

# Annual Review 2005





- 1 The Year in Brief
- 2 Comments from the CEO
- 4 This is TeliaSonera
- 6 Strategy for Profitable Growth
- 7 The Market for Telecom Services
- 9 Growth Initiatives
- 13 Cost Efficiency
- 15 Personnel and Competence
- 16 TeliaSonera in Society
- 17 Financial Overview
- 23 Corporate Governance
- 26 The TeliaSonera Share
- 28 Board of Directors
- 30 Executive Management and Group Vice Presidents
- 32 Annual General Meeting 2006

# 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 the inside of the back cover for definitions.

**Annual Review 2005**

The Annual Review is a summary of the year. The Annual Review is not a legal Annual Report and is not audited.

**Annual Report 2005**

TeliaSonera's Annual Report 2005, which is audited and signed by the Group's auditor, is available at [www.teliaSonera.com/investorrelations](http://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.

# 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% of the Group's operating income, twice as much as at the Telia-Sonera 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. SurfPort 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 ser-

vices 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.

## Markets and Operations

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

\* Consumer broadband.

\*\* Turkcell's GSM subsidiary in Ukraine, in which Turkcell holds 54 percent indirect stake.

\*\*\* Traffic only.

\*\*\*\* 53.7 percent as of March 2, 2006.

# 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 devel-



oped 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, TeliaStofa 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 implement 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 ful-

filled 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



# 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.

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 is 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 Lietuvas Telekomas has in a short time undergone a strong development. On a market with strong competition from the mobile sector, Lietuvas 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.





## 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, subcontractors 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](http://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 adhere 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.



## The Group

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

Strong volume growth in mobile communications and broadband increased sales in the majority of operations despite widespread price pressure on the markets. The exceptions are Finland and Sweden, where sales decreased during the year. The strong volume increase in mobile communications could not outweigh the sharp fall in price levels in Finland. In Sweden sales were affected negatively by continued decreased sales volumes within fixed voice.

The acquisition of Orange in Denmark, the consolidation of Eesti Telekom in Estonia at the end of 2004 and the acquisition of Chess in Norway at the end of 2005 had a positive effect on net sales.

In the international mobile operations, sales surged in all markets.

**THE CUSTOMER BASE** increased 28 percent. At year-end 2005, TeliaSonera had 29 million customers in majority-owned operations and 51 million customers in associated companies.

**OPERATING INCOME** excl. non-recurring items amounted to SEK 20,107 million (20,859). Earnings improved in most operations. In Finland, earnings weakened considerably due to substantially lower price levels, and in Sweden earnings decreased as a result of lower sales within fixed voice. The international mobile operations experienced strong earnings improvement in all markets.

**NON-RECURRING ITEMS** totaled SEK -2,558 million (-2,675), mainly as a result of restructuring costs in Sweden.

**THE EBITDA MARGIN** (excl. non-recurring items) decreased to 33.6 percent (36.9) primarily due to decreased 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 million (3,184). The effective tax rate increased to 19.5 percent (18.2).

**NET INCOME** attributable to the parent company’s shareholders decreased to SEK 11,697 million (12,964) and earnings per share were SEK 2.56 (2.77).

**CAPEX** increased to SEK 11,583 million (10,331) mainly due to investments in the mobile networks in Eurasia, Denmark and the Baltics, and 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 impact than decreased EBITDA and higher CAPEX. The release of a provision for restructuring affected cash flow negatively by SEK 747 million (674).

Divestitures and acquisitions led to a net cash outflow of SEK 116 million, the repurchase of shares a cash outflow of SEK 10,218 million and ordinary dividends a cash outflow of SEK 5,610 million, while dividends paid to minority shareholders of subsidiaries, changes in financial receivables, etc., caused 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 to 58.9 percent during 2005.





### Consolidated Income Statements

SEK in millions	2005	2004
Net sales	87,661	81,937
Operating expenses	-60,153	-51,096
<b>EBITDA</b>	<b>27,508</b>	<b>30,841</b>
Depreciation, amortization and impairment losses	-13,188	-15,596
Income from associated companies	3,229	3,548
<b>Operating income</b>	<b>17,549</b>	<b>18,793</b>
Net financial revenues and expenses	-530	-1,345
<b>Income after financial items</b>	<b>17,019</b>	<b>17,448</b>
Income taxes	-3,325	-3,184
<b>Net income</b>	<b>13,694</b>	<b>14,264</b>
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
CAPEX	11,583	10,331
EBITDA excl. non-recurring items	29,411	30,196
Margin (%)	33.6	36.9
Operating income excl. non-recurring items	20,107	20,859

### Consolidated Balance Sheets

SEK in millions	Dec 31, 2005	Dec 31, 2004
<b>Assets</b>		
Goodwill and other intangible assets	74,367	69,534
Property, plant and equipment	48,201	47,212
Investments in associates, deferred tax assets and other financial assets	40,526	35,353
<i>Total non-current assets</i>	<i>163,094</i>	<i>152,099</i>
Inventories	765	655
Trade receivables, current tax assets, assets held-for-sale and other receivables	20,675	20,732
Interest-bearing receivables	2,407	1,241
Cash and cash equivalents	16,834	17,245
<i>Total current assets</i>	<i>40,681</i>	<i>39,873</i>
<b>Total assets</b>	<b>203,775</b>	<b>191,972</b>
<b>Equity and liabilities</b>		
Shareholders' equity	127,049	121,133
Minority interests	8,645	6,934
<i>Total equity</i>	<i>135,694</i>	<i>128,067</i>
Long-term loans	20,520	12,942
Deferred tax liabilities, other long-term provisions	14,948	12,889
Other long-term liabilities	2,343	2,450
<i>Total non-current liabilities</i>	<i>37,811</i>	<i>28,281</i>
Short-term loans	6,215	11,733
Trade payables, current tax liabilities, short-term provisions and other current liabilities	24,055	23,891
<i>Total current liabilities</i>	<i>30,270</i>	<i>35,624</i>
<b>Total equity and liabilities</b>	<b>203,775</b>	<b>191,972</b>



# Profit Centers

## Profit Centers

SEK in millions	Net sales		EBITDA margin %		Operating income		Operating income excl. non-recurring items		Number of customers (thousands)	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
<b>Sweden</b>	<b>38,960</b>	<b>40,448</b>	<b>39.2</b>	<b>41.4</b>	<b>8,359</b>	<b>12,696</b>	<b>10,869</b>	<b>12,051</b>	<b>10,862</b>	<b>11,708</b>
Mobile communications	12,104	12,059	42.0	42.5					4,387	4,243
Fixed communications	26,856	28,389	37.9	40.9					6,475	7,465
<b>Finland</b>	<b>16,308</b>	<b>18,267</b>	<b>22.2</b>	<b>36.5</b>	<b>321</b>	<b>3,278</b>	<b>432</b>	<b>3,313</b>	<b>3,580</b>	<b>3,393</b>
Mobile communications	9,993	11,937	19.9	42.5					2,507	2,297
Fixed communications	6,315	6,330	25.9	25.2					1,073	1,096
<b>Norway</b>	<b>7,481</b>	<b>6,299</b>	<b>34.9</b>	<b>32.7</b>	<b>1,682</b>	<b>1,183</b>	<b>1,803</b>	<b>1,275</b>	<b>1,651</b>	<b>1,308</b>
Mobile communications	7,481	6,299	34.9	32.7	1,682	1,183	1,803	1,275	1,651	1,308
<b>Denmark</b>	<b>7,178</b>	<b>4,495</b>	<b>11.4</b>	<b>9.2</b>	<b>-174</b>	<b>-909</b>	<b>-277</b>	<b>-270</b>	<b>1,704</b>	<b>1,654</b>
Mobile communications	4,965	2,491	7.9	2.0					1,154	1,115
Fixed communications	2,213	2,004	19.2	18.2					550	539
<b>Baltic countries</b>	<b>9,293</b>	<b>5,868</b>	<b>45.8</b>	<b>47.6</b>	<b>2,303</b>	<b>1,799</b>	<b>2,303</b>	<b>1,903</b>	<b>5,426</b>	<b>4,682</b>
of which Mobile communications	6,380	4,183	43.9	47.2					3,301	2,582
of which Fixed communications	3,500	1,906	42.1	46.5					2,125	2,100
<b>International Mobile</b>	<b>6,367</b>	<b>4,084</b>	<b>55.3</b>	<b>56.9</b>	<b>5,692</b>	<b>3,429</b>	<b>5,692</b>	<b>3,429</b>	<b>56,887**</b>	<b>39,814</b>
of which Eurasia	6,367	4,084	56.2	56.8	2,813	1,803	2,813	1,803	6,146	3,866
of which Russia*					1,176	653	1,176	653	22,836	13,648
of which Turkey*					1,761	972	1,761	972	26,700	22,300
<b>Other operations</b>	<b>4,922</b>	<b>5,422</b>	<b>2.1</b>	<b>3.0</b>	<b>130</b>	<b>-1,764</b>	<b>23</b>	<b>78</b>		
Corporate and eliminations	-2,848	-2,946			-764	-919	-738	-920		
<b>The Group</b>	<b>87,661</b>	<b>81,937</b>	<b>33.6</b>	<b>36.9</b>	<b>17,549</b>	<b>18,793</b>	<b>20,107</b>	<b>20,859</b>	<b>80,110</b>	<b>62,559</b>

\* Associated companies \*\* Including 1,205,000 customers in Ukraine.

### Sweden

#### TELIA halebop

- The launch of attractive services and offers helped Telia maintain its leading position despite intensive competition and regulatory constraints.
- In mobile communications, the strong customer and traffic growth maintained the mobile margin despite substantially lower price levels.
- Growth within broadband continued to climb.
- Decreased sales for fixed voice and costs for storm damages in January 2005 (SEK 400 million) weakened earnings despite positive effects of approximately SEK 800 million from ongoing efficiency measures. The storm also resulted in approximately SEK 100 million in re-investments and impairment losses.
- 850,000 fixed voice subscriptions were transferred to wholesale subscriptions during the year.
- Non-recurring items totaled SEK - 2,509 million and refer to the costs of restructuring the operations.

### Finland

#### sonera tele Finland

- The mobile market in Finland was characterized by aggressive competition, which resulted in significantly reduced price levels. TeliaSonera successfully maintained its position but at the cost of substantially weaker earnings. A program to restore profitability was launched.
- Net sales decreased as a result of heavy price erosion and decreased wholesales within mobile communications. Sales for fixed communications remained largely unchanged due to strong growth, primarily within broadband.
- Decreased sales and increased costs due to compensation for historical interconnect fees of SEK 388 million, the takeover of mobile customers from the service provider ACN and substantially higher costs for sales and marketing weakened earnings. Cost savings affected earnings positively by SEK 250 million and compensation from Saunalahti for early termination of the MVNO agreement affected positively by SEK 101 million.
- Costs for the ongoing restructuring totaled SEK 111 million and were reported as a non-recurring item.

### Norway

#### NetCom Chess

- The acquisition of the mobile service provider Chess included 390,000 customers and strengthened TeliaSonera's position on the mobile market in Norway. The realization of synergies is progressing according to plan and Chess traffic is being gradually transferred to NetCom's network, which has a positive effect on earnings.

- The Norwegian operations showed very good improvement during 2005. Both sales and earnings improved as result of the acquisition and strong traffic growth.
- NetCom's business segment initiative was successful and the number of postpaid customers increased 9 percent. The registration requirement for prepaid customers caused NetCom's total customer base to decrease slightly during the year.
- In connection with the ongoing efficiency measures, a provision of SEK 42 million was made for redundancy, not reported as a non-recurring item.

### Denmark

#### TELIA Telia Stofa A/S

- The acquisition of Orange in Denmark (consolidated as of October 11, 2004) and good, organic growth in all operations led to a strong increase in sales and an improved margin.
- Increased depreciation as a result of the acquisition and increased investments meant that the improvement in the margin was not yet visible in terms of improved operating income excluding non-recurring items.
- The integration of Orange was successfully implemented and Telia now manages one network and one service portfolio. The acquisition has strengthened Telia's position on the Danish mobile market.
- In connection with the ongoing efficiency measures, a provision of SEK 54 million was made, reported as a non-recurring item.

### The Baltics



- Positive development in all operations and expanded ownership 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 Baltics.
- Within mobile communications, sales climbed due to strong customer growth and the consolidation of EMT. The margin decreased as a result of increased sales and marketing costs.
- The development within fixed communications was good despite strong competition from the mobile sector. Lietuvos Telekomas successfully reversed a negative trend and sales, earnings and the margin improved during the year. For fixed communications overall, however, the margin decreased due to the consolidation of Elion, which has a lower margin than Lietuvos Telekomas. The number of broadband customers continued to grow.
- TeliaSonera's income from associated company Lattelekom was SEK 220 million (219).



**International Mobile**



**ΜΕΓΑΦΟΝ TURKCELL**

- The majority-owned operations in Eurasia and the associated companies MegaFon in Russia and Turkcell in Turkey showed continued strong development, which significantly improved operating income in International Mobile. In 2005, International Mobile represented almost 30 percent of the Group's operating income.
- In Eurasia, sales rose 49 percent in local currency due to strong customer growth in all markets. Operating income improved considerably.
- In Russia, MegaFon's sales and earnings improved as a result of strong customer growth and TeliaSonera's income from Russia were estimated at SEK 1,176 million (653), an increase of 80 percent year on year.

- In Turkey, Turkcell's sales and earnings increased as a result of continued customer growth and TeliaSonera's income from Turkey increased to SEK 1,761 million (972) despite negative effects from exchange rate fluctuations and inflation adjustments.

**Other operations**

- Net sales decreased due to divestitures within TeliaSonera Holding. Within TeliaSonera International Carrier, sales rose year on year.
- Operating income excluding non-recurring items decreased as the value of TeliaSonera Holding's shareholdings in Telefonos were adjusted downward by SEK 110 million.
- Sixteen holdings were divested, which led to a capital gain of SEK 293 million (of which SEK -20 million was reported as non-recurring items and SEK 131 million as financial items) and a cash inflow of SEK 1,632 million.

**Outlook 2006**

**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 in 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 was 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.

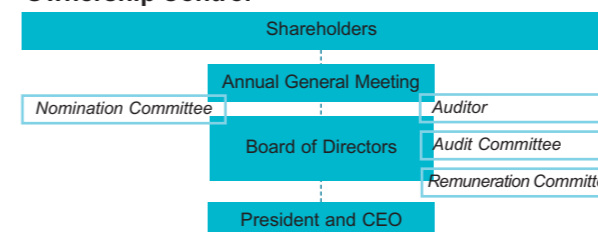
In the **Eurasian** operations, strong sales growth is expected to continue, but a tougher competitive environment is estimated to impact sales and margins.

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.

# Corporate Governance

**Ownership Control**



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 the 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 the 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 full corporate governance report is available in TeliaSonera's Annual Report 2005 at [www.teliaSonera.com](http://www.teliaSonera.com).

**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.

**Nomination Committee**

The Annual General Meeting (AGM) 2001 resolved to establish a Nomination Committee. After AGM 2005, the Nomination Committee consists of the company's four largest shareholders at the time of the notice of the general meeting and the Chairman of the Board. 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.

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.

Shareholders are welcome to send nomination proposals to the Nomination Committee. Proposals can be sent by e-mail to: [forslagtillstyrelseledamot@teliasonera.com](mailto:forslagtillstyrelseledamot@teliasonera.com)

**External auditor**

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

During 2005, PricewaterhouseCoopers provided non-audit services for a fee of SEK 14 million.

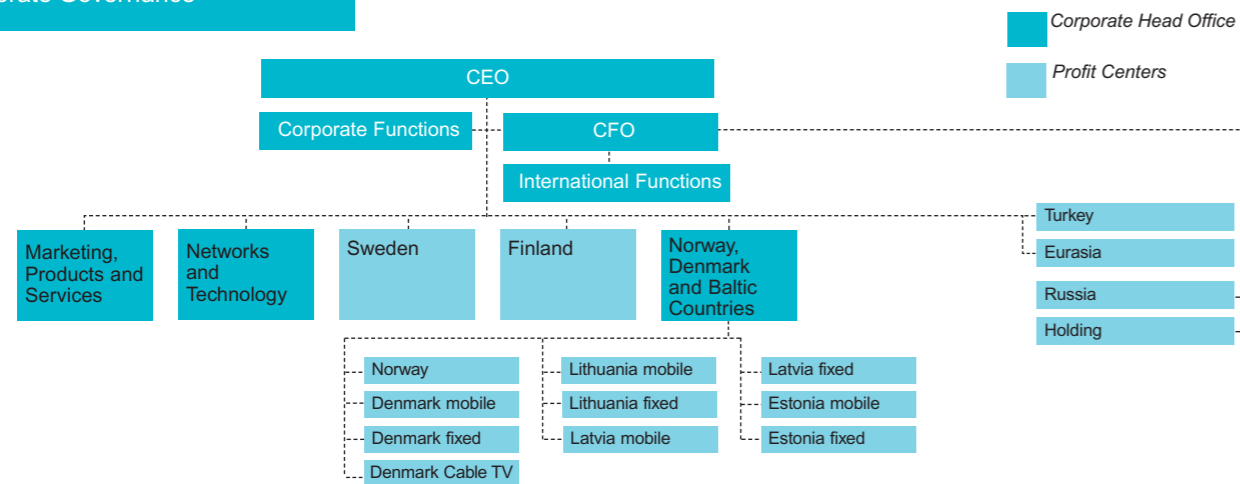
**Board of Directors**

TeliaSonera's Board of Directors consists 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 Director's composition is presented on page 28. 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 compa-





ny'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 task 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 Liljebloom, Sven-Christer Nilsson and Tom von Weymarn.

The Board of Director's committees prepare decisions for the Board.

#### 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 of the financial reporting, restructuring of operations in Sweden and Finland, development of competencies and succession planning, company acquisitions and 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

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. At least once a year, the entire Board of Directors meets with the external auditors, in part without the presence of the Management.

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.

TeliaSonera has also an internal disclosure committee that reports to the CEO and CFO and that exercises additional control over TeliaSonera's responsibilities regarding external financial reporting.

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 and 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 are 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 for 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.

#### 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
<b>Total</b>	<b>25,649,802</b>	<b>3,616,596</b>	<b>1,553,579</b>	<b>17,207,572</b>	<b>–</b>	<b>–</b>	<b>48,027,549</b>



# 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 intends to propose 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.

## 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

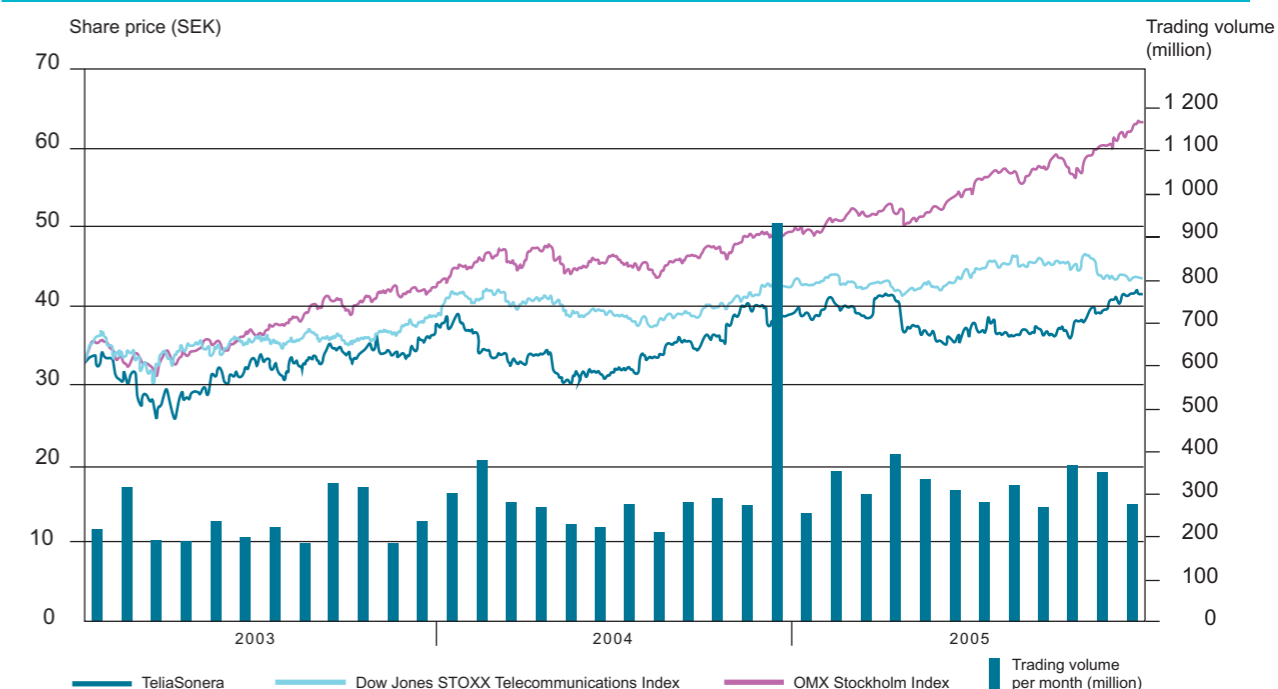
TeliaSonera's market capitalization totaled SEK 200 billion at year-end, which is 5.7 percent of the total value of Stockholm Stock Exchange. The development of the share price during 2005 and during the three-year period between 2003-2005 was weaker than Stockholm Stock Exchange on average. On Dow Jones 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).

## Price and Trading Volume on the Stockholm Stock Exchange 2003-2005



## The Largest Countries by Number of Shares

As of December 31, 2005	Number of outstanding shares	Percent of outstanding shares
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
<b>Total shares outstanding</b>	<b>4,490,457,213</b>	<b>100.0</b>

Source: Swedish Central Security Depository (VPC)

## The Largest Shareholders

As of December 31, 2005	Number of outstanding shares	Percent of outstanding shares/votes
Swedish state	2,033,547,131	45.3
Finnish state	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	573,540,010	12.8
Total other shareholders	756,007,005	16.8
<b>Total shares outstanding</b>	<b>4,490,457, 213</b>	<b>100.0</b>

Repurchased shares (treasury shares)	184,774,856
<b>Total shares issued</b>	<b>4,675,232,069</b>

Source: SIS Ågarservice AB



# Board of Directors



Tom von Weymarn Carl Bennet Eva Liljebloom Lennart Läftman



Sven-Christer Nilsson Timo Peltola Paul Smits Caroline Sundewall



Elof Isaksson Yvonne Karlsson Berith Westman

**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 Plc and Turku Science Park Ab, a board member of 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 President of Cultor Plc 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. Liljebloom has participated in all 17 meetings of the Board of Directors of TeliaSonera in 2005. Ms. Liljebloom 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. Liljebloom 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. Liljebloom

is a member of the Boards of Directors of Stockmann Oyj, Fennia Mutual Insurance Company and Municipal Finance (Kuntarahoiutus). Ms. Liljebloom 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. Liljebloom is also a member of the investment committee for the State Pension Fund Global in Norway. Ms. Liljebloom's principal education is Doctor in Economics. Born 1958. Number of shares in TeliaSonera: 999.

**LENNART LÄFTMAN** was elected to the Board of Directors of TeliaSonera in 2004. Mr. Läftman has participated in all 17 meetings of the Board of Directors of TeliaSonera in 2005. Mr. Läftman 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. Läftman is the Chairman of the Pension Fund of Vattenfall, Stiftelsen Framtidens Kultur, Stadshagen Fastighets AB, Intervallor 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. Läftman 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. Läftman'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 Förenings-sparbanken 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 the 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      Kim Ignatius      Jan Henrik Ahrnell      Terje Christoffersen



Håkan Dahlström      Marie Ehrling      Kenneth Karlberg



Michael Kongstad      Juho Lipsanen      Rune Nyberg

**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 Law. 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 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.



# 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](http://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 printout 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](mailto: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](http://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](mailto:communications-fi@sonera.com)

Information and a link to notification by e-mail will be available on TeliaSonera's website:

[www.teliasonera.com](http://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

## Definitions

ARPU: Average monthly revenue per user.

Associated companies: Companies in which TeliaSonera controls 20-50 percent of the voting power or otherwise has a significant influence.

CAPEX: Investments in intangible and tangible fixed assets, excluding goodwill, other fair-value adjustments and asset retirement obligations.

Churn: The number of postpaid customers who have left the company expressed as a percentage of the average number of postpaid customers.

CSR: Corporate Social Responsibility.

EBITDA: Operating income before depreciation, amortization and impairment losses and before income from associated companies.

EBITDA margin: EBITDA excluding non-recurring items expressed as a percentage of net sales.

Equity/asset ratio: Adjusted shareholders' equity and minority interests expressed as a percentage of total assets.

Free cash flow: Cash flow from operating activities less cash CAPEX.

IP: Internet protocol.

IP-TV: TV over IP.

IP-VPN: Virtual Private Network based on IP.

ISDN: Integrated Services Digital Network.

MMS: Multimedia Messaging Services.

MVNO: Mobile Virtual Network Operator.

LAN: Local Area Network.

Net debt: Interest-bearing liabilities less short-term investments and cash and cash equivalents.

PBX: Private Branch Exchange.

SMS: Short Messaging Services.

VoIP: Voice over IP.

Currencies and abbreviations:

SEK: Swedish kronor.

USD: U.S. dollars.