1.25 per share and an extraordinary dividend of SEK 2.25 per share, be distributed to the shareholders.

The recommended record date at VPC for the right to receive dividend will be May 3, 2006. If the AGM votes to approve the Board's proposals, dividends are expected to be distributed by VPC on May 8, 2006.

Shareholders' information meeting in Finland

A Finnish shareholders' information meeting will be held on April 26, 2006, at 5 p.m. Finnish time at the Helsinki Fair Centre. The Finnish shareholders will have the possibility to meet representatives from the management and the Board in person. The meeting will be interpreted into and from Finnish and English. TeliaSonera must receive notice of attendance no later than April 12, 2006.

Notice of intention to attend the Finnish shareholders' information meeting

Notice can be given from March 28, 2006:

- by phone: +358 (0)2040 54444
- by e-mail: communications-fi@sonera.com

Information and a link to notification by e-mail will be available on TeliaSonera's website: www.teliasonera.com under Investor Relations.

In providing such notice, shareholders should state:

- name/company
- personal identification/corporate registration number
- daytime telephone number (including area/country code)
- number of accompanying persons

How to Reach TeliaSonera

TeliaSonera AB
Mailing address: TeliaSonera AB,
SE-106 63 Stockholm, Sweden
Visiting address: Sturegatan 1, Stockholm
Telephone: +46 (0)8 504 550 00
Fax: +46 (0)8 504 550 01
E-mail: teliasonera@teliasonera.com

President and Chief Executive Officer
Anders Igel
Mailing address: TeliaSonera AB,
SE-106 63 Stockholm, Sweden
Telephone: +46 (0)8 504 550 00
Fax: +46 (0)8 504 550 14

Corporate Communications
Michael Kongstad
Mailing address: TeliaSonera AB,
SE-106 63 Stockholm, Sweden
Telephone: +46 (0)8 504 550 00
Fax: +46 (0)8 611 46 42

Investor Relations
Martti Yrjö-Koskinen
Mailing address: TeliaSonera AB,
SE-106 63 Stockholm, Sweden
Telephone: +46 (0)8 504 550 00
Fax: +46 (0)8 611 46 42
E-mail: investor-relations@teliasonera.com

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