TELIA COMPANY
YEAR-END REPORT
JANUARY-DECEMBER 2017

STRONG CASH FLOW AND COST CONTROL

Fourth quarter summary

- Net sales in local currencies, excluding acquisitions and disposals, declined 0.3 percent. In reported currency, net sales rose 0.3 percent to SEK 21,187 million (21,130). Service revenues in local currencies, excluding acquisitions and disposals, declined 2.3 percent.
- Adjusted EBITDA rose 3.8 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA, rose 3.3 percent to SEK 6,590 million (6,380). The adjusted EBITDA margin rose to 31.1 percent (30.2).
- Income from associated companies and joint ventures improved to SEK 3,174 million (424) mainly due to the disposal of 6.2 percent in MegaFon.
- Adjusted operating income rose 0.3 percent to SEK 3,750 million (3,737).
- Financial items totaled SEK -2,191 million (-351). The negative effect was related to bond buy-back transactions affecting net interest expenses by SEK 445 million. Financial items were also negatively affected by the disposal of the remaining 19.0 percent holding in MegaFon, classified as a financial asset prior the disposal.
- Based on the most recent developments in the ongoing sales processes for Fintur, management's best estimates of the fair values less costs to sell for the Fintur units per December 31, 2017, have resulted in a total impairment of SEK 3,550 million in the fourth quarter affecting net income from discontinued operations, whereof SEK 2,550 million relates to Azercell, SEK 450 million to Moldcell and SEK 550 million to Geocell, respectively. In addition, an impairment charge of SEK 300 million was recognized related to Ucell.
- Total net income attributable to the owners of the parent fell to SEK 754 million (7,338) due to the combined net effect of the disposals of MegaFon and the impairments in discontinued operations whilst 2016 was positively affected by a capital gain from the disposal of Yoigo. Total net income fell to SEK 768 million (7,325).
- CAPEX, excluding licenses and spectrum fees amounted to SEK 4,549 million (4,532). Cash CAPEX in continuing operations was SEK 4,603 million (4,659).
- Free cash flow in continuing and discontinued operations increased to SEK 1,586 million (-381) mainly due to lower cash CAPEX in discontinued operations and improved working capital. The improved working capital also affected Operational free cash flow in continuing operations that increased to SEK 803 million (-328).

Highlights

SEK in millions, except key ratios, per share data and changes	Oct-Dec 2017	Oct-Dec 2016	*Chg %*	Jan-Dec 2017	Jan-Dec 2016	*Chg %*
Net sales	21,187	21,130	*0.3*	79,867	84,178	*-5.1*
Change (%) local organic[1]	*-0.3*			*0.4*		
of which service revenues (external)	*17,302*	*17,594*	*-1.7*	*67,794*	*71,516*	*-5.2*
change (%) local organic	*-2.3*			*-0.6*		
Adjusted[2] EBITDA[1]	6,590	6,380	*3.3*	25,438	25,836	*-1.5*
Change (%) local organic	*3.8*			*-0.2*		
Margin (%)	31.1	30.2		31.9	30.7	
Adjusted[2] operating income[1]	3,750	3,737	*0.3*	15,069	17,123	*-12.0*
Operating income	6,130	8,022	*-23.6*	13,690	21,090	*-35.1*
Income after financial items	3,939	7,671	*-48.7*	9,457	19,249	*-50.9*
Net income from continuing operations	3,848	7,078	*-45.6*	8,416	16,433	*-48.8*
Net income from discontinued operations[3]	-3,079	247		1,729	-9,937	
Total net income	768	7,325	*-89.5*	10,146	6,496	*56.2*
of which attributable to owners of the parent	*754*	*7,338*	*-89.7*	*9,608*	*3,732*	
EPS total (SEK)	0.17	1.69	*-89.7*	2.22	0.86	
EPS from continuing operations (SEK)	0.88	1.63	*-46.2*	1.90	3.76	*-49.6*
Free cash flow[1]	1,586	-381		7,164	7,267	*-1.4*
of which operational free cash flow[1]	*803*	*-328*		*9,687*	*5,497*	*76.2*
CAPEX[1] excluding license and spectrum fees	4,549	4,532	*0.4*	15,215	15,016	*1.3*

1) See Note 15 for information on financial key ratios and/or page 51 for definitions. 2) Adjustment items; see Note 3. 3) Discontinued operations see Note 4.

Full year summary

- Net sales in local currencies, excluding acquisitions and disposals, rose 0.4 percent. In reported currency, net sales fell 5.1 percent to SEK 79,867 million (84,178). Service revenues in local currencies, excluding acquisitions and disposals fell 0.6 percent.
- Adjusted EBITDA fell 0.2 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA, fell 1.5 percent to SEK 25,438 million (25,836). The adjusted EBITDA margin rose to 31.9 percent (30.7).
- Income from associated companies and joint ventures fell to SEK 778 million (2,810) mainly driven by capital losses (due to a cumulative exchange losses in equity reclassified to net income) of SEK 3,739 million from the two disposals of 7.0 percent holding each in Turkcell in the second and third quarter and lower contribution from MegaFon up until the disposal. These effects were offset by disposal of 6.2 percent in MegaFon during the fourth quarter.
- Adjusted operating income declined 12.0 percent to SEK 15,069 million (17,123).
- Financial items totaled SEK -4,234 million (-1,841). The negative effect was related to bond buy-back transactions affecting net interest expenses by SEK 805 million. Financial items were also negatively affected by the disposal of the remaining 19.0 percent holding in MegaFon, classified as a financial asset prior the disposal.
- Total net income rose to SEK 10,146 million (6,496).
- CAPEX excluding license and spectrum fees totaled SEK 15,215 million (15,016). Cash CAPEX in continuing operations was SEK 14,509 million (15,358).
- Net debt, in continuing and discontinued operations, decreased to SEK 33,823 million (50,756). The decrease is mainly related to the disposals of MegaFon and shares in Turkcell, the strong cash flow generation and the issue of hybrid capital. The net debt/adjusted EBITDA ratio was 1.14x (1.69x).
- Free cash flow in continuing and discontinued operations amounted to SEK 7,164 million (7,267) and was underlying affected by a negative change in working capital driven mainly by the payment of the settlement regarding the Uzbekistan investigation offset by decreased cash CAPEX in both continuing and discontinued operations.
- The board proposes an ordinary dividend of SEK 2.30 per share, equal to a 15 percent growth, to be distributed to our shareholders.

Items included in total net income SEK in billions	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Total net income	**0.8**	**7.3**	**10.1**	**6.5**
of which				
Provision for settlement amount with the authorities regarding the Uzbekistan investigations	–	–	*4.2*	*-13.2*
Capital gain, net, MegaFon[1]	*1.5*	–	*1.5*	–
Capital gain, Sergel	–	–	*1.2*	–
Capital loss, Tcell	–	–	*-0.2*	–
Bond buy-backs	*-0.4*	–	*-0.8*	–
Capital losses, Turkcell	–	–	*-3.7*	–
Impairments within discontinued operations	*-3.9*	*-0.6*	*-5.7*	*-2.4*
Capital gain, Yoigo	–	*4.5*	–	*4.5*
Capital gain, Ncell	–	*-0.2*	–	*1.0*

1) Relates to a capital gain from the disposal of 6.2 percent amounting to SEK 2.8 billion recognized within Operating income and a capital loss from the disposal of the remaining 19.0 percent amounting to SEK 1.3 billion recognized in finance net. The capital gain in Operating income includes cumulative exchange losses in equity reclassified to net income of SEK 6.1 billion.

COMMENTS BY JOHAN DENNELIND, PRESIDENT & CEO

"Dear shareholders and Telia followers, I am pleased to deliver a 2017 result where our operational free cash flow from continuing operations clearly exceeds our expectations and where EBITDA is in line with our outlook. The strong cash flow generation comes from two key factors. Firstly our enhanced initiatives around working capital, where the benefits have come earlier than we had anticipated and where we see positive momentum which will also continue into 2018. Secondly we are reducing cash CAPEX, mainly coming from our newly implemented investment model as well as cross company efficiency and sourcing synergies. This is all in line with our *competitive operations* pillar in our strategy. The SEK 9.7 billion cash flow level is seen to be maintained in 2018 and growing further the years after. The EBITDA growth in the fourth quarter reached 4 percent. Excluding the onetime fiber installation fees the growth was 7 percent, supported by a reduction of operational expenses in Sweden by 6 percent, a strong achievement. This leaves us with a solid platform entering 2018 where we expect group EBITDA to be in line or slightly above 2017. Our dividend policy of distributing at least 80 percent of the combined operational free cash flow and dividends from associated companies, results in a proposal from the board for an ordinary dividend of SEK 2.30 equal to a 15 percent growth.

Reflecting on 2017 we have made progress in line with our strategy to create the New Generation Telco. We aim to have *superior network connectivity* and I am pleased to see that we have the best mobile networks in 5 out of 7 countries. In the *convergence* part of our strategy Finland leads the way, within enterprise with acquisition of Nebula and within consumer the acquisition of ice hockey rights. We have more to come in 2018 throughout our footprint notably in Sweden with the Telia Life concept. Further on *our competitive operations* we have reduced operational expenses in Sweden in the second half of 2017 as we set out to do. We are on track to reach our ambition for the group of reducing overall costs by SEK 1.1 billion on net basis for 2018. Our cash CAPEX level was reduced in 2017 without compromising on our superior network ambition. We expect a further reduction in 2018 thanks to better coordination in our group and due to lower fiber deployments. Our market shares in the Nordic and Baltic footprint are largely maintained. We also see good signs in increasing *revenues close to the core* as the organic IoT revenue growth doubled in 2017, which is projected to take another step up in 2018.

The divestment of our entire ownership in MegaFon brought SEK 11.8 billion in cash in the fourth quarter. This contributes to a stronger focus on the Nordics and Baltics.

A part of the foundation upon which we build our strategy is to *lead sustainable business* with *strong governance with best-in class ethics and compliance.* The fact that the Church of Sweden after four and a half years has decided to consider investing in Telia Company again is likely among the strongest proof point of the improvements we have made in this area.

The revenue decline in legacy products and the pressure within some enterprise segments remain. However, there are many things to look forward to with excitement in 2018. We bring award winning networks, value from some really good acquisitions and a clear cost program into the year. Our outlook for 2018 implies an operational free cash flow, from continuing operations, to be around the 2017 level (SEK 9.7 billion). The Adjusted EBITDA from continuing operations based on current structure, is expected to be in line or slightly above the 2017 level (SEK 25.4 billion). The operational free cash flow together with dividends from associated companies, should cover a dividend around the 2017 level."

Johan Dennelind
President & CEO

OUTLOOK FOR 2018

Free cash flow from continuing operations, excluding licenses and dividends from associated companies, is expected to be around the same level as in 2017 (SEK 9.7 billion). This operational free cash flow together with decided dividends from associated companies should cover a dividend around the 2017 level.

Adjusted EBITDA in continuing operations, based on current structure, in local currencies, excluding future acquisitions and disposals, is expected to be in line with or slightly above the 2017 level (SEK 25.4 billion).

DIVIDEND POLICY

Telia Company intends to distribute a minimum of 80 percent of free cash flow from continuing operations, excluding licenses. The dividend should be split and distributed in two equal tranches.

The company targets a leverage corresponding to Net debt/adjusted EBITDA of 2x plus/minus 0.5x.

The company shall continue to target a solid investment grade long-term credit rating (A- to BBB+).

REVIEW OF THE GROUP, FOURTH QUARTER 2017

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals, declined 0.3 percent. In reported currency, net sales rose 0.3 percent to SEK 21,187 million (21,130). The effect of exchange rate fluctuations was negative at 0.6 percent and the effect of acquisitions and disposals was positive at 1.2 percent. Service revenues in local currencies, excluding acquisitions and disposals, declined 2.3 percent.

The number of subscriptions declined from 23.4 million from the end of the fourth quarter of 2016 to 23.1 million. During the quarter, the total number of subscriptions declined from 23.3 million to 23.1 million.

Adjusted EBITDA rose 3.8 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA rose 3.3 percent to SEK 6,590 million (6,380). The adjusted EBITDA margin rose to 31.1 percent (30.2).

Income from associated companies and joint ventures improved to SEK 3,174 million (424) mainly due to the disposal of 6.2 percent in MegaFon.

Adjusted operating income rose 0.3 percent to SEK 3,750 million (3,737).

Adjustment items affecting operating income amounted to SEK 2,380 million (4,285). 2017 was affected by the disposal of MegaFon whilst 2016 was affected by the disposal of Yoigo in Spain. See Note 3 for further information.

Financial items totaled SEK -2,191 million (-351) of which SEK -997 million (-538) related to net interest expenses. The negative effect was related to bond buyback transactions affecting net interest expenses by SEK 445 million. Financial items were also negatively affected by the disposal of the remaining 19.0 percent holding in MegaFon, classified as a financial asset prior the disposal.

Income taxes amounted to SEK -91 million (-593). The effective tax rate was 2.3 percent (7.7). The decrease is mainly related to a non-taxable capital gain from the disposal of shares in MegaFon and a reversal of the related withholding tax provision.

Net income from discontinued operations fell to SEK -3,079 million (247). See Note 4 for further information.

Total net income fell to SEK 768 million (7,325) of which SEK 3,848 million (7,078) in continuing operations and SEK -3,079 million (247) in discontinued operations. Total earnings per share fell to SEK 0.17 (1.69).

Total net income attributable to the owners of the parent fell to SEK 754 million (7,338) due to the combined net effect of the disposals of MegaFon and the impairments in discontinued operations whilst 2016 was positively affected by a capital gain from the disposal of Yoigo. These items also affected earnings per share and total net income.

Total net income attributable to non-controlling interests amounted to SEK 14 million (-12).

Other comprehensive income rose to SEK 7,304 million (-766), mainly due to reclassified exchange effects from the disposal of MegaFon offset by lower positive effect from remeasurements on pensions obligations compared to 2016.

Cash flow

Free cash flow in continuing and discontinued operations increased to SEK 1,586 million (-381) mainly due to lower cash CAPEX in discontinued operations and improved working capital. The improved working capital also affected **Operational free cash flow** in continuing operations that increased to SEK 803 million (-328).

Cash flow from investing activities increased to SEK 1,430 million (-4,398) due to the disposal of MegaFon partly offset by investments in short term bonds.

Financial position

CAPEX declined to SEK 4,548 million (5,007). CAPEX excluding license and spectrum fees amounted to SEK 4,549 million (4,532). Cash CAPEX in continuing operations was SEK 4,603 million (4,659).

Net debt, in continuing and discontinued operations, was SEK 33,823 million at the end of the fourth quarter (42,622 at the end of the third quarter of 2017). The decrease is mainly related to the disposal of MegaFon partly offset by the distribution of the second dividend tranche. The net debt/adjusted EBITDA ratio was 1.14x.

REVIEW OF THEGROUP, FULL YEAR 2017

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals, rose 0.4 percent. In reported currency, net sales fell 5.1 percent to SEK 79,867 million (84,178). The effect of exchange rate fluctuations was positive by 0.8 percent and the effect of acquisitions and disposals was negative by 6.3 percent. Service revenues in local currencies, excluding acquisitions and disposals fell 0.6 percent.

Adjusted EBITDA fell 0.2 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA fell 1.5 percent to SEK 25,438 million (25,836). The adjusted EBITDA margin rose to 31.9 percent (30.7).

Income from associated companies and joint ventures fell to SEK 778 million (2,810) mainly driven by capital losses (due to a cumulative exchange losses in equity reclassified to net income) of SEK 3,739 million from the two disposals of 7.0 percent holding each in Turk-cell in the second and third quarter and lower contribu-tion from MegaFon up until the disposal. These effects were offset by disposal of 6.2 percent in MegaFon during the fourth quarter. The Turkcell share disposals had a positive net effect on equity of SEK 2,619 million.

Adjusted operating income declined 12.0 percent to SEK 15,069 million (17,123).

Adjustment items affecting operating income amounted to SEK -1,378 million (3,967). 2017 was affected by the disposals of MegaFon and Sergel offset by the capital loss from the disposal of Turkcell shares. 2016 was affected by the disposal of Yoigo in Spain. See Note 3 for further information.

Financial items totaled SEK -4,234 million (-1,841) of which SEK -2,952 million (-2,069) related to net interest expenses. The negative effect was related to bond buy-back transactions affecting net interest expenses by SEK 805 million. Financial items were also negatively affected by the disposal of the remaining 19.0 percent holding in MegaFon, classified as a financial asset prior the disposal.

Income taxes amounted to SEK -1,041 million (-2,816). The effective tax rate was 11.0 percent (14.6). The decrease is related to non-taxable capital gains from the disposals of Sergel and MegaFon and reversal of withholding tax provisions for Turkcell and MegaFon. The decrease is partly offset by a non-deductible capital loss from the disposals of shares in Turkcell.

Total net income rose to SEK 10,146 million (6,496), of which SEK 8,416 million (16,433) in continuing operations and SEK 1,729 million (-9,937) in discontinued operations. Total earnings per share rose to SEK 2.22 (0.86). See Note 4 for information on discontinued operations.

Total net income attributable to non-controlling interests fell to SEK 537 million (2,764) as last year was impacted by the disposal of Ncell in Nepal.

Other comprehensive income increased to SEK 9,725 million (1,463) mainly due to reclassified exchange effects from the disposals of MegaFon and holdings in Turkcell and lower negative effects from remeasurements on pension obligations, offset by negative exchange effect from discontinued operations.

Cash flow

Free cash flow in continuing and discontinued operations amounted to SEK 7,164 million (7,267) and was affected by a negative change in working capital driven mainly by the payment of the settlement regarding the Uzbekistan investigation offset by decreased cash CAPEX in both continuing and discontinued operations.

Operational free cash flow, in continuing operations improved to SEK 9,687 million (5,497) mainly due to lower paid taxes, lower cash CAPEX and improved working capital.

Cash flow from investing activities, in continuing and discontinued operations decreased to SEK -10,115 million (-7,428) mainly due to the acquisitions of Nebula and Phonero partly offset by the reduced ownership in Turkcell and the disposals of MegaFon and Sergel. 2016 was affected by the disposal of Ncell in Nepal.

Cash flow from financing activities, in continuing and discontinued operations amounted to SEK -13,905 million (-22,491). The improvement is mainly due to the issue of hybrid capital and lower dividend paid in 2017.

Financial position

Goodwill and intangible assets increased to SEK 76,652 million (70,947) mainly due to the acquisitions of Nebula and Phonero.

CAPEX amounted to SEK 15,672 million (15,625) including the acquired rights for the ice hockey league in Finland. CAPEX excluding license and spectrum fees totaled SEK 15,215 million (15,016). Cash CAPEX in continuing operations was SEK 14,509 million (15,358).

Investments in associated companies and joint ventures, pension obligation assets and other non-current assets amounted to SEK 16,151 million (27,934) and were mainly affected by the reduced ownership in Turkcell and disposal of MegaFon also affecting **Short-term interest-bearing receivables**.

Cash and cash equivalents amounted to SEK 15,616 million (14,510) and were negatively affected by dividend paid and the acquisitions of Nebula and Phonero as well as the payments of fines and disgorgements related to the Uzbekistan investigations. The cash outflow was compensated for by positive impact from the reduced ownership in Turkcell and disposals of MegaFon and Sergel.

Long-term borrowings amounted to SEK 87,813 million (83,161), mainly due to the issue of hybrid capital. Buy-backs of outstanding Telia Company bonds had an adverse effect giving a net increase in long-term borrowings.

Short-term borrowings decreased to SEK 3,674 million (11,307) by maturing short-term debt.

Short-term provisions decreased mainly due to the payment of parts of the provision for the settlement amount agreed with the authorities related to the Uzbekistan investigations. See Note 4 for further information.

Significant events in the first quarter

- On March 29, 2017, Telia Company announced that it had issued hybrid bonds in three separate tranches in EUR and SEK with a total amount of around SEK 15 billion. The hybrid was recognized at the beginning of April 2017.
- Resolution of the various investigations relating to Telia Company's entry into Uzbekistan 2007 is complex, but constructive discussions with the government agencies involved in the investigations have continued with good progress during 2017. A final resolution has not yet been reached, but in light of developments to date in those discussions, the estimate of the most likely outcome has been revised and the provision for settlement amount proposed by the US and Dutch authorities was adjusted to USD 1.0 billion (SEK 8.9 billion) per March 31, 2017. See Note 4.

Significant events in the second quarter

- On April 3, 2017, Telia Company announced that the Norwegian competition authority had approved Telia Company's acquisition of Phonero and the transaction closed on April 10, 2017. See Note 14.
- On April 3, 2017, Telia Company announced that the agreement for sale of Tcell in Tajikistan was no longer valid since the Anti-Monopoly Service in Tajikistan did not reply by the stipulated deadline. The carrying value of the operations in Tajikistan was adjusted to zero resulting in an impairment loss of SEK 222 million in the first quarter of 2017. In April 2017, Telia Company signed a new agreement with AKFED and finalized the disposal of the Tajik operations. The capital loss before reclassification of accumulated negative foreign exchange differences to net income was SEK 0.0 billion. The transaction had no material cash flow effect. See Note 4.
- On April 5, 2017, Telia Company held its Annual General Meeting and announced that the ordinary members of the Board Susanna Campbell, Marie Ehrling, Olli-Pekka Kallasvuo, Mikko Kosonen, Nina Linander, Martin Lorentzon, Anna Settman and Olaf Swantee were re-elected members to the Board. Marie Ehrling was elected Chair of the Board and Olli-Pekka Kallasvuo was elected Vice-Chair of the Board. The Annual General Meeting also decided upon a dividend to shareholders of SEK 2.00 per share and that the payment should be distributed in two equal tranches of SEK 1.00 each to be paid in April and October, respectively.
- On May 4, 2017, Telia Company announced the result of placing of shares sale in Turkcell Iletism Hizmetleri A.S. (Turkcell) to institutional investors by way of an accelerated book building process. Telia Company sold an aggregate of 155 million ordinary shares in Turkcell at a price of TRY 11.45 per ordinary share, raising gross proceeds of TRY 1,775 million (equivalent to SEK 4,426 million).
- In June 2016, Telia Company announced the disposal of Sergel Group to Marginalen and has since then been reviewed by relevant regulatory authorities, with the final approval granted on June 14, 2017, and the transaction was closed on June 30, 2017. See Note 4.
- On May 22, 2017, Telia Company announced that it had signed an agreement to acquire the Finnish ICT service company Nebula. On June 8, 2017, it was approved by the authorities and the transaction was closed on July 3, 2017. See Note 14.
- On July 14, 2017, Telia Company announced that the Interim Report January-June would include significant items that in total had a negative impact of SEK 1.2 billion on Operating income in continuing operations and a negative impact of SEK 2.0 billion on Net income in discontinued operations in the second quarter of 2017. The cash flow effect was SEK 6.3 billion for continuing operations while there was no cash flow effect within discontinued operations.

Significant events in the third quarter

- On September 19, 2017, Telia Company announced that it had sold its direct holding of 153.5 million ordinary shares in Turkish associated company Turkcell, representing approximately 7.0 percent of the company's issued share capital, for approximately SEK 4,127 million. The sale is in line with the strategy to focus on the Nordics and Baltics. The sale to institutional investors means that Telia Company no longer has a direct holding in Turkcell. Telia Company's indirect holding (24 percent) in Turkcell through Turkcell Holding remains unchanged.
- On September 21, 2017, Telia Company announced that a global settlement had been reached with the US Department of Justice (DoJ), Securities and Exchange Commission (SEC) and the Dutch Public Prosecution Service (Openbaar Ministerie, OM) relating to previously disclosed investigations regarding historical transactions in Uzbekistan. Telia Company has agreed to a total financial sanction of USD 965 million. The global resolution brings an end to all known corruption related investigations or inquiries into Telia Company. See Note 4.
- On September 22, 2017, Telia Company announced that, according to information from the Swedish Prosecution Authority, it has decided to prosecute a number of former Telia employees. The authority also decided to initiate legal proceedings against Telia Company for a disgorgement. This amount is already included in the global settlement that Telia Company has reached with US and Dutch authorities, as previously disclosed.

Significant events in the fourth quarter

- On October 3, 2017, Telia Company announced that it had sold an aggregate of 38.5 million ordinary shares in MegaFon, representing approximately 6.2 percent, at a price of RUB 585 per ordinary share, raising gross proceeds of RUB 22,522 million (equivalent to approximately SEK 3.2 billion) with pro forma positive effect on net debt to EBITDA by approximately 0.1x. Following the completion of the placing, Telia Company owned 19.0 percent of the issued share capital of MegaFon. As a consequence of the transaction, MegaFon was re-classified from an associated company to a financial asset in the fourth quarter of 2017. The transaction had no impact on Telia Company's guidance for full year 2017.
- On October 31, 2017, Telia Company announced that it had sold its remaining shareholding of 19.0 percent in MegaFon which had been classified as a financial asset, at a price of RUB 514 per share, raising gross proceeds of RUB 60.4 billion (equivalent to approximately SEK 8.6 billion) with pro forma positive effect on net debt to EBITDA by approximately 0.3x.
- On December 15, 2017, Telia Company announced that Robert Andersson Senior Vice President and Head of Corporate Holdings and member of Group Executive Management, would leave Telia Company.
- On December 18, 2017, Telia Company announced that it had signed an agreement to acquire the Finnish ICT company Inmics Oy at an enterprise value of EUR 75 million on a cash and debt free basis. The acquisition was subject to approval from the Finnish Competition and Consumer Authority. Approval was received in January 2018, and the transaction is expected to be closed in the first quarter 2018.

Significant events after the end of the fourth quarter

- No significant events have occurred after the end of the fourth quarter.

Telia Company share

The Telia Company share is listed on Nasdaq Stockholm and Nasdaq Helsinki. In 2017, the share price in Stockholm was almost flat and closed at year-end 2017 at SEK 36.55 (36.71). The highest share price was SEK 40.07 (42.19) and the lowest SEK 34.70 (34.20). The number of shareholders decreased from 512,841 to 496,434. Ownership by the Swedish state was 37.3 percent and the Finnish state's holding was 3.2 percent. Holdings outside Sweden and Finland percent decreased to 29 percent from 32 percent.

Ordinary dividend to shareholders

For 2017, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 2.30 per share (2.00), totaling SEK 10.0 billion (8.7), or 81 percent of free cash flow attributable to continuing operations.

Dividend should be split and distributed into two equal tranches of SEK 1.15 each.

First distribution

The Board of Directors proposes that the final day for trading in shares entitling shareholders to dividend be set for April 10, 2018, and that the first day of trading in shares excluding rights to dividend be set for April 11, 2018. The recommended record date at Euroclear Sweden for the right to receive dividend will be April 12, 2018. If the AGM votes to approve the Board's proposals, the dividend is expected to be distributed by Euroclear Sweden on April 17, 2018.

Second distribution

The Board of Directors proposes that the final day for trading in shares entitling shareholders to dividend be set for October 18, 2018, and that the first day of trading in shares excluding rights to dividend be set for October 19, 2018. The recommended record date at Euroclear Sweden for the right to receive dividend will be October 22, 2018. If the AGM votes to approve the Board's proposals, the dividend is expected to be distributed by Euroclear Sweden on October 25, 2018.

Annual General Meeting 2018

The Annual General Meeting (AGM) will be held on April 10, 2018, at 14.00 CET at Skandiascenen, Cirkus in Stockholm. Notice of the meeting will be posted on www.teliacompany.com, and advertised in the newspapers at the beginning of March 2018. The record date entitling shareholders to attend the meeting will be April 4, 2018. Shareholders may file notice of intent to attend the AGM from the beginning of March 2018. Telia Company must receive notice of attendance no later than April 4, 2018.

STRONG COST EXECUTION IN SWEDEN

- The recently launched concept Telia Life gained additional traction in the quarter and now has almost 70,000 customers attached to it with converged offerings. The concept targets convergent solutions and has also proven to reduce churn and drive upsell.
- The fiber roll-out remained at a slower pace also in the fourth quarter resulting in 47 percent lower installation revenues compared to the corresponding quarter last year. Compensating for the lower fiber installation revenues measures were taken to reduce operating expenses and resulted in a 6 percent decline in the quarter. Together with a 6 percent reduction also in the previous quarter, implied that the ambition to take down operating expenses by 5 percent for the second half of 2017 compared to 2016 was more than realized.

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2017	Oct-Dec 2016	*Chg (%)*	Jan-Dec 2017	Jan-Dec 2016	*Chg (%)*
Net sales	9,713	9,975	*-2.6*	36,825	37,251	*-1.1*
Change (%) local organic	*-2.8*			*-1.3*		
of which service revenues (external)	*8,018*	*8,379*	*-4.3*	*31,317*	*32,128*	*-2.5*
change (%) local organic	*-4.5*			*-2.7*		
Adjusted EBITDA	3,591	3,745	*-4.1*	13,749	14,455	*-4.9*
Margin (%)	37.0	37.5		37.3	38.8	
change (%) local organic	*-4.3*			*-5.0*		
Adjusted operating income	2,349	2,413	*-2.6*	8,698	9,569	*-9.1*
Operating income	1,998	2,329	*-14.2*	8,198	9,360	*-12.4*
CAPEX excluding license and spectrum fees	1,971	2,320	*-15.1*	6,392	7,119	*-10.2*
% of service revenues	24.6	27.7		20.4	22.2	
Adjusted EBITDA - CAPEX	1,620	1,425	*13.7*	7,357	7,337	*0.3*
Subscriptions, (thousands)						
Mobile	6,118	6,071	*0.8*	6,118	6,071	*0.8*
of which machine to machine (postpaid)	*944*	*835*	*13.1*	*944*	*835*	*13.1*
Fixed telephony	1,381	1,675	*-17.6*	1,381	1,675	*-17.6*
Broadband	1,286	1,299	*-1.0*	1,286	1,299	*-1.0*
TV	787	765	*2.9*	787	765	*2.9*
Employees	6,619	6,720	*-1.5*	6,619	6,720	*-1.5*

Net sales declined 2.6 percent to SEK 9,713 million (9,975) and excluding acquisitions and disposals net sales declined 2.8 percent due to pressure on service revenues.

Service revenues fell 4.3 percent and excluding acquisitions and disposals, service revenues fell by 4.5 percent driven by a 9.1 percent decline in fixed service revenues. The decline was largely attributable to a continued pressure on fixed telephony revenues as well as significantly lower fiber installation revenues. Mobile service revenues remained flat as a growth of 3.4 percent in B2C was offset by lower revenues in the B2B and operator segments.

Adjusted EBITDA was SEK 3,591 million (3,745). The adjusted EBITDA margin fell somewhat to 37.0 percent (37.5), as strong execution on cost savings that compensated for the decline in service revenues could not compensate also for the fourth quarter of 2016 being significantly positively impacted by lower pension expenses.

CAPEX decreased 15.1 percent to SEK 1,971 million (2,320) and CAPEX, excluding licenses and spectrum fees decreased to SEK 1,971 million (2,320).

TV subscriptions grew by 8,000 and mobile subscriptions fell by 57,000 in the quarter following a loss of 66,000 pre-paid subscriptions. Fixed broadband subscriptions grew by 4,000 in the quarter following a retroactive adjustment that added 10,000 subscriptions.

CONVERGED OFFERINGS IN FINLAND

- In order to further strengthen the B2B convergence proposition an agreement was signed to acquire the ICT company Inmics and the identity and access rights specialist company Propentus was acquired. The companies will together with the open data center that is currently being built in Helsinki and the recently acquired cloud company Nebula even further strengthen Telia's leading position in the Finnish B2B segment and support the customers on their digital journeys.

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2017	Oct-Dec 2016	*Chg (%)*	Jan-Dec 2017	Jan-Dec 2016	*Chg (%)*
Net sales	3,763	3,513	*7.1*	13,742	13,042	*5.4*
Change (%) local organic	*4.0*			*2.1*		
of which service revenues (external)	*3,087*	*2,934*	*5.2*	*11,748*	*11,197*	*4.9*
change (%) local organic	*1.5*			*1.5*		
Adjusted EBITDA	1,137	1,000	*13.7*	4,232	4,059	*4.3*
Margin (%)	30.2	28.5		30.8	31.1	
change (%) local organic	*10.1*			*0.7*		
Adjusted operating income	574	485	*18.4*	2,087	2,086	*0.1*
Operating income	444	484	*-8.2*	1,889	2,039	*-7.4*
CAPEX excluding license and spectrum fees	633	541	*16.9*	3,116	1,832	*70.1*
% of service revenues	20.5	18.4		26.5	16.4	
Adjusted EBITDA - CAPEX	505	256	*97.0*	1,116	2,024	*-44.9*
Subscriptions, (thousands)						
Mobile	3,221	3,253	*-1.0*	3,221	3,253	*-1.0*
of which machine to machine (postpaid)	*186*	*180*	*3.4*	*186*	*180*	*3.4*
Fixed telephony	50	65	*-23.1*	50	65	*-23.1*
Broadband	464	497	*-6.6*	464	497	*-6.6*
TV	481	489	*-1.6*	481	489	*-1.6*
Employees	3,107	3,066	*1.3*	3,107	3,066	*1.3*

Net sales increased 7.1 percent in reported currency to SEK 3,763 million (3,513) and in local currency excluding acquisitions and disposals net sales increased 4.0 percent. The effect of exchange rate fluctuations was positive by 0.4 percent and the impact from acquisitions and disposals was positive by 2.7 percent.

Service revenues in local currency, excluding acquisitions and disposals rose 1.5 percent from a 4.5 percent growth in mobile service revenues which more than compensated for a 3.1 percent decline in fixed service revenues. The mobile service revenue growth was due to a continued ARPU uplift whilst the decline in fixed service revenues mainly was the result from fixed broadband revenue erosion and to some extent also lower revenues from TV and traditional telephony.

Adjusted EBITDA in reported currency grew 13.7 percent to SEK 1,137 million (1,000). The adjusted EBITDA margin rose to 30.2 percent (28.5). In local currency, excluding acquisitions and disposals, adjusted EBITDA grew 10.1 percent supported by service revenue growth and good cost control.

CAPEX decreased to SEK 633 million (744) and CAPEX excluding licenses and spectrum fees increased to SEK 633 million (541).

The number of mobile subscriptions and fixed broadband subscriptions decreased by 13,000 and 7,000, respectively, in the quarter. TV subscriptions decreased by 3,000 in the quarter.

HEADING FOR B2B LEVERAGE IN NORWAY

- The migration of Phonero customers reached its absolute peak during the quarter and hence the operations will from the first quarter of 2018 enjoy the benefit from a full synergy run-rate of SEK 400 million. In the B2C segment a new product called “data boost” was launched to capitalize on the growing appetite for data. The product allows customers to pay for having an unlimited amount of data for either one or three hours, for instance to be able to stream a movie. Also in the B2C segment, an agreement was signed in the quarter to acquire approximately 34,000 mobile and 4,000 mobile broadband customers from NextGenTel.

Highlights

SEK in millions, except margins, operational data and changes	**Oct-Dec 2017**	**Oct-Dec 2016**	***Chg (%)***	**Jan-Dec 2017**	**Jan-Dec 2016**	***Chg (%)***
Net sales	2,674	2,541	*5.2*	10,128	9,057	*11.8*
Change (%) local organic	*1.4*			*2.4*		
of which service revenues (external)	*2,149*	*2,036*	*5.5*	*8,511*	*7,516*	*13.3*
change (%) local organic	*0.1*			*2.5*		
Adjusted EBITDA	851	865	*-1.7*	3,520	3,125	*12.6*
Margin (%)	31.8	34.0		34.8	34.5	
change (%) local organic	*-4.3*			*6.7*		
Adjusted operating income	474	413	*14.8*	1,991	1,611	*23.6*
Operating income	401	399	*0.4*	1,807	1,562	*15.7*
CAPEX excluding license and spectrum fees	413	428	*-3.4*	1,074	1,334	*-19.5*
% of service revenues	19.2	21.0		12.6	17.7	
Adjusted EBITDA - CAPEX	440	427	*2.9*	2,039	1,781	*14.5*
Subscriptions, (thousands)						
Mobile	2,345	2,211	*6.1*	2,345	2,211	*6.1*
of which machine to machine (postpaid)	*65*	*45*	*43.9*	*65*	*45*	*43.9*
Employees	1,201	1,033	*16.3*	1,201	1,033	*16.3*

Net sales in reported currency grew 5.2 percent to SEK 2,674 million (2,541). In local currency excluding acquisitions and disposals net sales grew 1.4 percent. The effect of exchange rate fluctuations was negative by 5.8 percent and the impact from acquisitions and disposals was positive by 9.6 percent.

Service revenues in local currency, excluding acquisitions and disposals increased 0.1 percent as growth in mainly wholesale revenues was offset mostly by lower mobile billed service revenues and to some extent also lower interconnect revenues.

Adjusted EBITDA in reported currency declined 1.7 percent to SEK 851 million (865). The adjusted EBITDA margin fell to 31.8 percent (34.0) attributable to higher operating expenses and the consolidation of the Phonero business that in the quarter, as expected, did not yet operate at full synergy run-rate. In local currency, excluding acquisitions and disposals, adjusted EBITDA declined 4.3 percent driven by higher operating expenses.

CAPEX declined to SEK 411 million (438) and CAPEX excluding licenses and spectrum fees, declined to SEK 413 million (428).

The number of mobile subscriptions decreased by 66,000 in the quarter of which 12,000 attributable to a performed clean-up.

IMPROVED PROFITABILITY IN DENMARK

- Work to further streamline as well as ensure an agile and customer-focused organization continued in the quarter, yielding good results on EBITDA. Furthermore, an increasing number of the customers are using Telia's newly launched digital self-service universe resulting in an improved customer experience.

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2017	Oct-Dec 2016	*Chg (%)*	Jan-Dec 2017	Jan-Dec 2016	*Chg (%)*
Net sales	1,556	1,593	*-2.3*	5,945	5,880	*1.1*
Change (%) local organic	*-2.8*			*-0.7*		
of which service revenues (external)	*1,076*	*1,105*	*-2.6*	*4,335*	*4,270*	*1.5*
change (%) local organic	*-2.9*			*-0.3*		
Adjusted EBITDA	211	199	*6.0*	691	692	*-0.2*
Margin (%)	13.6	12.5		11.6	11.8	
change (%) local organic	*5.5*			*-2.0*		
Adjusted operating income	14	-2		-65	-58	
Operating income	-81	-5		-174	-89	
CAPEX excluding license and spectrum fees	146	162	*-10.3*	428	437	*-2.1*
% of service revenues	13.5	14.7		9.9	10.2	
Adjusted EBITDA - CAPEX	66	-223		263	-5	
Subscriptions, (thousands)						
Mobile	1,479	1,606	*-7.9*	1,479	1,606	*-7.9*
of which machine to machine (postpaid)	*49*	*42*	*18.2*	*49*	*42*	*18.2*
Fixed telephony	90	101	*-10.9*	90	101	*-10.9*
Broadband	114	128	*-10.9*	114	128	*-10.9*
TV	31	28	*10.7*	31	28	*10.7*
Employees	1,026	1,070	*-4.1*	1,026	1,070	*-4.1*

Net sales in reported currency dropped 2.3 percent to SEK 1,556 million (1,593). In local currency excluding acquisitions and disposals net sales dropped 2.8 percent. The effect from exchange rate fluctuations was positive by 0.5 percent.

Service revenues in local currency, excluding acquisitions and disposals fell 2.9 percent mainly as mobile revenues fell 3.2 percent. A negative development in fixed service revenues, primarily related to pressure on fixed broadband revenues was also contributing to the decline.

Adjusted EBITDA in reported currency grew 6.0 percent to SEK 211 million (199). The adjusted EBITDA margin, rose to 13.6 percent (12.5). In local currency, excluding acquisitions and disposals, adjusted EBITDA rose 5.5 percent as lower operating expenses, mainly attributable to personnel and marketing more than offset the negative impact from lower revenues.

CAPEX fell to SEK 146 million (423) and CAPEX excluding licenses and spectrum fees fell to SEK 146 million (162).

The number of mobile subscriptions declined by 4,000 in the quarter. The number of fixed broadband subscriptions and TV subscriptions fell by 7,000 and 1,000, respectively, in the quarter.

STRONG PERFORMANCE IN LITHUANIA

- The efforts to realize the full business potential from the merged mobile and fixed businesses in Lithuania continued to have a positive impact on EBITDA. In addition Voice over LTE (VoLTE) was rolled out to Telia's customers with flagship Android phones. VoLTE that is run in the 4G network will provide significantly faster connectivity and improve the customer experience when being online and at the same time talking on the mobile phone.

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2017	Oct-Dec 2016	*Chg (%)*	Jan-Dec 2017	Jan-Dec 2016	*Chg (%)*
Net sales	982	903	*8.8*	3,557	3,268	*8.9*
Change (%) local organic	*8.3*			*7.0*		
of which service revenues (external)	*735*	*690*	*6.6*	*2,861*	*2,662*	*7.5*
change (%) local organic	*6.2*			*5.6*		
Adjusted EBITDA	335	286	*16.8*	1,227	1,139	*7.7*
Margin (%)	34.1	31.7		34.5	34.9	
change (%) local organic	*16.7*			*5.8*		
Adjusted operating income	195	148	*31.8*	664	583	*13.9*
Operating income	189	136	*39.3*	635	531	*19.6*
CAPEX excluding license and spectrum fees	186	194	*-4.2*	552	495	*11.5*
% of service revenues	25.3	28.2		19.3	18.6	
Adjusted EBITDA - CAPEX	149	91	*63.5*	675	509	*32.6*
Subscriptions, (thousands)						
Mobile	1,352	1,318	*2.6*	1,352	1,318	*2.6*
of which machine to machine (postpaid)	*141*	*89*	*58.2*	*141*	*89*	*58.2*
Fixed telephony	371	417	*-11.0*	371	417	*-11.0*
Broadband	410	402	*2.0*	410	402	*2.0*
TV	242	229	*5.7*	242	229	*5.7*
Employees	2,891	3,081	*-6.2*	2,891	3,081	*-6.2*

Net sales in reported currency grew 8.8 percent to SEK 982 million (903). In local currency excluding acquisitions and disposals net sales grew 8.3 percent driven by growth in service revenues as well as equipment sales. The effect of exchange rate fluctuations was positive by 0.5 percent.

Service revenues in local currency, excluding acquisitions and disposals rose 6.2 percent following strong development in both mobile and fixed service revenues. For mobile revenues the growth was driven by a combination of ARPU uplift and subscription base expansion. Fixed service revenues grew as pressure mainly on fixed telephony revenues was more than offset by increased low-margin transit service revenues.

Adjusted EBITDA in reported currency grew 16.8 percent to SEK 335 million (286). The adjusted EBITDA margin jumped to 34.1 percent (31.7). In local currency, excluding acquisitions and disposals, adjusted EBITDA grew 16.7 percent mainly as an effect from lower operating expenses.

CAPEX declined to SEK 186 million (196) and CAPEX excluding licenses and spectrum fees declined to SEK 186 million (194).

The number of mobile subscriptions grew by 2,000 and TV subscriptions by 5,000 in the quarter. The number of fixed broadband subscriptions grew by 4,000 in the quarter.

REVENUE AND EBITDA UPLIFT IN ESTONIA

- Mobile revenues continued to display good momentum and the mobile market remained quite stable from a pricing perspective. Telia Christmas campaign sales was furthermore satisfactory with a good equipment margin and controlled subsidy level. Telia was also awarded as the most responsible company in Estonia 2017 by the Tallinn Entrepreneurship. The motivation of the jury was that Telia has "A new, fresh and integrated approach in all aspects of responsible business. Furthermore the new environmentally-friendly new office and standards when it comes to supply chain acts as a role model for the industry."

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2017	Oct-Dec 2016	*Chg (%)*	Jan-Dec 2017	Jan-Dec 2016	*Chg (%)*
Net sales	782	743	*5.3*	2,824	2,733	*3.3*
Change (%) local organic	*5.3*			*1.6*		
of which service revenues (external)	*564*	*545*	*3.6*	*2,182*	*2,080*	*4.9*
change (%) local organic	*3.7*			*3.2*		
Adjusted EBITDA	215	207	*4.0*	871	811	*7.5*
Margin (%)	27.5	27.9		30.9	29.7	
change (%) local organic	*3.8*			*5.7*		
Adjusted operating income	87	75	*16.3*	360	309	*16.3*
Operating income	58	72	*-19.6*	326	288	*13.2*
CAPEX excluding license and spectrum fees	137	108	*26.3*	452	358	*26.1*
% of service revenues	24.2	19.8		20.7	17.2	
Adjusted EBITDA - CAPEX	79	99	*-20.7*	369	452	*-18.3*
Subscriptions, (thousands)						
Mobile	925	901	*2.7*	925	901	*2.7*
of which machine to machine (postpaid)	*214*	*202*	*6.0*	*214*	*202*	*6.0*
Fixed telephony	279	307	*-9.1*	279	307	*-9.1*
Broadband	238	233	*2.1*	238	233	*2.1*
TV	185	177	*4.5*	185	177	*4.5*
Employees	1,871	1,916	*-2.3*	1,871	1,916	*-2.3*

Net sales in reported currency increased 5.3 percent to SEK 782 million (743). In local currency excluding acquisitions and disposals net sales increased 5.3 percent driven by growth in service revenues as well as equipment sales. The effect of exchange rate fluctuations was positive by 0.4 percent and the impact from acquisitions and disposals was negative by 0.4 percent.

Service revenues in local currency, excluding acquisitions and disposals grew 3.7 percent as both mobile and fixed service revenues developed positively. Mobile revenues benefited from both growth in postpaid subscriptions and a higher ARPU whereas fixed revenues grew due to growth across the majority of fixed services.

Adjusted EBITDA in reported currency increased 4.0 percent to SEK 215 million (207). The adjusted EBITDA margin fell slightly to 27.5 percent (27.9). In local currency, excluding acquisitions and disposals, adjusted EBITDA, increased 3.8 percent driven by the growth in service revenues.

CAPEX increased to SEK 137 million (108) and CAPEX excluding licenses and spectrum fees increased to SEK 137 million (108).

The number of mobile subscription declined by 3,000 and TV subscriptions grew by 2,000 in the quarter. The number of fixed broadband subscriptions remained flat in the quarter.

OTHER OPERATIONS

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2017	Oct-Dec 2016	*Chg (%)*	Jan-Dec 2017	Jan-Dec 2016	*Chg (%)*
Net sales	2,267	2,489	*-8.9*	9,047	15,299	*-40.9*
Change (%) local organic	*-2.0*			*-0.1*		
of which Telia Carrier	*1,518*	*1,656*	*-8.3*	*5,956*	*6,227*	*-4.3*
of which Latvia	*529*	*483*	*9.5*	*1,953*	*1,788*	*9.2*
of which Spain	–	–		–	*6,073*	
Adjusted EBITDA	250	77		1,149	1,555	*-26.1*
of which Telia Carrier	*130*	*143*	*-9.3*	*491*	*498*	*-1.4*
of which Latvia	*147*	*143*	*2.6*	*609*	*580*	*5.1*
of which Spain	–	–		–	*630*	
Margin (%)	11.0	3.1		12.7	10.2	
Income from associated companies	3,172	431		769	2,815	*-72.7*
of which Russia	*2,795*	*216*		*2,700*	*899*	
of which Turkey	*336*	*183*	*83.3*	*-2,070*	*1,805*	
of which Latvia	*43*	*35*	*21.2*	*137*	*121*	*13.5*
Adjusted operating income	56	207	*-72.8*	1,333	3,022	*-55.9*
Operating income	3,121	4,608	*-32.3*	1,008	7,398	*-86.4*
CAPEX	1,065	779	*36.8*	3,202	3,442	*-7.0*
Subscriptions, (thousands)						
Mobile Latvia	1,237	1,200	*3.1*	1,237	1,200	*3.1*
of which machine to machine (postpaid)	*285*	*242*	*17.9*	*285*	*242*	*17.9*
Mobile Spain	–	–		–	–	
Employees	4,012	4,144	*-3.2*	4,012	4,144	*-3.2*

Net sales in reported currency declined 8.9 percent to SEK 2,267 million (2,489) due to the disposal of Sergel as well as lower net sales in Telia Carrier. In local currency, excluding acquisitions and disposals net sales declined 2.0 percent. The effect of exchange rate fluctuations was negative by 0.8 percent and the effect from acquisitions and disposals was negative by 6.1 percent.

Adjusted EBITDA rose to SEK 250 million (77) supported primarily by cost savings within Group IT, Group Network and other group functions.

In **Telia Carrier**, net sales in reported currency declined 8.3 percent to SEK 1,518 million (1,656) and adjusted EBITDA, fell 9.3 percent to SEK 130 million (143) in reported currency.

In **Latvia**, net sales in reported currency grew 9.5 percent to SEK 529 million (483) largely driven by higher equipment sales. The effect of exchange rate fluctuations was positive by 0.4 percent. Adjusted EBITDA grew 2.6 percent to SEK 147 million (143) in reported currency.

The number of mobile subscriptions in Latvia remained unchanged in the quarter.

Income from associated companies increased to SEK 3,172 million (431) driven by a capital gain of SEK 2,795 million from the disposal of 6.2 percent in MegaFon made early in the quarter. Telia Company's remaining 19.0 percent ownership in MegaFon was disposed later during the quarter and resulted in a capital loss of SEK 1,275 million which was recognized in the financial net due to the reclassification of MegaFon from an associated company to a financial asset. For more information see Note 4.

The comparison between the full year 2016 and 2017 is impacted by the disposals of Yoigo in Spain 2016 and of Sergel 2017.

DISCONTINUED OPERATIONS

- In September 2017, the Uzbek currency was devaluated, resulting in a significantly negative year over year EBITDA impact for Ucell in the fourth quarter. The devaluation will also have a direct negative impact on the results in discontinued operations going forward as Ucell's results in local currency will be translated into SEK at a lower exchange rate as well as due to the fixing of tariffs from USD to local currency.
- Despite the devaluation in Uzbekistan the adjusted EBITDA in local currencies, excluding acquisitions and disposals, for the former segment region Eurasia grew by 5 percent, due to growth in all markets except for in Uzbekistan.

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2017	Oct-Dec 2016	*Chg (%)*	Jan-Dec 2017	Jan-Dec 2016	*Chg (%)*
Net sales (external)	2,357	3,336	*-29.4*	11,268	13,653	*-17.5*
Adjusted EBITDA	799	1,347	*-40.7*	4,246	5,880	*-27.8*
Margin (%)	33.9	40.4		37.7	43.1	
CAPEX	468	3,438	*-86.4*	1,787	5,813	*-69.3*
CAPEX excluding license and spectrum fees	464	766	*-39.4*	1,782	2,432	*-26.7*

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. Consequently, highlights for region Eurasia are presented in a condensed format. For more information on discontinued operations, see Note 4.

Net sales declined 29.4 percent in reported currency to SEK 2,357 million (3,336) due to the disposal of Tcell in Tajikistan in the second quarter and the devaluation in Uzbekistan in the third quarter of 2017.

Adjusted EBITDA fell to SEK 799 million (1,347) mainly from the disposal of Tcell in Tajikistan in the second quarter and the devaluation in Uzbekistan in the third quarter. The adjusted EBITDA margin fell to 33.9 percent (40.4).

CAPEX decreased to SEK 468 million (3,438) as the corresponding quarter last year was impacted by license related CAPEX in Uzbekistan. CAPEX, excluding license and spectrum fees decreased to SEK 464 million (766).

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK in millions, except per share data and number of shares	Note	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Continuing operations					
Net sales	5	21,187	21,130	79,867	84,178
Cost of sales		-13,038	-13,024	-49,166	-50,691
Gross profit		**8,148**	**8,106**	**30,701**	**33,487**
Selling, administration and R&D expenses		-4,945	-4,943	-18,489	-19,300
Other operating income and expenses, net		-248	4,435	700	4,092
Income from associated companies and joint ventures		3,174	424	778	2,810
Operating income	5	**6,130**	**8,022**	**13,690**	**21,090**
Financial items, net		-2,191	-351	-4,234	-1,841
Income after financial items		**3,939**	**7,671**	**9,457**	**19,249**
Income taxes		-91	-593	-1,041	-2,816
Net income from continuing operations		**3,848**	**7,078**	**8,416**	**16,433**
Discontinued operations					
Net income from discontinued operations	4	**-3,079**	**247**	**1,729**	**-9,937**
Total net income		**768**	**7,325**	**10,146**	**6,496**
Items that may be reclassified to net income:					
Foreign currency translation differences from continuing operations		5,707	-2,675	10,831	1,303
Foreign currency translation differences from discontinued operations		1,084	937	-1,754	868
Other comprehensive income from associated companies and joint ventures		-18	-80	138	-340
Cash flow hedges		91	-196	-147	-128
Available-for-sale financial instruments		158	-48	729	134
Income taxes relating to items that may be reclassified		221	-56	267	668
Items that will not be reclassified to net income:					
Remeasurements of defined benefit pension plans		91	1,728	-406	-1,297
Income taxes relating to items that will not be reclassified		-30	-375	92	276
Associates remeasurements of defined benefit pension plans		0	-1	-25	-20
Other comprehensive income		**7,304**	**-766**	**9,725**	**1,463**
Total comprehensive income		**8,072**	**6,559**	**19,870**	**7,959**
Total net income attributable to:					
Owners of the parent		754	7,338	9,608	3,732
Non-controlling interests		14	-12	537	2,764
Total comprehensive income attributable to:					
Owners of the parent		8,123	6,636	19,715	4,833
Non-controlling interests		-51	-77	155	3,125
Earnings per share (SEK), basic and diluted		0.17	1.69	2.22	0.86
of which continuing operations, basic and diluted		*0.88*	*1.63*	*1.90*	*3.76*
Number of shares (thousands)					
Outstanding at period-end		4,330,085	4,330,085	4,330,085	4,330,085
Weighted average, basic and diluted		4,330,085	4,330,085	4,330,085	4,330,083
EBITDA in continuing operations		6,263	10,674	25,806	29,813
Adjusted EBITDA in continuing operations		6,590	6,380	25,438	25,836
Depreciation, amortization and impairment losses from continuing operations		-3,307	-3,076	-12,893	-11,534
Adjusted operating income in continuing operations		3,750	3,737	15,069	17,123

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK in millions	Note	Dec 31, 2017	Dec 31, 2016
Assets			
Goodwill and other intangible assets	6, 14	76,652	70,947
Property, plant and equipment	6	60,024	58,107
Investments in associates and joint ventures, pension obligation assets and other non-current assets		16,151	27,934
Deferred tax assets		3,003	4,366
Long-term interest-bearing receivables	10	18,674	18,120
Total non-current assets		*174,503*	*179,475*
Inventories		1,521	1,792
Trade and other receivables and current tax receivables		16,462	17,468
Short-term interest-bearing receivables	10	17,335	11,143
Cash and cash equivalents	10	15,616	14,510
Assets classified as held for sale	4, 10	18,408	29,042
Total current assets		*69,341*	*73,955*
Total assets		**243,845**	**253,430**
Equity and liabilities			
Equity attributable to owners of the parent		99,970	89,833
Equity attributable to non-controlling interests		5,260	5,036
Total equity		*105,230*	*94,869*
Long-term borrowings	7, 10	87,813	83,161
Deferred tax liabilities		8,766	10,567
Provisions for pensions and other long-term provisions	4	8,210	7,282
Other long-term liabilities		1,950	725
Total non-current liabilities		*106,740*	*101,734*
Short-term borrowings	7, 10	3,674	11,307
Trade payables and other current liabilities, current tax payables and short-term provisions	4	19,649	31,892
Liabilities directly associated with assets classified as held for sale	4, 10	8,552	13,627
Total current liabilities		*31,875*	*56,826*
Total equity and liabilities		**243,845**	**253,430**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SEK in millions	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Cash flow before change in working capital	5,984	5,979	28,234	25,964
Change in working capital[1]	471	-651	-4,665	6
Cash flow from operating activities	**6,455**	**5,328**	**23,569**	**25,970**
of which from discontinued operations[1]	*601*	*637*	*-2,744*	*3,460*
Cash CAPEX	-4,869	-5,709	-16,405	-18,703
Free cash flow	**1,586**	**-381**	**7,164**	**7,267**
of which from discontinued operations	*335*	*-413*	*-4,640*	*116*
Cash flow from other investing activities	6,299	1,311	6,290	11,275
Total cash flow from investing activities	**1,430**	**-4,398**	**-10,115**	**-7,428**
of which from discontinued operations	*-1,270*	*-1,102*	*-3,602*	*-1,508*
Cash flow before financing activities	**7,885**	**929**	**13,454**	**18,542**
Cash flow from financing activities	**-8,128**	**-6,694**	**-13,905**	**-22,491**
of which from discontinued operations	*-109*	*-50*	*-589*	*-1,976*
Cash flow for the period	**-243**	**-5,764**	**-451**	**-3,949**
of which from discontinued operations	*-778*	*-516*	*-6,935*	*-24*
Cash and cash equivalents, opening balance	**20,789**	**27,969**	**22,907**	**25,334**
Cash flow for the period	-243	-5,764	-451	-3,949
Exchange rate differences in cash and cash equivalents	438	702	-1,472	1,523
Cash and cash equivalents, closing balance	**20,984**	**22,907**	**20,984**	**22,907**
of which from continuing operations (including Sergel for comparative figures)	*15,616*	*14,605*	*15,616*	*14,605*
of which from discontinued operations (Eurasia)	*5,368*	*8,302*	*5,368*	*8,302*

1) The cash flow effect from the global settlement with the authorities regarding the Uzbekistan investigations amounts to SEK 6,129 million in the third quarter 2017 and is classified as cash flow from discontinued operations. The outstanding provision, amounting to SEK 1,650 million after discount effect, is recognized as a long-term provision in the consolidated statements of financial position.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SEK in millions	Owners of the parent	Non-controlling interests	Total equity
Opening balance, January 1, 2016	**97,884**	**4,318**	**102,202**
Dividends	-12,990	-2,365	-15,355
Share-based payments	28	–	28
Repurchased treasury shares	-5	–	-5
Change in non-controlling interests	42	-43	–
Total transactions with owners	*-12,924*	*-2,408*	*-15,331*
Total comprehensive income	4,833	3,125	7,959
Effect of equity transactions in associates	39	–	39
Closing balance, December 31, 2016	**89,833**	**5,036**	**94,869**
Opening balance, January 1, 2017	**89,833**	**5,036**	**94,869**
Dividends	-8,660	-835	-9,495
Share-based payments	33	–	33
Repurchased treasury shares	-4	–	-4
Change in non-controlling interests[1]	-903	903	–
Total transactions with owners	*-9,534*	*69*	*-9,466*
Total comprehensive income	19,715	155	19,870
Effect of equity transactions in associates	-43	–	-43
Closing balance, December 31, 2017	**99,970**	**5,260**	**105,230**

1) Non-controlling interests in Fintur increased with SEK 766 million due to reduced ownership in Turkcell. Capitalization of Ucell (Coscom) and Uzbek Telecom Holding B.V. resulted in an increase in non-controlling interests of SEK 138 million.

NOTE 1. BASIS OF PREPARATION

General

Telia Company's consolidated financial statements for the fourth quarter and for the twelve-month period ended December 31, 2017, have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The parent company's financial statements have been prepared in accordance with the Swedish Annual Reports Act as well as standard RFR 2 Accounting for Legal Entities and other statements issued by the Swedish Financial Reporting Board. For the group this Interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and for the Parent Company in accordance with the Swedish Annual Reports Act. The accounting policies adopted and computation methods used are consistent with those followed in the Annual and Sustainability Report 2016, except as described below. All amounts in this report are presented in SEK millions, unless otherwise stated. Rounding differences may occur.

New accounting standards effective on or after January 1, 2018

Telia Company has not pre-adopted any of the new standards effective on or after January 1, 2018.

IFRS 15 "Revenue from Contracts with customers"

IFRS 15 "Revenue from Contracts with Customers" is effective for the annual reporting period beginning January 1, 2018. Telia Company will apply the new standard using the full retrospective method (subject to practical expedients in the standard), with adjustments to all periods presented.

IFRS 15 specifies how and when revenue should be recognized as well as requires more detailed revenue disclosures. The standard provides a single, principle based five-step model to be applied to all contracts with customers and among others gives detailed guidance on the accounting for:

Bundled offerings: Telia Company's current accounting and recognition of revenue for bundled offerings and allocation of the consideration between equipment and service is in line with IFRS 15. A detailed analysis of the performance obligations and the revenue recognition for each type of customer contract has been performed and the model currently used has been slightly refined for some types of customer contracts, the effect is not material.

Incremental costs for obtaining a contract: Sales commissions and equipment subsidies granted to dealers for obtaining a specific contract should be capitalized and deferred over the period over which Telia Company expects to provide services to the customer. Telia Company currently does not capitalize such costs. The main effect of implementing IFRS 15 for Telia Company is related to capitalization of costs.

Financing: If the period between payment and transfer of goods and services is beyond one year, adjustments for the time value of money should be made at the prevailing interest rates in the relevant market. Telia Company currently apply discounting, using the group's average borrowing rate and the model will therefore be adjusted, but the effect is not material.

Contract modifications: Guidance is included on when to account for modifications retrospectively or progressively. The new guidance will not have any material revenue effect for Telia Company.

Disclosures: IFRS 15 adds a number of disclosure requirements in annual reports, e.g. to disaggregate revenues into categories that depict how the nature, amount, timing and uncertainty of revenues and cash flows are affected by economic factors.

The tables below present the impact that the initial application of IFRS 15 will have on the consolidated financial statements in the period of initial application.

IFRS 15 effects on Condensed consolidated statements of financial position

SEK in billions	Reported Dec 31, 2016	Change IFRS 15	Ref	Restated Jan 1, 2017	Reported Dec 31, 2017	Change IFRS 15	Ref	Restated Dec 31, 2017
Assets								
Costs to obtain a contract and other contract assets, Non-current	–	1.3	a	1.3	–	1.4	a	1.4
Other non-current assets	179.5			179.5	174.5			174.5
Total non-current assets	*179.5*	*1.3*		*180.7*	*174.5*	*1.4*		*175.9*
Trade and other receivables and current tax receivables	17.5	0.0		17.5	16.5	-0.1		16.4
Other current assets	27.4			27.4	34.5			34.5
Assets classified as held for sale	29.0	0.1	f	29.1	18.4	0.1	f	18.5
Total current assets	*74.0*	*0.1*		*74.1*	*69.3*	*0.1*		*69.3*
Total assets	**253.4**	**1.4**		**254.8**	**243.8**	**1.4**		**245.3**
Equity attributable to owners of the parent	89.8	1.2		91.0	100.0	1.2		101.2
Equity attributable to non-controlling interests	5.0	0.0		5.0	5.3	0.0		5.3
Total equity	*94.9*	*1.2*	*a*	*96.1*	*105.2*	*1.2*	*a*	*106.4*
Deferred tax liabilities	10.6	0.2	e	10.7	8.8	0.2	e	9.0
Provisions and other non-current liabilities	91.2			91.2	98.0			98.0
Total non-current liabilities	*101.7*	*0.2*		*101.9*	*106.7*	*0.2*		*106.9*
Short-term borrowings	11.3			11.3	3.7			3.7
Trade payables and other current liabilities, current tax payables and short-term provisions	31.9	0.0		31.9	19.6	0.0		19.7
Liabilities directly associated with assets classified as held for sale	13.6	0.0	f	13.6	8.6	0.0	f	8.6
Total current liabilities	*56.8*	*0.0*		*56.8*	*31.9*	*0.0*		*31.9*
Total equity and liabilities	**253.4**	**1.4**		**254.8**	**243.8**	**1.4**		**245.3**

IFRS 15 effects on Condensed consolidated statements of comprehensive income

SEK in billions	Reported Jan-Dec 2017	Change IFRS 15	Ref	Restated Jan-Dec 2017
Net sales	79.9	-0.1	b	79.8
Cost of sales	-49.2			-49.2
Gross profit	**30.7**	**-0.1**		**30.6**
Selling, administration and R&D expenses	-18.5	0.2	c	-18.3
Other operating income and expenses, net and income from associated companies and joint ventures	1.5			1.5
Operating income	**13.7**	**0.1**		**13.8**
Financial items, net	-4.2	0.0	d	-4.2
Income after financial items	**9.5**	**0.1**		**9.6**
Income taxes	-1.0	0.0	e	-1.1
Net income from continuing operations	**8.4**	**0.1**		**8.5**
Net income from discontinued operations	**1.7**	**0.0**	f	**1.7**
Total net income	**10.1**	**0.1**		**10.2**
Other comprehensive income	**9.7**	**0.0**		**9.7**
Total comprehensive income	**19.9**	**0.1**		**20.0**

a) The implementation of IFRS 15 will have a positive equity effect of SEK 1.2 billion per the transition date January 1, 2017 and per December 31, 2017. The increase is mainly related to capitalization of incremental costs for obtaining a new contract. The net income effect for 2017 will be limited.

b) The limited effect on revenue is related to refining of Telia Company's current revenue model for bundled offerings.

c) Selling and administration expenses in 2017 will be reduced by SEK 1.3 billion due to capitalization of costs to obtain a contract. The 2017 amortization of the capitalized contract costs of SEK -1.2 billion is also included in Selling, administration and R&D expenses and will lead to a net effect of SEK 0.2 billion.

d) The minor adjustment of the discount rate and calculation model used for the financing component in customer contracts will have an immaterial effect on net income 2017.

e) The deferred tax relating to the IFRS 15 adjustments will increase deferred tax liabilities by SEK 0.2 billion at the date of transition January 1, 2017 and at December 31, 2017. The tax effect on net income 2017 will be immaterial.

f) The implementation of IFRS 15 will have no material effect on discontinued operations and assets held for sale. The implementation effects mainly relates to capitalization of customer acquisition costs.

IFRS 9 “Financial Instruments”

IFRS 9 “Financial Instruments” is effective as of January 1, 2018, and will replace IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 includes new requirements for classification and measurement, impairment and hedge accounting. During 2017 Telia Company has performed a review and an assessment of the potential effects on the financial assets and financial liabilities. Based on the conclusions from the review and assessment, the implementation of the new standard is expected to have the following impact for Telia Company:
Classification and measurement: For equity instruments designated at “fair value through OCI” under IFRS 9 only dividend income is recognized in the income statement, all other gains and losses are recognized in OCI without reclassification on derecognition. This differs from the treatment of “available-for-sale” equity instruments under IAS 39 where gains and losses recognized in OCI are reclassified on derecognition or impairment.
Impairment: IFRS 9 introduces a new impairment model based on expected losses, (rather than incurred losses as per IAS 39). Telia Company’s conclusion, based on the assessment performed, is that the new impairment model will not have any significant impact on the financial assets. Hedge accounting: The new hedge requirements will have no material impact on current hedge activities, but will better reflect Telia Company’s business reasons. As permitted by IFRS 9, Telia Company has chosen not to restate comparative figures.

IFRS 16 “Leases”

Telia Company’s project for IFRS 16 "Leases" continued during the fourth quarter of 2017 and is proceeding according to plan. Telia Company continues to assess the impact of the new standard on the consolidated financial statements. For more information, see the Annual and Sustainability Report 2016.

Restatement of operational data

As a result of a review in the first quarter of 2017 of certain types of mobile subscriptions in Sweden the operational data for number of subscriptions 2016 has been restated for comparability.

Assets held for sale and discontinued operations

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. The Sergel companies (Sergel) are included in continuing operations until the disposal as of June 30, 2017, but classified as assets held for sale since June 30, 2016. The 6.2 percent holding in MegaFon, disposed during October 2017, was classified as asset held for sale as per September 30, 2017. In November 2017, Telia Company completed the disposal of the remaining 19.0 percent holding. For information on assets held for sale and discontinued operations, see Note 4.

Segments

Telia Company has a revised organizational setup as of January 1, 2017. Based on the new operating model Telia Company has reported the following six operating segments separately from 2017: Sweden, Finland, Norway, Denmark, Lithuania and Estonia. Other operations include Latvia, the Telia Carrier operations, Telia Company’s shareholding in the associate Turkish Turkcell and former associate Russian MegaFon as well as Group functions. Comparative figures have been restated to reflect the new operating segments. Spain (which was disposed in 2016) has been included in Other operations.

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015, and is therefore not included in the segment information.

Correction of prior period classification errors

There were no corrections in the group financial statements. For restatements of prior periods for the parent company, see section Parent company

NOTE 2. REFERENCES

For more information regarding:

- Sales and earnings, Cash flow and Financial position see pages 6-8.
- Significant events in the first, second, third and fourth quarter, see page 9-10.
- Significant events after the end of the fourth quarter, see page 10.
- Risks and uncertainties, see pages 44.

NOTE 3. ADJUSTMENT ITEMS

Adjustment items within operating income, continuing operations

SEK in millions	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Within EBITDA	**-327**	**4,294**	**368**	**3,977**
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.:				
Sweden	-119	-85	-268	-362
Finland	-16	-7	-84	-52
Norway	-32	-7	-143	-42
Denmark	-58	-0	-72	-29
Lithuania	-5	-12	-29	-52
Estonia	-18	-3	-23	-20
Other operations	-87	-102	-229	-128
Capital gains/losses[1]	9	4,510	1,215	4,662
Within Depreciation, amortization and impairment losses[2]	**-88**	–	**-803**	–
Within Income from associated companies and joint ventures	**2,795**	**-10**	**-942**	**-10**
Capital gains/losses[3]	2,795	-10	-942	-10
Total adjustment items within operating income, continuing operations	**2,380**	**4,285**	**-1,378**	**3,967**

Adjustment items within EBITDA, discontinued operations (region Eurasia)

SEK in millions	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Within EBITDA	**-14**	**-573**	**3,971**	**-11,952**
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc[4]	-17	-1,035	4,163	-13,693
Impairment loss on remeasurement to fair value less costs to sell	–	–	–	-52
Capital gains/losses	3	462	-190	1,793
Total adjustment items within EBITDA, discontinued operations	**-14**	**-573**	**3,971**	**-11,952**

1) Full year 2017 includes the second quarter capital gain of the disposal of Sergel. Comparative figures are impacted by the disposal of Yoigo in Spain.
2) Includes a write-down as a result of an assessment performed on IT and network assets, mainly related to plant and machinery and capitalized development expenses.
3) The fourth quarter 2017 includes a capital gain from disposal of 6.2 percent holding in MegaFon. Full year 2017 also includes the capital losses (including cumulative exchange loss in equity reclassified to net income) from the disposals of 14,0 percent holding in Turkcell.
4) Full year 2017 includes the effect of the adjusted provision in the first quarter and a positive effect from the settlement with the authorities regarding the Uzbekistan investigations. Comparative year to date figures are impacted by the original provision recognized in the third quarter 2016.

NOTE 4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Classification

Eurasia

Former segment region Eurasia (including holding companies) is classified as held for sale and discontinued operations since December 31, 2015. The holding companies will be disposed or liquidated in connection with the transactions. Ncell in Nepal was disposed during 2016 and Tcell in Tajikistan was disposed in April 2017. Telia Company is still committed to the plan to dispose the remaining parts of Eurasia and the delays in the sales processes were caused by events and circumstances beyond Telia Company's control. Telia Company has taken actions necessary to respond the change in circumstances, the units are available for immediate sale and are being actively marketed at reasonable prices given the changes in circumstances. The sales processes relating to all Eurasian units are in the final stages, bids have been received and term negotiations are ongoing. Disposals of the remaining Eurasian units are therefore deemed highly probable within 2018.

Sergel

Sergel was classified as held for sale from June 30, 2016, and in the segment reporting Sergel was part of Other operations. It was not considered to represent a separate major line of business or geographical area of operations and was therefore not presented as discontinued operations. Sergel was disposed on June 30, 2017.

MegaFon

In September 2017, Telia Company decided to dispose a portion of the investment in MegaFon representing 6.2 percent of MegaFon's issued share capital. The 6.2 percent portion of MegaFon's shares was therefore classified as assets held for sale per September 30, 2017. The remaining part of Telia Company's investment in MegaFon was classified as investments in associated companies per September 30, 2017 since Telia Company per that date had significant influence in MegaFon. The disposal was made on October 3, 2017. As a consequence of the transaction, Telia Company's significant influence in MegaFon was lost and the remaining investment was reclassified from an associated company to a financial asset. On November 2, 2017, Telia Company completed the disposal of the remaining 19.0 percent holding. For more information see section Disposals below.

Presentation

Former segment region Eurasia (including holding companies), which is classified as discontinued operations, is presented as a single amount in the consolidated statements of comprehensive income. The consolidated cash flow statement is presented including region Eurasia, but with additional information on cash flows from operating, investing and financing activities and free cash flow for region Eurasia. Eurasia and a property in Denmark (and Sergel for comparative figures) are classified as held for sale and the related assets and liabilities are therefore presented separately in two line items in the consolidated statement of financial position. The amounts for discontinued operations and assets and liabilities held for sale in the consolidated financial statements are presented after elimination of intra-group transactions and intra-group balances.

Measurement

In accordance with IFRS 5 discontinued operations and assets held for sale are measured at the lower of carrying value and estimated fair value less costs to sell. The valuation is based on an assessment of the input from the sales processes and the risks in the different countries. Non-current assets held for sale and non-current assets included in discontinued operations or disposal groups held for sale are not depreciated or amortized. Depreciation and amortization in discontinued operations (Eurasia) of SEK 1.8 billion have been reversed in 2017 (2.0).

The remeasurement of the net assets in region Eurasia per December 31, 2015, resulted in an impairment charge in the fourth quarter of 2015 of SEK 5.3 billion related to goodwill and other fixed assets in Uzbekistan. In 2016 Ucell was impaired by SEK 1,950 million due to increased carrying values. Due to increased regulatory and currency risks in Uzbekistan as well as an updated view of the valuation ranges for Ucell, management's best estimate of the risk adjusted debt free value of Ucell was reduced from SEK 3.3 billion to SEK 1.3 billion as of June 30, 2017. An impairment loss relating to Ucell of SEK 1,500 million (after changes in carrying values and foreign exchange rates) was recognized in the second quarter 2017. During the third quarter of 2017 the Uzbekistan currency was devaluated. As a consequence of the devaluation, a reversal of part of the second quarter impairment charge was recorded in the third quarter 2017 amounting to SEK 200 million. Management's best estimate of the risk adjusted debt free value of Ucell remains unchanged at SEK 1.3 billion per December 31, 2017. Changes in any of the estimated risk adjustments made for Ucell would have a material impact on the estimated fair value. The most significant impact on fair value will be the buyer's ability to operate in the country and convert local currency. For more information on valuation of Ucell, see the Annual and Sustainability Report 2016. Due to increased carrying values for Ucell, an impairment charge of SEK 300 million was recognized in the fourth quarter 2017. In total Ucell was impaired by SEK 1,600 million in 2017.

Based on the most recent developments in the ongoing sales processes for Fintur, management's best estimates of the fair values less costs to sell for the Fintur units per December 31, 2017, have resulted in a total impairment of SEK 3,550 million in the fourth quarter, whereof SEK 2,550 million relates to Azercell, SEK 450 million to Moldcell and SEK 550 million to Geocell respectively. There has been no impairment of Kcell. Management's best estimates of the fair values are based on bids received and other input from the sales processes.

Telia Company made a write-down of SEK 330 million in the second quarter 2017 of its holding in the associated company TOO Rodnik in Kazakhstan which Telia consolidates to 50 percent. Rodnik owns the listed company AO KazTransCom. Based on the development in ongoing negotiations, the associate was no longer deemed having a recoverable value.

Disposals

Ncell in Nepal

On April 11, 2016, Telia Company completed disposal of its holdings in Ncell in Nepal to Axiata, one of Asia's largest telecommunication groups. The disposal, all transactions included, resulted in a total capital gain of SEK 1,035 million for the group in 2016, whereof a loss of SEK 927 million was attributable to owners of the parent and a gain of SEK 1,962 million was attributable to non-controlling interests. The sale resulted in a loss for the parent shareholders mainly due to the carrying value of goodwill in Ncell (not attributable to minority) and provisions for parent shareholder's transaction warranties.

In the first quarter of 2017 the net cash flow effect for the group was SEK 0.9 billion (relating to both parent shareholders and non-controlling-interests), which mainly referred to release of escrow accounts, reclassification of receivables and payment of transaction warranties. The net cash flow effect for the group in 2016 was SEK 9.3 billion.

The total price for all transactions was SEK 14.0 billion and as of March 31, 2017, all had been received in cash. The minority owner Visor's sales price was distributed to Visor during 2016 and the first quarter of 2017. Provisions for transaction warranties are included in the statement of financial position for continuing operations. The final amounts relating to the Ncell disposal are still subject to deviations in transaction warranties and related foreign exchange rates. Ncell in Nepal was part of the former segment region Eurasia which is classified as discontinued operations.

Telia Company has, subsequent of the disposal, received requests from the Nepalese tax authorities to submit a tax return on the disposal to Axiata. Telia Company's assessment is that there is no obligation to file a tax return, or pay any capital gain tax, in Nepal since the sales transaction is not taxable in Nepal.

Tcell in Tajikistan

In September 2016, Telia Company signed an agreement to sell its 60 percent holding in Central Asian Telecommunications Development B.V., which controls CJSC "Indigo Tajikistan" (Tcell), to the Aga Khan Fund for Economic Development (AKFED). AKFED was the minority owner in Central Asian Telecommunications Development B.V. with a 40 percent holding. The transaction was subject to regulatory approvals in Tajikistan and Telia Company had taken all relevant actions trying to close the deal. The agreement expired on March 31, 2017, since the Anti-Monopoly Service in Tajikistan did not reply by the stipulated deadline between Telia Company and AKFED. The agreed transaction price for Tcell was based on an enterprise value of USD 66 million, of which Telia Company's 60 percent share corresponded to USD 39 million (approximately USD 13 million in equity value). The carrying value of the operation in Tajikistan was adjusted to zero resulting in an impairment loss of SEK 222 million in the first quarter of 2017.

In April 2017, Telia Company signed a new agreement with AKFED and finalized the disposal of the Tajik operations. The capital loss was SEK 193 million, which related to reclassification of accumulated negative foreign exchange differences to net income. The transaction had no material cash flow effect. After the disposal Telia Company has no risks, such as claims or any obligations, left in Tajikistan.

Sergel

In June 2016, Telia Company signed an agreement to dispose its 100 percent holding in Sergel (credit management services and debt purchase business) to Marginalen at an enterprise value of SEK 2.1 billion. The transaction was approved by the Swedish Financial Supervisory Authority as well as Competition Authorities, and Sergel was disposed on June 30, 2017. The disposal resulted in a capital gain of SEK 1,213 million. The disposal had a positive net cash flow effect of SEK 1,908 million and reduced net debt by SEK 1,942 million.

MegaFon in Russia

On October 3, 2017, Telia Company completed disposal of an aggregate of 38.5 million ordinary shares representing 6.2 percent of MegaFon's issued share capital to institutional investors by way of an accelerated book building offering ("placing"). The placing was made at a price of RUB 585 per ordinary share, raising gross proceeds of SEK 3.2 billion and resulted in a capital gain of SEK 2,795 million (including cumulative exchange loss in equity reclassified to net income of SEK -6,083 million), which was recognized in other operating income. Following the completion of the transaction, Telia Company's share in MegaFon was reduced from 25.2 percent to 19.0 percent. As a consequence of the transaction, Telia Company's significant influence in MegaFon was lost and the remaining investment was reclassified from an associated company to a financial asset. On November 2, 2017, Telia Company completed the disposal of the remaining 19.0 percent holding in MegaFon to Gazprombank at a price of RUB 514 per share, raising gross proceeds of RUB 60.4 billion (equivalent to approximately SEK 8.6) billion and resulting in a capital loss of SEK 1,275 million, which was recognized in finance net. The disposals in total reduced net debt by approximately SEK 11.8 billion and led to a net capital gain of SEK 1.521 million.

Provision for settlement amount agreed with the US and Dutch authorities

The US and Dutch authorities have investigated historical transactions related to Telia Company's entry into Uzbekistan in 2007. As announced on September 15, 2016, Telia Company received a proposal from the authorities for resolution of the pending investigations. The authorities proposed a global resolution that included a total financial sanction of USD 1.45 billion. Without certainty as to the timing and amount that would be paid at the time of a final resolution, Telia Company recorded a USD 1.45 billion provision (SEK 13.2 billion per December 31, 2016). Resolution of the various investigations was complex, but constructive discussions with the government agencies involved in the investigations was continued with good progress during 2017. As per March 31, 2017, a final resolution had not yet been reached, but in light of developments to that date in those discussions, the estimate of the most likely outcome was revised and the provision was adjusted to USD 1.0 billion (SEK 8.9 billion at that point in time). As per June 30, 2017, the provision remained unchanged at USD 1.0 billion corresponding to SEK 8.5 billion, where the change in the amount in SEK was related to changed foreign exchange rate.

On September 21, 2017, Telia Company reached a global settlement with the US and Dutch authorities regarding the Uzbekistan investigations. As part of the settlement, Telia Company agreed to pay fines and disgorgements in an aggregate amount of USD 965 million, whereof USD 757 million (SEK 6,129 million) were paid during the third quarter. The payment is included in the line item "Change in working capital" in the Condensed consolidated statements of cash flows and is classified within discontinued operations. The remaining part, SEK 1,698 million (USD 208 million) is related to the SEC disgorgement amount potentially offset against any disgorgement obtained by the Swedish Prosecutor or Dutch authorities. This amount is discounted and classified as a long-term provision, included in the line item "Provisions for pensions and other long-term provisions" in the condensed consolidated statements of financial position. The settlement resulted in a SEK 252 million positive net income effect in the third quarter, whereof SEK 275 million (USD 34 million) was related to adjustment of the proposed settlement amount, SEK 66 million was discounting effect related to the remaining long term provision and SEK -90 million was related to exchange rate fluctuations. There were no material effects on net income in the fourth quarter of 2017. The net income effect is recognized within discontinued operations and is disclosed as "Expenses and other operating income, net" in the table "Net income from discontinued operations (Region Eurasia)" below. The net income effect and the cash flow effect are classified as part of discontinued operations based on that the expenses and the cash flows are related to the operations in Uzbekistan. The settlement amount excluding foreign currency effects and hedge effects is non-tax deductible. The outstanding discounted provision amounts to SEK 1,650 million as per December 31, 2017. The provision is classified as part of liabilities relating to continuing operations as the provision will not be part of the sale of the Eurasian net assets.

Net income from discontinued operations (region Eurasia)

SEK in millions, except per share data	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	2,357	3,336	11,268	13,653
Expenses and other operating income, net[1]	-1,568	-2,346	-2,850	-20,701
Operating income	**789**	**990**	**8,418**	**-7,048**
Financial items, net	-31	168	-218	-315
Income after financial items	**758**	**1,158**	**8,200**	**-7,364**
Income taxes	13	-89	-549	-1,208
Net income before remeasurement and gain/loss on disposal	**771**	**1,069**	**7,651**	**-8,572**
Impairment loss/impairment reversal on remeasurement to fair value less costs to sell[2]	-3,850	-600	-5,729	-2,400
Gain on disposal of Ncell in Nepal (including cumulative Ncell exchange loss in equity reclassified to net income of SEK -1,065 million)[3]	–	-223	–	1,035
of which loss attributable to parent shareholders	–	*-39*	–	*-927*
of which gain attributable to non-controlling interests	–	*-184*	–	*1,962*
Loss on disposal of Tcell in Tajikistan (including cumulative Tcell exchange loss in equity reclassified to net income of SEK -193 million)[3]	–	–	-193	–
Net income from discontinued operations	**-3,079**	**247**	**1,729**	**-9,937**
EPS from discontinued operations (SEK)	-0.70	0.07	0.32	-2.90
Adjusted EBITDA	799	1,347	4,246	5,880

1) The global settlement with the authorities regarding the Uzbekistan investigations resulted in a positive effect of SEK 252 million in the third quarter of 2017. The full year 2017 also include the effect of the adjustment of the provision that was recognized in the first quarter. Full year 2016 are impacted by the initial provision recognized in the third quarter 2016.
2) Non-tax deductible.
3) Non-taxable gain/loss.

Assets classified as held for sale

SEK in millions	Eurasia Dec 31, 2017	Property, plant and equipment Dec 31, 2017[3]	Total, Dec 31, 2017	Eurasia Dec 31, 2016[1]	Sergel, Dec 31, 2016	Total, Dec 31, 2016[1]
Goodwill and other intangible assets	2,694	–	2,694	7,562	38	7,601
Property, plant and equipment	6,329	28	6,358	7,551	6	7,557
Other non-current assets	109	–	109	448	251	699
Short-term interest-bearing receivables	2,091	–	2,091	1,889	1	1,890
Other current assets[1]	1,787	–	1,787	2,329	568	2,898
Cash and cash equivalents[1]	5,368	–	5,368	8,302	95	8,397
Assets classified as held for sale	**18,379**	**28**	**18,408**	**28,082**	**960**	**29,042**
Long-term borrowings	295	–	295	355	–	355
Long-term provisions	1,883	–	1,883	2,652	149	2,801
Other long-term liabilities	1,197	–	1,197	3,711	5	3,716
Short-term borrowings	1,428	–	1,428	1,612	–	1,612
Other current liabilities	3,749	–	3,749	4,932	211	5,144
Liabilities associated with assets classified as held for sale	**8,552**	**–**	**8,552**	**13,262**	**365**	**13,627**
Net assets classified as held for sale[2]	**9,827**	**28**	**9,856**	**14,819**	**596**	**15,415**

1) The minority owner Visor's share of the sales price for Ncell and Visor's share of the holding company Reynolds Holding have been distributed to Visor during 2016 and the first quarter 2017. As of December 31, 2016, SEK 0.3 billion remained within cash and cash equivalents. The provisions for transaction warranties and the sales price for Telia Company's 60.4 percent ownership in Ncell and Telia Company's share in the holding company Reynolds Holding, as well as sales price for Telia Company's economic interest in the 20 percent local shares in Ncell are included in continuing operations.
2) Represents 100 percent of external assets and liabilities, i.e. non-controlling interests' share of net assets are included.
3) Refers to a property in Denmark that is available for immediate sale and will be sold during 2018.

NOTE 5. SEGMENT INFORMATION

SEK in millions	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales				
Sweden	9,713	9,975	36,825	37,251
of which external	*9,646*	*9,891*	*36,578*	*36,938*
Finland	3,763	3,513	13,742	13,042
of which external	*3,717*	*3,463*	*13,575*	*12,869*
Norway	2,674	2,541	10,128	9,057
of which external	*2,668*	*2,536*	*10,104*	*9,037*
Denmark	1,556	1,593	5,945	5,880
of which external	*1,532*	*1,559*	*5,845*	*5,755*
Lithuania	982	903	3,557	3,268
of which external	*969*	*887*	*3,506*	*3,203*
Estonia	782	743	2,824	2,733
of which external	*760*	*722*	*2,737*	*2,655*
Other operations	2,267	2,489	9,047	15,299
Total segments	**21,738**	**21,758**	**82,068**	**86,530**
Eliminations	-551	-629	-2,201	-2,352
Group	**21,187**	**21,130**	**79,867**	**84,178**
Adjusted EBITDA				
Sweden	3,591	3,745	13,749	14,455
Finland	1,137	1,000	4,232	4,059
Norway	851	865	3,520	3,125
Denmark	211	199	691	692
Lithuania	335	286	1,227	1,139
Estonia	215	207	871	811
Other operations	250	77	1,149	1,555
Total segments	**6,590**	**6,380**	**25,438**	**25,836**
Eliminations	–	–	–	–
Group	**6,590**	**6,380**	**25,438**	**25,836**
Operating income				
Sweden	1,998	2,329	8,198	9,360
Finland	444	484	1,889	2,039
Norway	401	399	1,807	1,562
Denmark	-81	-5	-174	-89
Lithuania	189	136	635	531
Estonia	58	72	326	288
Other operations	3,121	4,608	1,008	7,398
Total segments	**6,130**	**8,022**	**13,690**	**21,090**
Eliminations	–	–	–	–
Group	**6,130**	**8,022**	**13,690**	**21,090**
Financial items, net	-2,191	-351	-4,234	-1,841
Income after financial items	**3,939**	**7,671**	**9,457**	**19,249**

SEK in millions	Dec 31, 2017 Segment assets	Dec 31, 2017 Segment liabilities	Dec 31, 2016 Segment assets	Dec 31, 2016 Segment liabilities
Sweden	46,230	11,522	46,157	11,304
Finland	48,988	4,970	44,798	3,462
Norway	28,531	2,531	27,583	2,207
Denmark	8,129	1,412	8,689	1,564
Lithuania	7,153	767	6,893	701
Estonia	5,168	588	5,090	442
Other operations	26,532	8,730	37,752	21,217
Total segments	**170,732**	**30,520**	**176,962**	**40,896**
Unallocated	54,705	99,543	47,425	104,037
Assets and liabilities held for sale	18,408	8,552	29,042	13,627
Total assets/liabilities, group	**243,845**	**138,615**	**253,430**	**158,561**

NOTE 6. INVESTMENTS

SEK in millions	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
CAPEX	**4,548**	**5,007**	**15,672**	**15,625**
Intangible assets	891	1,170	4,147	2,787
Property, plant and equipment	3,657	3,838	11,525	12,838
Acquisitions and other investments	**220**	**144**	**4,973**	**483**
Asset retirement obligations	75	126	60	337
Goodwill, intangible and tangible non-current assets acquired in business combinations	119	6	4,886	34
Equity holdings	26	12	27	112
Total continuing operations	**4,768**	**5,151**	**20,645**	**16,108**
Total discontinued operations	**468**	**3,442**	**1,786**	**5,829**
of which CAPEX	*468*	*3,438*	*1,787*	*5,813*
Total investments	**5,235**	**8,593**	**22,431**	**21,936**
of which CAPEX	*5,016*	*8,445*	*17,458*	*21,439*

NOTE 7. FINANCIAL INSTRUMENTS – FAIR VALUES

Long-term and short-term borrowings[1] SEK in millions	Dec 31, 2017 Carrying value	Dec 31, 2017 Fair value	Dec 31, 2016 Carrying value	Dec 31, 2016 Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	44,918	54,965	37,189	46,135
Interest rate swaps	276	276	37	37
Cross currency interest rate swaps	1,990	1,990	2,648	2,648
Subtotal	**47,184**	**57,231**	**39,873**	**48,819**
Open-market financing program borrowings	38,255	43,269	41,334	45,209
Other borrowings at amortized cost	2,204	2,204	1,733	1,733
Subtotal	**87,642**	**102,704**	**82,940**	**95,761**
Finance lease agreements	171	171	221	221
Total long-term borrowings	**87,813**	**102,875**	**83,161**	**95,982**
Short term borrowings				
Open-market financing program borrowings in fair value hedge relationships	729	735	7,486	7,551
Interest rate swaps	4	4	3	3
Cross currency interest rate swaps	199	199	191	191
Subtotal	**932**	**937**	**7,679**	**7,744**
Utilized bank overdraft and short-term credit facilities at amortized cost	–	–	0	0
Open-market financing program borrowings	1,459	1,461	2,258	2,265
Other borrowings at amortized cost	1,276	1,336	1,360	1,360
Subtotal	**3,668**	**3,734**	**11,297**	**11,368**
Finance lease agreements	6	6	10	10
Total short-term borrowings	**3,674**	**3,740**	**11,307**	**11,378**

1) For financial assets, fair values equal carrying values. For information on fair value estimation, see the Annual and Sustainability Report 2016, Note C3 to the consolidated financial statements.

Financial assets and liabilities by fair value hierarchy level[1] SEK in millions	Dec 31, 2017 Carrying value	of which Level 1	of which Level 2	of which Level 3	Dec 31, 2016 Carrying value	of which Level 1	of which Level 2	of which Level 3
Financial assets at fair value								
Equity instruments available-for-sale	1,899	–	–	1,899	1,162	–	–	1,162
Equity instruments held-for-trading	19	–	–	19	26	–	–	26
Long- and short-term bonds available-for-sale	22,738	18,029	4,709	–	19,186	12,533	6,653	–
Derivatives designated as hedging instruments	1,709	–	1,709	–	2,637	–	2,637	–
Derivatives held-for-trading	1,508	–	1,508	–	3,058	–	3,058	0
Total financial assets at fair value by level	**27,874**	**18,029**	**7,926**	**1,919**	**26,069**	**12,533**	**12,348**	**1,188**
Financial liabilities at fair value								
Derivatives designated as hedging instruments	2,180	–	2,180	–	2,346	–	2,346	–
Derivatives held-for-trading	514	–	514	–	1,226	–	1,226	–
Total financial liabilities at fair value by level	**2,693**	**–**	**2,693**	**–**	**3,572**	**–**	**3,572**	**–**

1) For information on fair value hierarchy levels and fair value estimation, see the Annual and Sustainability Report 2016, Note C3 to the consolidated financial statements and the section below. Comparative figures for Long- and short-term bonds available-for-sale have, during the third quarter, been adjusted with SEK 6,653 million from Level 1 to Level 2.

Fair value measurement of level 3 financial instruments

Investments classified within Level 3 make use of significant unobservable inputs in deriving fair value, as they trade infrequently. As observable prices are not available for these equity instruments, Telia Company has a market approach to derive the fair value.

Telia Company's primary valuation technique used for estimating the fair value of unlisted equity instruments in level 3 is based on the most recent transaction for the specific company if such transaction has been recently done. If there has been significant changes in circumstances between the transaction date and the balance sheet date that, in the assessment of Telia Company, would have a material impact on the fair value, the carrying value is adjusted to reflect the changes.

In addition, the assessment of the fair value of material unlisted equity instruments is verified by applying other valuation models in the form of valuation multiples from listed comparable companies (peers) on relevant financial and operational metrics, such as revenue, gross profit and other relevant KPIs for the specific company. Comparable listed companies are determined based on industry, size, development stage, geographic area and strategy. The multiple is calculated by dividing the enterprise value of the comparable company by the relevant metric. The multiple is then adjusted for discounts/premiums with regards to differences, advantages and disadvantages between Telia Company's investment and the comparable public companies based on company specific facts and circumstances.

Although Telia Company uses its best judgement, and cross-references results of the primary valuation model against other models in estimating the fair value of unlisted equity instruments, there are inherent limitations in any estimation techniques. The fair value estimates presented herein are not necessarily indicative of an amount that Telia Company could realize in a current transaction. Future confirming events will also affect the estimates of fair value. The effect of such events on the estimates of fair value could be material.

Unlisted equity instruments for which the fair value cannot be reliably measured are measured at cost less any impairment.

The table below presents the movement in level 3 instruments for the twelve-month period ended December 31, 2017. The change in fair value of SEK 738 million in 2017 for equity instruments available-for-sale relates to a revaluation of Telia Company's 1.4 percent holding in Spotify. The investment in Spotify was remeasured in the third and fourth quarter of 2017 based on the share price in the most recent transactions made for Spotify during September and December 2017, respectively.

	Jan-Dec 2017				
SEK in millions	**Equity instruments available-for-sale**	**Equity instruments held-for-trading**	**Long- and short-term bonds available-for-sale**	**Derivatives held-for-trading**	**Total**
Level 3, opening balance	**1,162**	**26**	**–**	**–**	**1,188**
Changes in fair value	738	-7	–	–	731
of which recognized in net income	*–*	*-7*	–	–	*-7*
of which recognized in other comprehensive income	*738*	–	–	–	*738*
Exchange rate differences	–	0	–	–	0
Level 3, closing balance	**1,899**	**19**	**–**	**–**	**1,919**

	Jan-Dec 2016				
SEK in millions	**Equity instruments available-for-sale**	**Equity instruments held-for-trading**	**Long- and short-term bonds available-for-sale**	**Derivatives held-for-trading**	**Total**
Level 3, opening balance	**1,053**	**35**	–	**65**	**1,153**
Changes in fair value	-4	–	–	–	-4
of which recognized in net income	–	–	–	–	–
of which recognized in other comprehensive income	*-4*	–	–	–	*-4*
Purchases/capital contributions	48	–	–	–	48
Transfer into/out of level 3	65	–		-65	0
Exchange rate differences	–	-10	–	–	-10
Reclassified to assets classified as held for sale	–	–	–	–	–
Level 3, closing balance	**1,162**	**26**	**–**	**0**	**1,188**

NOTE 8. TREASURY SHARES

No Telia Company shares were held by the company or by its subsidiaries as of December 31, 2017, or as of December 31, 2016. The total numbers of issued and outstanding shares were 4,330,084,781.

NOTE 9. RELATED PARTY TRANSACTIONS

In the twelve-month period ended December 31, 2017, Telia Company purchased goods and services for SEK 28 million (96), and sold goods and services for SEK 13 million (91). Related parties in these transactions were mainly the associated companies MegaFon (until the disposal), Turkcell and Lattelecom. Related party transactions are based on commercial terms.

NOTE 10. NET DEBT, CONTINUING AND DISCONTINUED OPERATIONS

Net debt presented below is based on the total Telia Company group for both continuing and discontinued operations.

SEK in millions	Dec 31, 2017	Dec 31, 2016
Long-term borrowings	88,108	83,516
Less 50 percent of hybrid capital[1]	-7,670	–
Short-term borrowings	5,102	12,919
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA)	-3,032	-5,455
Less long-term bonds available for sale	-12,084	-10,185
Less short-term investments	-15,616	-7,132
Less cash and cash equivalents	-20,984	-22,907
Net debt, continuing and discontinued operations	**33,823**	**50,756**

1) 50 percent of hybrid capital is treated as equity, consistent with market practice for the type of instrument, and reduces net debt.

Derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA) are part of the balance sheet line items Long-term interest-bearing receivables and Short-term interest-bearing receivables. Hybrid capital is part of the balance sheet line item Long-term borrowings. Long-term bonds available for sale are part of the balance sheet line item Long-term interest-bearing receivables. Short-term investments are part of the balance sheet line item Short-term interest-bearing receivables.

NOTE 11. LOAN FINANCING AND CREDIT RATING

The credit rating of Telia Company remained unchanged during the fourth quarter. Moody's rating for long-term borrowings is Baa1 and P-2 for short-term borrowings, both with a stable outlook. The Standard & Poor long-term rating is A- and the short-term rating is A-2, however with the long-term rating on a negative outlook since April 3, 2017.

On November 10, 2017, a tender offer for buying back outstanding Telia bonds in EUR was announced. The offer resulted in buy backs of a total nominal amount of EUR 349 million.

NOTE 12. CONTINGENT LIABILITIES, COLLATERAL PLEDGED AND LITIGATIONS

As of December 31, 2017, the maximum potential future payments that Telia Company (continuing operations) could be required to make under issued financial guarantees totaled SEK 368 million (398), of which SEK 352 million (287) referred to guarantees for pension obligations. Collateral pledged (continuing and discontinued operations) totaled SEK 714 million (752). For ongoing legal proceedings see Note 29 in the Annual and Sustainability Report 2016. During 2017, the court decisions from first instance that ruled against Telia Company and awarded Tele2 and Spray Network (today Yarps Network Services AB), damages as described in the Annual and Sustainability Report 2016, was revoked by the Court of Appeal and the claims were dismissed. For updated information regarding the Uzbekistan investigations, see Note 4 and Section Risk and uncertainties in this report.

NOTE 13. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of December 31, 2017, contractual obligations (continuing operations) totaled SEK 3,373 million (2,897), of which SEK 1,448 million (1,215) referred to contracted build-out of Telia Company's fixed networks in Sweden. Total contractual obligations includes a lease agreement relating to future data center in Finland.

NOTE 14. BUSINESS COMBINATIONS

Business combinations

On February 1, 2017, Telia Company acquired all shares in Fält Communications AB (Fältcom), a company in the Nordic connected public transportation market. The acquisition will position Telia Company to become the leading provider of Smart Public Transport services whilst laying a foundation for further expansion in the Smart Transport & Logistics and Smart City space.

On March 1, 2017, Telia Company acquired all shares in the Swedish company C-Sam AB, a company that develops and maintains fiber and cable networks.

On April 10, 2017, Telia Company acquired all shares in Phonero in Norway, a company that offers telecommunication services to small and medium sized corporate customers as well as public companies. The acquisition will strengthen Telia Company's position in the Norwegian enterprise segment.

On July 3, 2017, Telia Company acquired all shares in the Finnish company Nebula Top Oy, a company that provides cloud services. The acquisition will strengthen Telia Company's position in the Finnish SME and SoHo segments.

On July 3, 2017, Telia Company acquired 93.35 percent of the total shares in the Swedish company Humany AB, a company within self-learning knowledgebase systems. During the third quarter Telia Company acquired additional 3.44 percent from holders of non-controlling interests. During the fourth quarter Telia Company acquired the remaining 3.21 percent from holders of non-controlling interests and thereafter owns all shares in Humany AB.

On November 30, 2017, Telia Company acquired all shares in the Finnish company Propentus Oy, a company specialized in identity and access rights management. The acquisition strengthens Telia Company's offering of information security services.

The preliminary costs of the combinations, preliminary fair values of net assets acquired and goodwill for the combinations are presented in the table below.

SEK in millions	Phonero	Nebula Top Oy	Other business combinations [1]	Total
Cost of combination	**2,462**	**1,605**	**388**	**4,455**
of which cash consideration	*2,462*	*1,605*	*381*	*4,448*
Fair value of net assets acquired				
Intangible assets	798	791	7	1,596
of which customer relationships		*408*		*408*
of which other intangible assets		*383*		*383*
Property, plant and equipment and other non-current assets	40	64	34	138
Current assets	131	72	61	264
Total assets acquired	**969**	**928**	**102**	**1,999**
Non-current liabilities	-175	-159	-3	-337
Current liabilities	-176	-74	-30	-280
Total liabilities assumed	**-351**	**-233**	**-33**	**-617**
Total fair value of net assets acquired	**618**	**695**	**69**	**1,382**
Goodwill	**1,844**	**909**	**319**	**3,072**

1) Other combinations consists of Fält Communication AB (Fältcom), C-Sam AB, Humany AB and Propentus Oy.

Phonero

The net cash flow effect from the acquisition of Phonero was SEK 2,419 million (cash consideration SEK 2,462 million less cash and cash equivalents, SEK 43 million). Goodwill consists of the knowledge of transferred personnel and expected synergies of the merged operations. No part of goodwill is expected to be deductible for tax purposes. Acquisition-related costs of SEK 32 million have been recognized as other operating expenses. Compared to the preliminary fair values presented in the interim report for the third quarter of 2017, the changes is mainly between lines, current liabilities and current assets. From the acquisition date, revenues of SEK 752 million and net income of SEK 37 million are included in the condensed consolidated statements of comprehensive income. If Phonero had been acquired at the beginning of 2017, revenues and total net income for Telia Company for 2017 had been SEK 80,141 million and 10,182 million, respectively.

Nebula Top Oy

The net cash flow effect from the acquisition of Nebula Top Oy was SEK 1,562 million (cash consideration SEK 1,605 million less cash and cash equivalents, SEK 43 million). Goodwill consists of knowledge of transferred personnel, expected synergies and cost savings. No part of goodwill is expected to be deductible for tax purposes. Acquisition-related cost of SEK 4 million has been recognized as operating expenses. The total cost of the combination and fair values have been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustments. From the acquisition date, revenues of SEK 181 million and net income of SEK -3 million are included in the condensed consolidated statements of comprehensive income. If Nebula Top Oy had been acquired at the beginning of 2017, revenues and total net income for Telia Company for 2017 had been SEK 80,045 million and SEK 10,115 million, respectively.

Other business combinations

The net cash flow effect of the four combinations was SEK 363 million (cash consideration SEK 381 million less cash and cash equivalents in the acquired companies, SEK 18 million). Transaction costs amounted to SEK 9 million and have been recognized as other operating expenses. Goodwill consists of the knowledge of transferred personnel and expected synergies from the assets merged to the network and operations of Telia Company. No part of goodwill is expected to be deductible for tax purposes. The total cost of combinations and fair values has been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment.

Minor business combinations

On April 5, 2017, Telia Company acquired all shares in the Swedish company SalaNet AB, a company that develops fiber network. The cost of the acquisition was approximately SEK 40 million.

On December 20, 2017, Telia Company acquired all shares in the Swedish company TV-Net i Löddeköpinge AB. The acquisition will strengthen Telia Company's fiber investment. The cost of the acquisition was approximately SEK 21 million.

Business combinations after the reporting period

On December 18, 2017, Telia Company announced that it had acquired the Finnish ICT company Inmics Oy at an enterprise value of EUR 75 million on a cash and debt free basis. The acquisition of Inmics Oy was subject to approval from the Finnish Competition and Consumer Authority. Approval was received in January 2018 and the transaction is expected to be closed in the first quarter of 2018.

NOTE 15. FINANCIAL KEY RATIOS

The key ratios presented in the table below are based on the total Telia Company group including both continuing and discontinued operations.

	Dec 31, 2017	Dec 31, 2016
Return on equity (%, rolling 12 months)[1, 2, 3]	11.2	4.5
Return on capital employed (%, rolling 12 months)[1, 2, 3]	9.4	7.7
Equity/assets ratio (%)[2, 3]	39.1	34.0
Net debt/adjusted EBITDA rate (multiple, rolling 12 months)[1]	1.14	1.69
Owners' equity per share (SEK) [2, 3]	23.09	20.75

1) Includes continuing and discontinued operations.
2) Key ratios effected by provision for the settlement proposed by and agreed with the US and Dutch authorities. See Note 4 for further information.
3) Equity is adjusted with proposed ordinary dividend, see the Annual and Sustainability Report 2016 section Definitions for key ratio definitions.

Alternative performance measurements

In addition to financial performance measures prepared in accordance with IFRS, Telia Company presents non-IFRS financial performance measures, for example EBITDA, Adjusted EBITDA, Adjusted operating income, continuing operations, CAPEX, CAPEX excluding license and spectrum fees, Cash CAPEX, Free cash flow, Operational free cash flow, Net debt, Net debt/Adjusted EBITDA ratio and Adjusted EBITDA margin. (Adjustment items were previously named non-recurring items.) These alternative measures are considered to be important performance indicators for investors and other users of the Interim report. The alternative performance measures should be considered as a complement to, but not a substitute for, the information prepared in accordance with IFRS. Telia Company's definitions of these non-IFRS measures are described in this note and in the Annual and Sustainability Report 2016. These terms may be defined differently by other companies and are therefore not always comparable to similar measures used by other companies.

EBITDA and adjusted EBITDA

Telia Company considers EBITDA as a relevant measure to be able to understand profit generation before investments in fixed assets. To assist the understanding of Telia Company's underlying financial performance we believe it is also useful to analyze adjusted EBITDA. Adjustment items within EBITDA are specified in Note 3.

Continuing operations

SEK in millions	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Operating income	6,130	8,022	13,690	21,090
Income from associated companies and joint ventures	-3,174	-424	-778	-2,810
Total depreciation/amortization/write-down	3,307	3,076	12,893	11,534
EBITDA	**6,263**	**10,674**	**25,806**	**29,813**
Adjustment items within EBITDA (Note 3)	327	-4,294	-368	-3,977
Adjusted EBITDA	**6,590**	**6,380**	**25,438**	**25,836**

Discontinued operations

SEK in millions	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Operating income	**789**	**990**	**8,418**	**-7,048**
Income from associated companies and joint ventures	-4	6	-8	-7
Total depreciation/amortization/write-down	–	–	–	-52
Gain/loss on disposals	–	-223	-193	1,035
EBITDA	**784**	**773**	**8,217**	**-6,071**
Adjustment items within EBITDA (Note 3)	14	573	-3,971	11,952
Adjusted EBITDA	**799**	**1,347**	**4,246**	**5,880**

Adjusted operating income, continuing operations

Telia Company considers Adjusted operating income, continuing operations as a relevant to be able to understand the underlying financial performance of Telia Company. Adjustment items within operating income, continuing operations are specified in Note 3.

SEK in millions	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Operating income	**6,130**	**8,022**	**13,690**	**21,090**
Adjustment items within Operating income (Note 3)	-2,380	-4,285	1,378	-3,967
Adjusted operating income, continuing operations	**3,750**	**3,737**	**15,069**	**17,123**

CAPEX, CAPEX excluding license and spectrum fees and Cash CAPEX

Telia Company considers CAPEX, CAPEX excluding license and spectrum fees and Cash CAPEX as relevant measures to understand the group's investments in intangible and tangible non-current assets (excluding goodwill, assets acquired in business combinations and asset retirement obligations).

SEK in millions	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Continuing operations				
Intangible assets	891	1,170	4,147	2,787
Property, plant and equipment	3,657	3,838	11,525	12,838
CAPEX	**4,548**	**5,007**	**15,672**	**15,625**
Net of not paid investments and additional payments from previous periods	55	-349	-1,162	-267
Cash CAPEX	**4,603**	**4,659**	**14,509**	**15,358**
CAPEX	**4,548**	**5,007**	**15,672**	**15,625**
License and spectrum fees	0	-475	-457	-609
CAPEX excluding license and spectrum fees	**4,549**	**4,532**	**15,215**	**15,016**

SEK in millions	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Discontinued operations				
Intangible assets	95	2,786	178	3,657
Property, plant and equipment	373	652	1,609	2,156
CAPEX	**468**	**3,438**	**1,787**	**5,813**
Net of not paid investments and additional payments from previous periods[1]	-203	-2,387	109	-2,469
Cash CAPEX	**265**	**1,050**	**1,896**	**3,345**

1) For 2016 mainly attributable to a prolonged unpaid license in Uzbekistan.

Free cash flow

Telia Company considers Free cash flow as a relevant measure to be able to understand the group's cash flow from operating activities after CAPEX.

SEK in millions	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Cash flow from operating activities	6,455	5,328	23,569	25,970
Cash CAPEX (paid Intangible and tangible assets)	-4,869	-5,709	-16,405	-18,703
Free cash flow, continuing and discontinued operations	**1,586**	**-381**	**7,164**	**7,267**

Operational free cash flow

Telia Company considers Operational free cash flow as a relevant measure to be able to understand the cash flows that Telia Company is in control of. From the reported free cash flow from continuing operations dividends from associated companies are deducted as these are dependent on the approval of boards and the annual general meetings of the associated companies. Licenses and spectrum payments are excluded as they generally refer to a longer period than just one year.

SEK in millions	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Cash flow from operating activities from continuing operations	5,854	4,691	26,313	22,510
Deduct: Cash CAPEX from continuing operations	-4,603	-4,659	-14,509	-15,358
Free cash flow, continuing operations	**1,250**	**32**	**11,804**	**7,152**
Add back: Cash CAPEX for licenses from continuing operations	78	349	561	376
Deduct: Dividends from associates from continuing operations	-526	-736	-2,851	-2,122
Add back: Taxes paid on dividends from associates from continuing operations	1	27	173	91
Operational free cash flow	**803**	**-328**	**9,687**	**5,497**

Net debt

Telia Company considers Net debt to be an important measure to be able to understand the group's indebtedness. Net debt is specified in Note 10.

Net debt/Adjusted EBITDA ratio (multiple)

Telia Company considers net debt in relation to adjusted EBITDA as a relevant measure to be able to understand the group's financial position.

SEK in millions, except for multiple	Dec 31, 2017	Dec 31, 2016
Net debt	33,823	50,756
Adjusted EBITDA continuing operations	25,438	25,836
Adjusted EBITDA discontinued operations	4,246	5,880
Deduct disposed operations	-109	-1,600
Adjusted EBITDA rolling 12 months excluding disposed operations	29,575	30,116
Net debt/adjusted EBITDA ratio (multiple)	**1.14**	**1.69**

Adjusted EBITDA margin

Telia Company considers Adjusted EBITDA in relation to net sales as a relevant measure to be able to understand the group's profit generation and to be used as a comparative benchmark.

SEK in millions	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	21,187	21,130	79,867	84,178
Adjusted EBITDA	6,590	6,380	25,438	25,836
Adjusted EBITDA margin (%), continuing operations	**31**	**30**	**32**	**31**

PARENT COMPANY

Condensed income statements

SEK in millions	Oct-Dec 2017	Oct-Dec 2016[1]	Jan-Dec 2017	Jan-Dec 2016[1]
Net sales	133	70	413	469
Gross income	**133**	**70**	**413**	**469**
Operating expenses and other operating income, net	-578	-1,387	5,184	-14,769
Operating income	**-445**	**-1,317**	**5,597**	**-14,300**
Financial income and expenses	-4,263	6,991	2,093	14,212
Income after financial items	**-4,708**	**5,673**	**7,689**	**-88**
Appropriations	2,596	3,249	7,000	11,567
Income before taxes	**-2,112**	**8,923**	**14,689**	**11,479**
Income taxes	-48	-419	-536	-1,113
Net income	**-2,160**	**8,504**	**14,153**	**10,367**

1) Prior periods have been restated to reflect the discovery of certain classification errors between net sales and operating expenses. The corrections affected net sales 2016 positively for the quarters and full year as follows; first quarter SEK 133 million, second quarter SEK 130 million, third quarter SEK 134 million, fourth quarter SEK 69 million and full year SEK 465 million. The corrections has increased operating expenses with the same amounts.

Full year 2017 includes the adjustment of the provision for the settlement with the authorities regarding the Uzbekistan investigations recognized in the first quarter with a total effect on net income amounting to SEK 4,018 million, and the third quarter net income effect of SEK 252 million related to the adjustment of the provision for the final settlement. In accordance with the settlement agreements, parts of the provision was transferred to four other group companies with a positive net income effect of SEK 2,515 million. This amount was paid by Telia Company AB on behalf of the group companies during the third quarter. As per 30 September 2017, two receivables remained unpaid totaling SEK 1,054 million of which one, relating to OOO Coscom (Ucell), was impaired in the third quarter with a negative effect on net income of SEK 324 million including foreign exchange effects. As per December 31, 2017, the other receivables have been settled. Full year comparative figures includes the income effect of the provision related to initial settlement amount proposed by the US and Dutch authorities. See Note 4 for further information.

Financial income and expenses in the fourth quarter and full year 2017 includes negative effects from impairment of shares in subsidiaries amounting to SEK 5,588 million and SEK 7,837 million respectively. Further, financial income and expenses for full year decreased mainly due to reduced dividends from the subsidiaries.

Condensed balance sheets

SEK in millions	Dec 31, 2017	Dec 31, 2016
Assets		
Non-current assets	156,592	162,286
Current assets	67,556	52,898
Total assets	**224,148**	**215,184**
Equity and liabilities		
Restricted shareholders' equity	15,713	15,713
Non-restricted shareholders' equity	70,687	64,573
Total shareholders' equity	**86,400**	**80,286**
Untaxed reserves	8,029	8,786
Provisions	2,153	519
Long-term liabilities	85,450	81,216
Short-term liabilities and short-term provisions	42,116	44,377
Total equity and liabilities	**224,148**	**215,184**

Non-current assets decreased mainly due to impairments of subsidiaries and settlement of intra-group receivables partly offset by changes in market value of interest rate and foreign exchange rate swaps, investments in subsidiaries and fair value changes of equity instruments.

Long-term liabilities increased mainly due to the issue of hybrid capital. In connection with the issue, buy-backs of outstanding Telia Company bonds had an adverse effect giving a net increase in long-term liabilities also affecting current assets. Current assets were also positive affected by received dividends from subsidiaries.
The change of the provision for the settlement amount agreed with the authorities regarding the Uzbekistan investigations reduced short-term provisions. The remaining provision, amounting to SEK 1,650 million after discount effect, is included in the line item "Provisions." See Note 4 for further information.

Financial investments 2017 were SEK 4,110 million (1,498). See Note 14 for further information.

RISKS AND UNCERTAINTIES

Telia Company operates in a broad range of geographical product and service markets in the highly competitive and regulated telecommunications industry. Telia Company has defined risk as anything that could have a material adverse effect on the achievement of Telia Company's goals. Risks can be threats, uncertainties or lost opportunities relating to Telia Company's current or future operations or activities.

Telia Company has an established risk management framework in place to regularly identify, analyze, assess and report business, financial as well as ethics and sustainability risks and uncertainties, and to mitigate such risks when appropriate. A Risk Universe consisting of four categories and over thirty risk areas is used to aggregate and categorize risks identified across the organization with the risk management framework.

Telia Company's Risk Universe

Strategic & emerging risks	Financial risks	Operational & societal risks	Legal & regulatory risks
Risks that can have a material impact on the strategic objectives arising from internal or external factors	Risks that can cause unexpected variability or volatility in net sales, margins, earnings per share, returns or market capitalization	Risks that may affect or compromise execution of business functions or have an impact on society	Risks related to legal or governmental actions that can have a material impact on the achievement of business objectives

Risk management is an integrated part of Telia Company's business planning process and monitoring of business performance. Risks and uncertainties that could specifically be impacted by Telia Company´s operations include, but may not be limited to the following:

Strategic and emerging risks

Investments in business transformation and future growth

Telia Company is currently investing in business transformation and future growth through, for example, initiatives to increase competitiveness and reduce cost as well as to improve capacity and access. In order to attract new customers, Telia Company has previously engaged in start-up operations and may decide to do so also in the future, which would require additional investments and expenditure in the build-up phase. Further, Telia Company normally has to pay fees to acquire new telecom licenses and spectrum permits or to renew or maintain existing ones.

Potential impact

Success in business transformation and growth will depend on a variety of factors beyond Telia Company's control: the cost of acquiring, renewing or maintaining telecom licenses and spectrum permits, the cost of new technology, availability of new and attractive services, the costs associated with providing these services, the timing of their introduction, the market demand and prices for such services, and competition. Failing to reach the targets set for business transformation, customer attraction and future growth may negatively impact the results of operations.

Mitigating activities

- Cost savings and business transformation programs ensuring competitive cost levels as well as ensuring capabilities for future growth

Emerging markets

Telia Company has made significant investments in telecom operators in Eurasia (Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal), Russia, Turkey and Afghanistan. In September 2015, Telia Company announced its decision to reduce the presence in, and over time leave, region Eurasia. Historically, the political, economic, legal and regulatory systems in these countries have been less predictable than in developed markets. The nature of these markets, including potential government intervention, combined with the fact that Telia Company's assets are not fully owned and there are undertakings and obligations in various shareholder agreements, reputational issues regarding the assets and fewer potential buyers than in more mature markets, makes the complexity of these disposals processes high.

Potential impact
The political situation in these emerging markets may remain or become increasingly unpredictable, even to the extent that Telia Company will be forced to exit a country or a specific operation within a country. There may be unexpected or unpredictable litigation cases under civil or tax legislation. Foreign exchange restrictions or administrative issues may effectively prevent Telia Company from repatriating cash, e.g. by receiving dividends and repayment of loans, or from selling its investments. Another risk is the potential establishment of foreign ownership restrictions or other formal or informal possible actions against entities with foreign ownership. Such negative developments or weakening of the local economies or currencies may have a significantly negative effect on Telia Company's results of operations. The nature of these markets with significant uncertainties and complexity may affect the sales process regarding both expected outcome and timing. The sanctions against the Russian Federation may negatively affect the Russian ruble and the Russian economy, which in turn may impact countries whose economies are closely linked to the Russian economy, such as a number of region Eurasia countries.

Mitigating activities
- A decision has been made to dispose our operations in Eurasia. The disposal process is ongoing
- The disposal of Ncell in Nepal was closed in April 2016
- The disposal of Tcell in Tajikistan was closed in April 2017
- Focus on management of foreign exchange and counterparty risk exposure, combined with continued development of financial policies and risk management processes
- Efforts to ensure tax, legal and regulatory compliance at local level, with compliance oversight at regional and group level

Financial risks

Associated companies and joint operations

Telia Company conducts some of its activities through associated companies, the major one being Turkcell in Turkey, in which Telia Company does not have full ownership or controlling interest and are due to that not in full control but still have significant influence over the conduct of these businesses. Telia Company also has holdings in LMT and Lattelecom, the leading Latvian mobile and fixed operators. In turn, these associated companies own holdings in numerous other companies. Under the governing documents for certain of these associated companies, Telia Company's partners have control over or share control of key matters such as the approval of business plans and budgets, and decisions as to the timing and amount of cash, as well as protective rights in matters such as approval of dividends, changes in the ownership structure and other shareholder related matters. The risk of actions outside Telia Company's or its associated companies' control and adverse to their interests is inherent in associated companies and jointly controlled entities.

Potential impact
The financial performance of these associated companies may have a significant impact on Telia Company's short- and long-term results.

Mitigating activities
- Monitoring of the associated companies performance
- Active board work in our associated companies, driving issues of key importance to Telia Company
- Continuous work to solve the deadlock between the main shareholders of Turkcell
- During 2017 Telia Company disposed its ownership in MegaFon

Impairment losses and restructuring charges

Factors generally affecting the telecom markets as well as changes in the economic, regulatory, business or political environment may negatively change management's expectation of future cash flows attributable to certain assets. Telia Company may then be required to recognize asset impairment losses, including but not limited to goodwill and fair value adjustments recorded in connection with historical or future acquisitions.

Potential impact
Significant adverse changes in the economic, regulatory, business or political environment, as well as in Telia Company's business plans, may affect Telia Company's financial position, and results of operations, impairment losses, restructuring charges, which may adversely affect Telia Company's ability to pay dividends.

Mitigating activities
- Management constantly reviews and refines the business plans, and may make exit decisions or take other actions in order to effectively execute on business strategy
- Restructuring and streamlining initiatives, which have resulted in substantial restructuring and streamlining charges. Similar initiatives may be undertaken in the future

Competition and price pressure

Telia Company is subject to substantial and historically increasing competition and price pressure. Transition to new business models in the ICT industry may lead to structural changes and different competitive dynamics.

Potential impact
Failure to anticipate and respond to industry dynamics, and to drive a change agenda to meet mature and developing demands in the marketplace, may affect Telia Company's customer relationships, service offerings and position in the value chain. Competition from a variety of sources, including current market participants, new entrants and new products and services, may also adversely affect Telia Company's results of operations.

Mitigating activities
- Actively monitor changes in customer and market behavior to create and execute mitigation plans
- Business transformation programs and new business initiatives in line with our business strategy
- Continuously exploring opportunities close to our core services to create new revenues

Operational and societal risks

Customer service and network quality

Telia Company focuses on offering high-quality services and networks, which is fundamental to customer perception now and in the future. The ambition to create a service company on the customers' terms requires a major internal change of processes, attitude and focus in many parts of the company. Additionally, Telia Company currently outsources many of its key support services, including network construction and maintenance in most of its operations.

Potential impact
Extreme weather conditions and natural disasters may cause serious problems to network quality and availability. The limited number of outsourced service suppliers, and the terms of Telia Company's arrangements with current and future suppliers, may restrict its operational flexibility and incur unnecessary costs. Failure to meet customers' quality requirements or expectations may have an adverse impact on customer retention and acquisition.

Mitigating activities
- Ensuring network resilience through a combination of sound risk management, business continuity planning and incident management
- A group wide crisis management organization handles unexpected and critical incidents negatively affecting operations
- Continuous work to improve internal as well as outsourced operational processes to fulfil customer expectations
- Customer satisfaction is continuously measured both to improve understanding of, and fulfil, customers' expectations

Customer privacy

Vast amounts of data are generated in and through Telia Company's services and networks. New ways of connecting and data-driven business models increase the complexity of understanding and retaining control over how data is collected and used.

Potential impact
Actual or perceived issues related to data network integrity, data security and customer privacy might lead to an unfavorable perception of how Telia Company handles these matters, which in turn may adversely impact business and or the privacy rights of users. Not meeting national and EU legislation may cause significant financial penalties.

Mitigating activities
- Implementation of the EU General Data Protection Regulation (GDPR)
- Privacy officers appointed throughout the organization

Freedom of expression and surveillance privacy

The telecommunications industry faces high risks related to the freedom of expression and privacy of users. Risks relate to how national laws and regulations on surveillance of communications or shutdown of networks can be overly broad in ways that violate human rights, and complicity by ICT companies in violations linked to major and problematic government requests. Telia Company may be legally required to comply and, like other operators, only have limited possibility to investigate, challenge or reject such (often strictly confidential) requests.

Potential impact
Actual failure in respecting freedom of expression and privacy may first and foremost damage rights holders by limiting their freedom of expression and surveillance privacy. Actual or perceived failure may also damage the perception of Telia Company, leading to exclusion from procurement or institutional investment processes. Network shutdowns and blocking limits core business, which may negatively affect revenues.

Mitigating activities

- Building leverage to influence national laws and regulations with peer companies and joining efforts with multi stakeholder Global Network Initiative (GNI)
- Transparent reporting on statistics of day-to-day conventional authority requests (Law Enforcement Disclosure Reports) and of unconventional requests ("major events")
- Human Rights Impact Assessments carried out supported by external expertise, building knowledge and defining actions for improvement and risk mitigation

Protection of children

Children and young people are active users of Telia Company's services. However, children are particularly vulnerable to online threats such as cyber bullying and inappropriate content. Telia Company's services may also be used for distributing or accessing child sexual abuse material.

Potential impact

Telia Company may indirectly be complicit in violating children's rights if products and services as well as network filters are not properly assessed. Actual or perceived failure to create a safe online experience for children and young people may negatively affect brand perception, incurring loss of business.

Mitigating activities

- Blocking child sexual abuse material (CSAM) and systems for detecting and reporting CSAM in internal IT system
- Regular follow up our performance against a number of industry self-regulatory initiatives in the area of protection of children online
- Understanding children's perspectives on online life through a Children's Advisory Panel (CAP)
- Assessing impact on children's rights in all relevant business activities

Occupational health and safety (OHS)

The most significant accident risks related to occupational health and safety (OHS) are linked to construction and maintenance work carried out primarily by contractors. Telia Company employees work mainly in office or retail environments where the main risks relate to psychosocial well-being and ergonomics.

Potential impact

Failure to maintain a healthy and safe working environment may lead to increasing sick leave, low employee engagement and a higher number of accidents and injuries, incurring increased costs and potential loss of critical competence.

Mitigating activities

- Implementation of OHSAS 18001 occupational health and safety management system in all major operations
- OHSAS 18001 implementation activities include risk assessments, training, investments and support to employees' wellbeing
- OHS KPI s to follow fatalities, rate of lost time, injuries and sickness absence followed up quarterly locally and on group level

Ability to recruit and retain skilled employees

People are at the core of everything that we do at Telia Company and their talents enable us to execute on our strategy. The demand and competition for talents in the ICT area is getting increasingly tougher. In order to win the battle of talent Telia Company needs to attract, recruit, and retain highly skilled employees.

Potential impact

Failure to recruit and retain necessary skilled employees may impact the ability to develop new or high growth business areas and thereby deliver on the strategy.

Mitigating activities

- Efforts to build a strong employer brand to ensure talent attraction
- Establish a modern and efficient global recruitment process
- Providing internal growth opportunities
- Continuous improvements and follow up of the results from yearly employee survey

Corruption and unethical business practices

Some of the countries in which Telia Company operates are ranked as having high levels of corruption. The telecommunications industry is particularly susceptible to a range of corrupt practices as it requires government approvals and necessitates large investments. Key areas where the threat of corruption is significant include the licensing process, market regulation and price setting, the supply chain, and third-party management and customer services.

Potential impact

Actual or perceived corruption or unethical business practices may damage the perception of Telia Company and result in financial penalties and debarment from procurement and institutional investment processes. Related fraud may significantly impact financial results. Ongoing disposal processes may in themselves pose risks of corruption, fraud and unethical business practices. Corruption is also linked to higher risks for human rights infringements.

Mitigating activities

- Anti-bribery and corruption (ABC) program, based on Telia Company's compliance framework, implemented in all parts of the organization
- "Responsible exit" plan for region Eurasia containing actions to ensure continued third party due care activities to prevent, detect and remedy ABC risks
- Education and communication efforts on ABC to targeted audiences, specifically high-risk roles
- Review standards and controls, and corruption risk assessments of acquiring cell tower sites

Responsible sourcing

Telia Company relies on a vast number of suppliers and sub-suppliers, many of which are located in countries or industries with challenges in upholding ethical business practices, human and labor rights, health and safety and environmental protection. Despite efforts to conduct due diligence and onsite audits, suppliers and sub-suppliers may be in violation of Telia Company's supplier requirements and/or national and international laws, regulations and conventions.

Potential impact

Failure or perception of failure of Telia Company's suppliers to adhere to these rules and regulations may damage customers' or other stakeholders' perception of Telia Company. Violations of laws and regulations puts suppliers and sub-suppliers at risk of needing to limit or terminate their operations, which may negatively affect how Telia Company is able to deliver its services. Severe violations may lead to Telia Company needing to seek new suppliers, which may negatively impact sourcing costs and delivery times.

Mitigating activities

- A standardized risk-based supplier due diligence process implemented and performed prior to signing new or renewed contract
- Supplier code of conduct, which stipulates our expectations on sustainable business practices, is included in new supplier contracts
- Security directives are included in contracts where supplier handle customer data

Legal and regulatory risks

Regulation and licenses

Telia Company operates in a highly regulated industry, and regulations impose significant limits on Telia Company's flexibility to manage its business. In a number of countries, Telia Company entities are designated as a party with significant market power in one or several telecom submarkets. As a result, Telia Company is required to provide certain services on regulated terms and prices, which may differ from the terms on which it would otherwise have provided those services. Effects from regulatory intervention may be both retroactive and prospective.

Potential impact

Changes in regulation or government policy affecting Telia Company's business activities, as well as decisions by regulatory authorities or courts, including granting, amending or revoking of telecom licenses and spectrum permits, may adversely affect Telia Company's possibility of carrying out business and subsequently results of operations

Mitigating activities

- Proactive work in shaping the new EU Telecom Framework, by sharing detailed solutions with relevant stakeholders within the EU
- Continuously exploring options to mitigate increased costs and loss of revenues due to regulatory changes

Review of Eurasian transactions

In late 2012, the then Board of Directors appointed Swedish law firm Mannheimer Swartling (MSA) to investigate allegations of corruption related to Telia Company's investments in Uzbekistan. MSA's report was made public on February 1, 2013. In April 2013, the Board of Directors assigned the international law firm Norton Rose Fulbright (NRF) to review transactions and agreements made in Eurasia by Telia Company in the past years with the intention to give the Board a clear picture of the transactions and a risk assessment from a business ethics perspective. For advice on implications under Swedish legislation, the Board assigned two Swedish law firms. In consultation with the law firms, Telia Company has promptly taken steps, and will continue to take steps, in its business operations as well as in its governance structure and with its personnel which reflect concerns arising from the review.

Since 2012 (by Swedish authorities) and since around 2014 (by US and Dutch authorities), Telia Company has been under investigation for suspected bribery-related conduct related mainly to its market entry into Uzbekistan in 2007. Telia Company has continuously cooperated fully with and supported the investigations and has engaged leading US and Dutch law firms as legal counsel for advice and support.

On September 14, 2016, Telia Company received a proposal from the US and the Dutch authorities for financial sanctions amounting to a total of approximately USD 1.45 billion or approximately SEK 12.5 billion at that point in time. As per March 31, 2017, a final resolution had not yet been reached, but in light of recent developments to that date in those discussions, the estimate of the most likely outcome was revised and the provision was adjusted to USD 1.0 billion (SEK 8.9 billion at that point in time). As per June 30, 2017, the provision remained unchanged at USD 1.0 billion corresponding to SEK 8.5 billion (the change was related to changed foreign exchange rate). On September 21, 2017, Telia Company announced that a global settlement had been reached with the US Department of Justice (DoJ), Securities and Exchange Commission (SEC) and the Dutch Public Prosecution Service (Openbaar Ministerie, OM) relating to previously disclosed investigations regarding historical transactions in Uzbekistan. The US and Dutch authorities conclude that Telia Company's conduct was in violation of the FCPA (Foreign Corrupt Practices Act) and Dutch legislation and that corrupt payments of approximately USD 330 million were made by the Company. As part of the settlements, Telia Company agreed to pay fines and disgorgements to the SEC, DoJ and OM in an aggregate amount of USD 965 million (SEK 7.7 billion at that point in time), whereof USD 757 million (SEK 6,129 million) were paid during the third quarter In addition, Telia Company's subsidiary in Uzbekistan, Coscom LLC, has simultaneously entered a guilty plea with the DoJ. The disgorgement amount will be offset by up to USD 208.5 million against any future disgorgement obtained by the Swedish Prosecutor. Based on the Company's remediation and the state of its compliance program, the authorities determined that an independent compliance monitor was unnecessary.

Telia Company has committed to continue to cooperate with the authorities in any other related investigation. Further, Telia Company has committed to during a three-year period report any potential corruption and to continue to enhance its compliance program and internal controls. If the Company does not fulfill its commitments, an extension of the term may be imposed for up to one year. The authorities have agreed not to bring any criminal or civil case against Telia Company in the future based on historical events. Also, the global settlement brings an end to all known corruption related investigations or inquiries into Telia Company. The settlement does not provide any protection against prosecution for any future conduct by the company.

The bank guarantee that was requested by the Dutch authorities from Telia Company of EUR 10 million as collateral for any financial claims against one of its Dutch subsidiaries has been released, as part of the global settlement.

On September, 22, 2017, the Swedish Prosecution Authority announced that it has decided to prosecute a number of former Telia employees. The authority has also decided to initiate legal proceedings against Telia Company for a disgorgement. The disgorgement amount in the Swedish proceedings is already included in the global settlement of USD 965 million that Telia Company has reached with US and Dutch authorities. The Swedish prosecutor is not seeking a corporate fine against Telia Company (which under the Swedish Criminal Act can be levied up to a maximum amount of SEK 10 million per instance). With regard to the Swedish Prosecution Authority's decision, Telia Company will continue to consider all possibilities to protect the rights and interests of the Company.

The Swedish prosecutor made a public statement in May 2016 that it had decided not to investigate any other of Telia Company's operations in Eurasia. There is of course always a risk that actions may be taken by the police, prosecution or regulatory authorities in other jurisdictions against Telia Company's operations or transactions, or against third parties, whether they be Swedish or non-Swedish individuals or legal entities, and that this might directly or indirectly harm Telia Company's business, results of operations, financial position, cash flows or brand reputation. However, the global settlement that has now been reached and brings an end to all known corruption related investigations or inquiries into Telia Company by the Dutch and US authorities.

Mitigating activities

- Telia Company has reached a global settlement with the US Department of Justice (DoJ), Securities and Exchange Commission (SEC) and the Dutch Public Prosecution Service (Openbaar Ministerie, OM) relating to previously disclosed investigations regarding historical transactions in Uzbekistan. This brings an end to all known corruption related investigations or inquiries into Telia Company by the Dutch and US authorities

- Telia Company will fully comply with all of its obligations under the global settlement and will continue to cooperate with the authorities and enhance its compliance program and internal controls
- The disgorgement amount in the pending Swedish proceedings is already included in the global settlement that Telia Company has reached with U.S. and Dutch authorities

Stockholm, January 26, 2018

Johan Dennelind
President and CEO

This report has not been subject to review by
Telia Company's auditors.

FORWARD-LOOKING STATEMENTS

This report contains statements concerning, among other things, Telia Company's financial condition and results of operations that are forward-looking in nature. Such statements are not historical facts but, rather, represent Telia Company's future expectations. Telia Company believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions; however, forward-looking statements involve inherent risks and uncertainties, and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Such important factors include, but may not be limited to: Telia Company's market position; growth in the telecommunications industry; and the effects of competition and other economic, business, competitive and/or regulatory factors affecting the business of Telia Company, its associated companies and joint ventures, and the telecommunications industry in general. Forward-looking statements speak only as of the date they were made, and, other than as required by applicable law, Telia Company undertakes no obligation to update any of them in light of new information or future events.

TELIA COMPANY IN BRIEF

Telia Company provides communication services helping millions of people to be connected and communicate, do business and be entertained. By doing that we fulfill our purpose to bring the world closer - on the customer´s terms.

For more information about Telia Company, see www.teliacompany.com

DEFINITIONS

Adjustment items comprise capital gains and losses, impairment losses, restructuring programs (costs for phasing out operations and personnel redundancy costs) or other costs with the character of not being part of normal daily operations.

CAPEX: An abbreviation of “Capital Expenditure”. Investments in intangible and tangible non-current assets but excluding goodwill, intangible and tangible non-current assets acquired in business combinations and asset retirement obligations.

Change local organic (%): The change in Net sales/External service revenues/Adjusted EBITDA, excluding effects from changes in currency rates compared to the group’s reporting currency (SEK) and acquisitions/disposals, compared to the same period previous year.

EBITDA: An abbreviation of “Earnings before Interest, Tax, Depreciation and Amortization.” Equals operating income before depreciation, amortization and impairment losses and before income from associated companies and joint ventures.

Free cash flow: The total of cash flow from operating activities and cash CAPEX.

Net debt: Interest-bearing liabilities less derivatives recognized as financial assets (and hedging long-term and short-term borrowings) and related credit support annex (CSA), less 50 percent of hybrid capital (which, consistent with market practice for the type of instrument, is treated as equity), less short-term investments, long-term bonds available for sale and cash/cash equivalents.

Net debt/adjusted EBITDA ratio (multiple): Net debt divided by adjusted EBITDA rolling 12 months and excluding disposed operations.

Operational free cash flow: Free cash flow from continuing operations excluding cash CAPEX for licenses and dividends from associated companies net of taxes.

Return on capital employed: Operating income, including impairments and gains/losses on disposals, plus financial revenues excluding FX gains expressed as a percentage of average capital employed.

For definitions of other alternative performance measures, see the Annual and Sustainability Report 2016.

In this report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the corresponding period last year, unless otherwise stated.

FINANCIAL CALENDAR

The Annual and Sustainability Report 2017
will be published week 12, 2018

Interim Report January-March 2018
April 20, 2018

Interim Report January-June 2018
July 20, 2018

Interim Report January-September 2018
October 19, 2018

QUESTIONS REGARDING THE REPORTS

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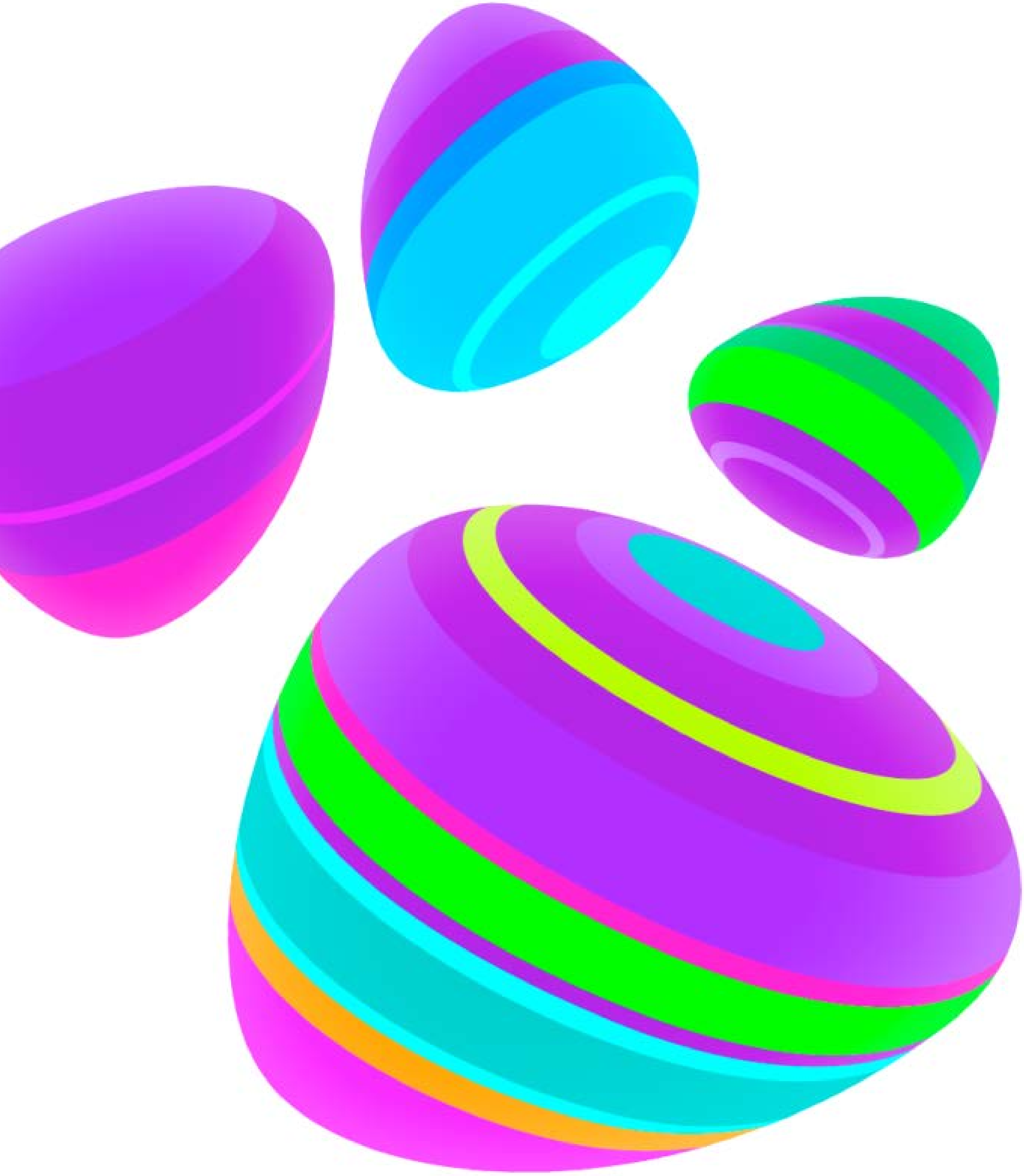

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