TELIA COMPANY
YEAR-END REPORT
JANUARY–DECEMBER 2018

DELIVERING ON OUR AMBITIONS

Fourth quarter summary

- Net sales in local currencies, excluding acquisitions and disposals declined 2.9 percent. In reported currency, net sales rose 4.9 percent to SEK 22,209 million (21,164). Service revenues in local currencies, excluding acquisitions and disposals, declined 2.5 percent.
- Adjusted EBITDA declined 5.5 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA rose 3.3 percent to SEK 6,735 million (6,520). The adjusted EBITDA margin fell to 30.3 percent (30.8).
- Adjusted operating income fell 18.7 percent to SEK 2,993 million (3,680).
- Total net income amounted to SEK -1,580 million (805) impacted by the divestments of Ucell and Kcell. Total net income attributable to the owners of the parent amounted to SEK -1,095 million (792).
- Free cash flow from continuing and discontinued operations was SEK 1,442 million (1,586). Operational free cash flow from continuing operations was SEK 1,417 million (803).
- The acquisition of Get and TDC Norway was completed on October 15, 2018.
- Through the divestments of Ucell and Kcell, respectively, the exit from Eurasia is completed in all material aspects.
- As of December 31, 2018, Telia Company had bought back 99,277,963 shares for SEK 4.1 billion including transaction costs, according to the share buy-back program.
- The Board of Directors proposes a dividend of SEK 2.36 per share to be split and distributed into two equal tranches of SEK 1.18 each.
- Outlook 2019: Free cash flow from continuing operations, excluding licenses and spectrum fees and dividends from associated companies, is expected to grow to between SEK 12.0 and 12.5 billion from the 2018 level.

Full year summary

- Net sales in local currencies, excluding acquisitions and disposals fell 0.4 percent. In reported currency, net sales rose 4.7 percent to SEK 83,559 million (79,790).
- Adjusted operating income fell 4.3 percent to SEK 14,146 million (14,781).
- Total net income amounted to SEK 3,090 million (10,243). Total net income attributable to the owners of the parent amounted to SEK 3,179 million (9,705).
- Operational free cash flow from continuing operations amounted to SEK 10,816 million (9,687).

Highlights

SEK in millions, except key ratios, per share data and changes	**Oct-Dec 2018**	**Oct-Dec 2017[4]**	***Chg %***	**Jan-Dec 2018**	**Jan-Dec 2017[4]**	***Chg %***
Net sales	22,209	21,164	*4.9*	83,559	79,790	*4.7*
Change (%) local organic[1]	*-2.9*			*-0.4*		
of which service revenues (external)	*18,230*	*17,257*	*5.6*	*69,552*	*67,657*	*2.8*
change (%) local organic	*-2.5*			*-1.9*		
Adjusted[2] EBITDA[1]	6,735	6,520	*3.3*	26,649	25,151	*6.0*
Change (%) local organic	*-5.5*			*1.0*		
Margin (%)	30.3	30.8		31.9	31.5	
Adjusted[2] operating income[1]	2,993	3,680	*-18.7*	14,146	14,781	*-4.3*
Operating income	2,386	6,174	*-61.4*	13,238	13,768	*-3.9*
Income after financial items	1,704	3,988	*-57.3*	10,986	9,554	*15.0*
Net income from continuing operations	1,833	3,871	*-52.7*	9,489	8,492	*11.7*
Net income from discontinued operations[3]	-3,413	-3,066		-6,399	1,751	
Total net income	-1,580	805		3,090	10,243	*-69.8*
of which attributable to owners of the parent	*-1,095*	*792*		*3,179*	*9,705*	*-67.2*
EPS total (SEK)	-0.26	0.18		0.74	2.24	*-67.1*
EPS from continuing operations (SEK)	0.42	0.88	*-52.9*	2.17	1.92	*13.0*
Free cash flow[1]	1,442	1,586	*-9.1*	11,902	7,164	*66.1*
of which operational free cash flow[1]	*1,417*	*803*	*76.4*	*10,816*	*9,687*	*11.7*
CAPEX excluding license and spectrum fees[1]	4,510	4,436	*1.7*	14,984	14,849	*0.9*

1) See Note 16 and/or page 54. 2) Adjustment items, see Note 3. 3) Discontinued operations, see Note 4. 4) Restated for comparability, see Note 1.

COMMENTS BY JOHAN DENNELIND, PRESIDENT & CEO

"Dear shareholders and Telia followers, another eventful quarter ended a transformative year. We have now completed the divestment of the operations in Eurasia in all material aspects through the divestments of Ucell and Kcell. Our prime focus the past few years has increasingly been our Nordic and Baltic operations and the Eurasian divestments in the fourth quarter now means full strategical and operational focus on our core markets.

In 2018 we, once again, delivered results according to our guidance. The operational free cash flow reached SEK 10.8 billion, comfortably above the SEK 9.7 billion outlook. We have executed on the net cost reduction program, reaching SEK 1.3 billion versus the target of SEK 1.1 billion, leaving the adjusted EBITDA to grow by 1.7 percent, i.e. slightly above the adjusted EBITDA for 2017, which we guided for. The free cash flow that forms the basis for the dividend reached SEK 11.8 billion. The board proposes a dividend per share of SEK 2.36, implying an unchanged absolute amount distributed to our shareholders and equals a pay-out ratio of 84 percent (taking the share buy-back program into account), close to the dividend policy minimum level of 80 percent.

In the fourth quarter we saw solid support from all parts of our operations, with Sweden as the exception. As we highlighted in the third quarter there are delays in the impacts from part of the transformation project and with a fourth quarter that included some softer parameters than we expected, the end of 2018 was challenging for Sweden. That challenging environment will continue, but this has not changed my view on 2019 and 2020 for improving trends in Sweden. We will aim to accelerate the core service revenues, focusing on increasing the average price per user, and further strengthen our cost focus. We implemented a new operating model as of January 1, 2019, to increase focus on commercial ambition execution, improved scale benefits and cost reductions. We target the Swedish operating expenses to be reduced by around 3 percent in 2019. We will further describe our view on the various markets and how we will manage our cost base at our upcoming capital markets day in Stockholm, March 21, 2019.

Since the decision was taken to leave Eurasia in September 2015, Telia Company has changed materially. The divestments of the Eurasian assets (including MegaFon and part of Turkcell) and Yoigo made us truly Nordic/Baltic. The acquisitions we have made, predominantly in Norway and Finland have strengthened our converged proposition in the consumer and enterprise market. We have transformed from a company being seriously questioned on our sustainability agenda to a highly ranked company that has built our strategy in alignment with the UN's SDGs, with an ambitious agenda to tackle climate change as well as other societal challenges. Finally, we have increased our focus on cash flow resulting in a growing operational free cash flow in the past two years with clear ambitions to increase cash flow further. The divestments and the strong cash flow growth have supported an increase in the dividend to shareholders as well as a three-year buy-back program.

In October we warmly welcomed the staff in Get and TDC Norway to the Telia Company family. So far, the integration has been promising and we are delivering according to expectations. We look forward to and reiterate that we will execute on the NOK 700 million in revenues, cost and CAPEX synergies by the end of 2021, that we have set out. We continue to make progress in the Bonnier Broadcasting approval process. The view that the deal will be closed in the second half of 2019 remains unchanged.

As of 2019, all entities that report under IFRS will apply the new leasing standard IFRS 16. The new standard will have significant effect on numerous financial parameters and their comparatives. As a consequence of this we will only provide an outlook on operational free cash flow. From 2019 we will change our operational free cash flow definition and include payments of lease liabilities, ensuring that IFRS 16 will not have any material impact on this cash flow measure. We expect the operational free cash flow to grow to between SEK 12 and 12.5 billion in 2019 from the SEK 10.8 billion 2018 level.

As usual, I also want to express my sincere appreciation to my team for the effort put into 2018. Especially to the Eurasia team and the colleagues that fought into the very end. For that we are forever grateful.

2019 is here. We are excited and determined to continue to create value for our shareholders."

Johan Dennelind
President and CEO

OUTLOOK FOR 2019

Free cash flow from continuing operations, excluding licenses and spectrum fees and dividends from associated companies, is expected to grow to between SEK 12.0 and 12.5 billion from the 2018 level (SEK 10.8 billion).

From 2019 we will change our operational free cash flow definition and include payments of lease liabilities, implying that the new accounting standard for leases, IFRS 16, will not have any material impact on this cash flow measure.

DIVIDEND POLICY

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

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

REVIEW OF THE GROUP, FOURTH QUARTER 2018

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals declined 2.9 percent. In reported currency, net sales rose 4.9 percent to SEK 22,209 million (21,164). Service revenues in local currencies, excluding acquisitions and disposals, declined 2.5 percent.

The number of subscriptions increased from 23.2 million at the end of the fourth quarter of 2017 to 24.0 million. During the quarter, the total number of subscriptions increased from 23.1 million to 24.0 million, mainly due to the consolidation of Get and TDC Norway.

Adjusted EBITDA declined 5.5 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA rose 3.3 percent to SEK 6,735 million (6,520). The adjusted EBITDA margin fell to 30.3 percent (30.8).

Adjusted operating income fell 18.7 percent to SEK 2,993 million (3,680).

Income from associated companies and joint ventures decreased to SEK 178 million (3,174) mainly as the corresponding quarter previous year was positively impacted by a capital gain of SEK 2.8 billion due to the disposal of 6.2 percent in MegaFon.

Adjustment items affecting operating income amounted to SEK -607 million (2,494). The corresponding quarter previous year was impacted by the disposal of 6.2 percent in MegaFon.

Financial items totaled SEK -682 million (-2,186) of which SEK -530 million (-991) related to net interest expenses. The corresponding quarter previous year was negatively impacted by bond buy-back transactions affecting net interest expenses by SEK 445 million and by the disposal of the 19.0 percent holding in MegaFon, classified as financial asset prior to the disposal.

Income taxes amounted to SEK 129 million (-117). The effective tax rate was -7.6 percent (2.9). The effective tax rate was mainly impacted by recognition of previously unrecognized tax losses and the revaluation of deferred tax assets/liabilities due to reduced enacted tax rate in Norway. Comparable figures were mainly impacted by a non-taxable capital gain from the disposal of shares in MegaFon and a reversal of the related withholding tax provision.

Total net income amounted to SEK -1,580 million (805), of which SEK 1,833 million (3,871) from continuing operations and SEK -3,413 million (-3,066) from discontinued operations. Total earnings per share was SEK -0.26 (0.18).

Total net income attributable to the owners of the parent amounted to SEK -1,095 million (792).

Total net income attributable to non-controlling interests amounted to SEK -485 million (14).

Other comprehensive income decreased to SEK 2,169 million (7,304). Fourth quarter 2018 was impacted by reclassified exchange effects from the disposals of Ucell and Kcell, partly offset by negative effects from remeasurements on pension obligations while corresponding quarter 2017 was impacted by reclassified exchange effects from the disposal of MegaFon.

Cash flow

Free cash flow, from continuing and discontinued operations was SEK 1,442 million (1,586).

Operational free cash flow, from continuing operations, amounted to SEK 1,417 million (803) supported by increased adjusted EBITDA and lower paid interest and taxes.

Cash flow from investing activities, from continuing and discontinued operations amounted to SEK -13,887 million (1,544). Fourth quarter of 2018 was mainly impacted by the acquisition of Get and TDC Norway, partly offset by the disposals of Kcell in Kazakhstan and Ucell in Uzbekistan while comparable figures were mainly impacted by the disposal of MegaFon.

Cash flow from financing activities, from continuing and discontinued operations amounted to SEK -3,073 million (-8,128). Fourth quarter of 2018 was impacted by increased liabilities with short maturities offset by repurchased shares related to the share buy-back program. Comparable figures were mainly impacted by maturity of bonds.

Financial position

CAPEX increased to SEK 5,888 million (4,434). CAPEX excluding license and spectrum fees increased to SEK 4,510 million (4,436). Cash CAPEX was SEK 4,454 million (4,489).

Net debt, from continuing and discontinued operations, was SEK 55,363 million at the end of the fourth quarter (31,750 at the end of the third quarter of 2018). The net debt/adjusted EBITDA ratio was 2.07x.

REVIEW OF THE GROUP, FULL YEAR 2018

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals fell 0.4 percent. In reported currency, net sales rose 4.7 percent to SEK 83,559 million (79,790). Service revenues in local currencies, excluding acquisitions and disposals, fell 1.9 percent.

Adjusted EBITDA rose 1.0 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA rose 6.0 percent to SEK 26,649 million (25,151). The adjusted EBITDA margin rose to 31.9 percent (31.5).

Income from associated companies and joint ventures amounted to SEK 835 million (778). Previous year was impacted by the net capital loss from the disposals of 14.0 percent holding in Turkcell and 6.2 percent holding in Megafon, partly offset by income from Megafon up until the disposal.

Adjusted operating income fell 4.3 percent to SEK 14,146 million (14,781).

Adjustment items affecting operating income amounted to SEK -908 million (-1,013). Comparable figures were impacted by capital gains related to the disposals of Sergel and the holding in MegaFon, offset by capital losses from the disposals of 14.0 percent holding in Turkcell.

Financial items totaled SEK -2,252 million (-4,214) of which SEK -2,122 million (-2,933) related to net interest expenses. Previous year was negatively impacted by bond buy-back transactions affecting net interest expenses by SEK 805 million and the disposal of the 19.0 percent holding in MegaFon, classified as a financial asset prior to the disposal.

Income taxes amounted to SEK -1,496 million (-1,062). The effective tax rate was 13.6 percent (11.1). The effective tax rate was mainly impacted by the revaluation of deferred tax assets/liabilities due to reduced enacted tax rates in Sweden and Norway, respectively. Comparable figures previous year were mainly impacted by a revaluation of the withholding tax provision due to the disposal of shares in Turkcell and MegaFon.

Total net income amounted to SEK 3,090 million (10,243), of which SEK 9,489 million (8,492) from continuing operations and SEK -6,399 million (1,751) from discontinued operations. Total earnings per share was SEK 0.74 (2.24).

Total net income attributable to the owners of the parent amounted to SEK 3,179 million (9,705).

Total net income attributable to non-controlling interests amounted to SEK -89 million (538).

Other comprehensive income decreased to SEK 6,740 million (9,725). Current year was impacted by reclassified exchange effects from the disposals of Azercell, Ucell and Kcell, partly offset by negative effects from remeasurements on pension obligations. 2017 was impacted by reclassified exchange effects from the disposals of MegaFon and holding in Turkcell.

Cash flow

Free cash flow, from continuing and discontinued operations increased to SEK 11,902 million (7,164). Previous year was impacted by a negative change in working capital mainly driven by the payment of the settlement regarding the Uzbekistan investigation and higher cash CAPEX.

Operational free cash flow, from continuing operations, increased to SEK 10,816 million (9,687) mainly due to positive development in adjusted EBITDA and working capital and received compensation from the pension fund, partly offset by higher paid interest and taxes.

Cash flow from investing activities, from continuing and discontinued operations amounted to SEK -14,041 million (-9,750). 2018 was mainly impacted by the acquisitions of Get and TDC Norway, Inmics and AinaCom partly offset by the disposals of the holdings in Spotify and Azercell, Geocell, Kcell and Ucell, respectively. Comparable figures were mainly impacted by the disposals of MegaFon and shares in Turkcell.

Financial position

CAPEX increased to SEK 16,361 million (15,307). CAPEX excluding license and spectrum fees increased to SEK 14,984 million (14,849). Cash CAPEX was SEK 13,774 million (14,144).

Goodwill and other intangible assets increased to SEK 93,018 million (76,652) mainly due to the acquisitions of Get and TDC Norway, Inmics and AinaCom, as well as foreign exchange rate effects.

Property, plant and equipment increased to SEK 78,220 million (60,024) mainly due to the acquisition of Get and TDC Norway.

Investments in associated companies and joint ventures, pension obligation assets and other non-current assets decreased to SEK 14,346 million (17,650) mainly due to the divestment of the holding in Spotify, remeasurements of defined benefit pension plans and compensation from the pension fund. Further, Investments in associated companies increased due to net income from associated companies and a positive cross-ownership effect from the disposals of Azercell, Geocell and Kcell, partly offset by foreign exchange rate effects and dividend received.

Long-term interest-bearing receivables and **Short-term interest bearing receivables** decreased to SEK 12,768 million (18,674) and SEK 4,529 million (17,335), respectively, mainly due to the net effect from acquisitions and disposals.

Long-term borrowings decreased to SEK 86,990 million (87,813) mainly due to a reclassification to Short-term borrowings, partly offset by foreign exchange rate effects and new long-term borrowings.

Assets classified as held for sale and **Liabilities directly associated with assets classified as held for sale** decreased to SEK 4,799 million (18,508) and SEK 560 million (8,556), respectively, due to the disposals of Azercell, Geocell, Kcell and Ucell, respectively.

Deferred tax liabilities increased to SEK 11,382 million (8,973) mainly due to the acquisition of Get and TDC Norway. The increase was partly offset by the revaluation of deferred tax liabilities due to enacted tax rate changes in Sweden and Norway.

Provisions for pensions and other long-term provisions decreased to SEK 6,715 million (8,210) mainly due to reclassification of the provision for the settlement with the US and Dutch authorities to short-term provisions.

Short-term borrowings increased to SEK 9,552 million (3,674) mainly due to a reclassification from Long-term borrowings, new short-term financing, partly offset by repurchase and maturities of bonds.

Trade payables and other current liabilities, current tax payables and short-term provisions increased to SEK 28,832 million (19,673) due to a reclassification of the provision for the settlement with the US and Dutch authorities and increased trade payables under vendor financing arrangements, increased short-term liabilities related to mobile licenses and the acquisition of Get and TDC Norway.

Significant events in the first quarter

- On February 2, 2018, Telia Company announced that it had agreed to transfer its interests in KazTransCom, a company that operates a fiber network and provides ICT services for the corporate segment in Kazakhstan, to Amun Services, see Note 4.
- On March 5, 2018, Telia Company announced that Fintur Holdings B.V. (Fintur), jointly owned by Telia Company and Turkcell, had completed the divestment of its holding in Azercell in Azerbaijan to Azintelecom, a wholly-owned company by the Repuclic of Azerbaijan, see Note 4.
- On March 9, 2018, Telia Company announced that it had acquired the Finnish IT service provider Cloud Solutions CS Oy, see Note 15.
- On March 20, 2018, Telia Company announced that Fintur Holdings B.V. (Fintur), jointly owned by Telia Company and Turkcell, had completed the divestment of its holding in Geocell LLC, to the Georgian telecommunications company JSC Silknet, see Note 4.
- On March 28, 2018, Telia Company and the other shareholders in Turkcell Holding had agreed to propose to the General Assembly Meeting of Turkcell that the company distribute dividends of TRY 1,900 million in total. The General Assembly Meeting of Turkcell was held on March 29, 2018, and the proposal was approved, as Turkcell Holding holds 51 percent of Turkcell. Three directors nominated by Turkcell Holding were elected as new members of the board of directors, among these Ingrid Stenmark, Senior Vice President and Head of CEO Office; Strategy & Combined Assurance at Telia Company.
- On March 29, 2018, Telia Company announced that it had divested its entire holding in Spotify in several steps over some time for USD 272 million, approximately SEK 2.3 billion, to institutional investors. The parties have concluded their successful strategic partnership.

Significant events in the second quarter

- On April 9, 2018, Telia Company announced that Hélène Barnekow, Head of Telia Sweden had resigned and left her position.
- On April 10, 2018, Telia Company held its Annual General Meeting and announced that the ordinary members of the Board Susanna Campbell, Marie Ehrling, Olli-Pekka Kallasvuo, Nina Linander, Anna Settman and Olaf Swantee were re-elected members to the Board. As new members of the board Jimmy Maymann and Martin Tivéus were elected. 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 2.30 per share and that the payment should be distributed in two equal tranches of SEK 1.15 each to be paid in April and October, respectively.
- On April 20, 2018, Telia Company announced that the Board of Directors had decided to initiate a buy-back program. The ambition is to buy back shares for an annual amount of SEK 5 billion over the coming three-year period, totaling SEK 15 billion, see Note 9.
- On April 27, 2018, Telia Company announced that The Board of Directors had decided to exercise the mandate for the buy-back of shares that was approved by the Annual General Meeting on April 10, 2018. The purpose is to cover commitments under the “Long Term Incentive Program 2015/2018”, see Note 9.
- On May 28, 2018, Telia Company announced that it had changed the composition of its Group Executive Management. Anders Olsson, Senior Vice President, Chief Operating Officer and Head of Global Services & Operations at Telia Company, had been appointed Executive Vice President and CEO of Telia Sweden. Magnus Zetterberg will replace Anders Olsson as COO and Head of GSO. Henriette Wendt, Senior Vice President and Head of Telia Company’s businesses in Lithuania, Estonia and Denmark, left her position and was replaced by Emil Nilsson, Senior Vice President and Head of region Eurasia.
- June 12, 2018, Telia Company announced that it became the majority shareholder of Assembly Organizing Oy which arranges Finland’s largest digital culture and games events. The ambition is to expand and further develop Telia’s ambitions within e-sports and gaming, see Note 15.

Significant events in the third quarter

- On July 4, 2018, Telia Company announced that Dan Strömberg, currently CEO of Telia Estonia, had been appointed CEO of Telia Lithuania and will replace Kestutis Sliuzas who will leave the company. Robert Pajos has been appointed interim CEO of Telia Estonia.
- On July 12, 2018, Telia Company announced that Telia Company’s President and CEO Johan Dennelind and the Prime Minister of Latvia Māris Kučinskis had signed a memorandum of understanding on improving their cooperation as shareholders in LMT and Lattelecom.
- On July 17, 2018, Telia Company announced that it had signed an agreement to acquire Get and TDC Norway at an enterprise value of NOK 21 billion on a cash and debt free basis. The transaction was approved by the Norwegian Competition Authority on October 5, and completed on October 15, 2018, see Note 15.
- On July 20, 2018, Telia Company announced that it had signed an agreement to acquire Bonnier Broadcasting, including brands TV4, C More and Finnish MTV, from Bonnier AB for SEK 9.2 billion, on a cash and debt free basis, equivalent to an EV/EBIT multiple of 15.4x, based on last 12-month performance as per March 31, 2018, or 7.7x including full run-rate of synergies and integration costs. The transaction is subject to regulatory approvals and is expected to be completed during the second half of 2019, see Note 15.

Significant events in the fourth quarter

- On October 1, 2018, Telia Company announced that Telia in Finland had invested in 5G licenses and had secured 130 MHz frequencies in the 3.5 GHz band. The licenses granted for the 3.5 GHz band are valid for 15 years starting from January 1, 2019, and the price for the new frequency block is EUR 30.3 million including the administrative fees for the auction. The payment to Ficora will be made in five parts during five years.
- On November 16, 2018, Telia Company announced that it had acquired AinaCom Oy, a Finnish provider of ICT services to enterprise customers, see Note 15.
- On December 5, 2018, Telia Company announced that it had sold its interest in Ucell (FE Coscom LLC) to the State Committee of the Republic of Uzbekistan for Assistance to Privatized Enterprises and Development of Competition. The US Department of Justice had been duly informed about the transaction, see Note 4.
- On December 10, 2018, Telia Company announced that it had invested in frequencies in the 700 MHz band in Sweden for approximately SEK 1.4 billion including SEK 0.3 billion referring to coverage obligation.
- On December 12, 2018, Telia Company and Fintur Holdings B.V. (Fintur), jointly owned by Telia Company and Turkcell, announced that they had agreed to sell their 75 percent holding in the leading Kazakhi telecommunications operator Kcell JSC, to the telecom operator Kazakhtelecom JSC, a company controlled by the government of the Republic of Kazakhstan through the sovereign wealth fund Samruk-Kazyna. Telia Company also announced that it had signed an agreement to acquire Turkcell's share in Fintur in a separate transaction to become the sole shareholder of the company, which enables Telia Company to repatriate cash from Fintur. The divestment of 75 percent was completed on December 21, 2018, see Note 4.

Significant events after the end of the fourth quarter

- On January 18, 2019, Telia Company announced that Susanna Campbell leaves Telia Company's Board of Directors effective immediately.

Telia Company share

The Telia Company share is listed on Nasdaq Stockholm and Nasdaq Helsinki. In 2018, the share price in Stockholm closed at year-end at SEK 41.98 (36.55). The highest share price was SEK 43.95 (40.07) and the lowest was SEK 36.06 (34.70). The number of shareholders decreased from 496,434 to 483,356.

Ordinary dividend to shareholders

For 2018, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 2.36 per share (2.30), totaling SEK 10.0 billion (9.9), or 85 percent of free cash flow attributable to continuing operations (81). The dividend should be split and distributed into two equal tranches of SEK 1.18 each.

The actual cash flow and equity effect for 2019 from the proposed dividend will be lower than SEK 10.0 billion due to the share buy-back program.

First distribution

The Board of Directors proposes that the final day for trading in shares entitling shareholders to dividend be set for April 10, 2019, and that the first day of trading in shares excluding rights to dividend be set for April 11, 2019. The recommended record date at Euroclear Sweden for the right to receive dividend will be April 12, 2019. If the AGM votes to approve the Board's proposals, the dividend is expected to be distributed by Euroclear Sweden on April 17, 2019.

Second distribution

The Board of Directors proposes that the final day for trading in shares entitling shareholders to dividend be set for October 22, 2019, and that the first day of trading in shares excluding rights to dividend be set for October 23, 2019. The recommended record date at Euroclear Sweden for the right to receive dividend will be October 24, 2019. If the AGM votes to approve the Board's proposals, the dividend is expected to be distributed by Euroclear Sweden on October 29, 2019.

Annual General Meeting 2019

The Annual General Meeting (AGM) will be held on April 10, 2019, 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 2019. The record date entitling shareholders to attend the meeting will be April 4, 2019. Shareholders may file notice of intent to attend the AGM from the beginning of March 2019. Telia Company must receive notice of attendance no later than April 4, 2019.

A CHALLENGING QUARTER IN SWEDEN

- As part of the strategy to have the best network and in the future also be in the forefront when it comes to nationwide 5G, Telia acquired 2x10 MHz in the 700 MHz band. The price for the spectrum block was SEK 1.4 billion, including SEK 0.3 billion referring to coverage obligation.
- Telia Sweden came out as number one within telecoms in the largest Nordic study around sustainability, “Sustainable Brand Index B2B.” The reward implies that heads of purchasing at Sweden’s largest companies have viewed Telia as the most sustainable company in the industry. In competition across all industries, Telia was the eighth most responsible company.

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2018	Oct-Dec 2017[1]	Chg (%)	Jan-Dec 2018	Jan-Dec 2017[1]	Chg (%)
Net sales	9,396	9,713	-3.3	36,677	36,825	-0.4
Change (%) local organic	*-3.3*			*-0.5*		
of which service revenues (external)	*7,851*	*8,018*	*-2.1*	*30,833*	*31,317*	*-1.5*
change (%) local organic	*-2.2*			*-1.7*		
Adjusted EBITDA	3,166	3,578	-11.5	13,162	13,627	-3.4
Margin (%)	33.7	36.8		35.9	37.0	
change (%) local organic	*-11.6*			*-3.5*		
Adjusted operating income	1,669	2,337	-28.6	7,765	8,576	-9.5
Operating income	1,277	2,113	-39.6	7,319	8,204	-10.8
CAPEX excluding license and spectrum fees	1,532	1,930	-20.6	5,510	6,264	-12.0
Adjusted EBITDA - CAPEX	550	1,648	-66.6	6,569	7,363	-10.8
Subscriptions, (thousands)						
Mobile	6,095	6,118	-0.4	6,095	6,118	-0.4
of which machine to machine (postpaid)	*1,020*	*944*	*8.0*	*1,020*	*944*	*8.0*
Fixed telephony	1,102	1,381	-20.2	1,102	1,381	-20.2
Broadband	1,287	1,286	0.1	1,287	1,286	0.1
TV	865	797	8.6	865	797	8.6
Employees	6,100	6,619	-7.8	6,100	6,619	-7.8

1) Restated for comparability, see Note 1.

Net sales declined 3.3 percent to SEK 9,396 million (9,713). There was no effect from acquisitions and disposals.

Service revenues excluding acquisitions and disposals, fell 2.2 percent as a 1.1 percent growth in mobile service revenues was more than offset by fixed service revenues declining by 3.8 percent, mainly driven by fixed telephony revenue erosion and to some extent lower fixed broadband revenues. Significantly lower other service revenues also contributed to the decline, mainly as the corresponding quarter last year included a higher level of revenues in the Infrastructure business.

Adjusted EBITDA fell 11.5 percent to SEK 3,166 million (3,578) and the adjusted EBITDA margin fell to 33.7 percent (36.8). Excluding acquisitions and disposals, adjusted EBITDA fell 11.6 percent driven by service revenue erosion and higher costs mainly due to an increase in credit losses of SEK 90 million and higher marketing spend of SEK 50 million.

CAPEX grew to SEK 2,615 million (1,930) due to the acquisition of 700 MHz spectrum and CAPEX, excluding licenses and spectrum fees fell to SEK 1,532 million (1,930).

TV subscriptions and fixed broadband subscriptions increased by 24,000 and 6,000, respectively, in the quarter. The growth in fixed broadband and TV was driven by an addition of 10,000 subscriptions each from small city networks acquired in the quarter and also earlier. Mobile subscriptions fell by 41,000 driven by a loss of 53,000 prepaid subscriptions.

STABLE DEVELOPMENT IN FINLAND

- Telia signed two milestone agreements to become the preferred ICT provider of Finnair and European Chemical Agency. The agreements include Global WAN + AWS hosting, Security services and Devices as a Service among others and stretches over three years. This is a great proof point of Telia Finland's strategy to strengthen the convergence proposition in the B2B segment.
- Telia acquired AinaCom Oy, a Finnish provider of ICT services to enterprise customers. The acquisition will further strengthen Telia's position as a leading national provider for ICT services in Finland, see Note 15. AinaCom Oy reported net sales of EUR 15.5 million in 2017.

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2018	Oct-Dec 2017[1]	*Chg (%)*	Jan-Dec 2018	Jan-Dec 2017[1]	*Chg (%)*
Net sales	4,080	3,763	*8.4*	15,512	13,742	*12.9*
Change (%) local organic	*-2.5*			*-0.1*		
of which service revenues (external)	*3,324*	*3,087*	*7.7*	*12,914*	*11,748*	*9.9*
change (%) local organic	*-0.2*			*-0.2*		
Adjusted EBITDA	1,191	1,137	*4.8*	4,757	4,218	*12.8*
Margin (%)	29.2	30.2		30.7	30.7	
change (%) local organic	*-1.0*			*3.0*		
Adjusted operating income	459	574	*-20.1*	2,108	2,073	*1.7*
Operating income	436	494	*-11.8*	2,045	1,926	*6.2*
CAPEX excluding license and spectrum fees	827	617	*34.0*	3,305	3,066	*7.8*
Adjusted EBITDA - CAPEX	70	520	*-86.6*	1,157	1,152	*0.4*
Subscriptions, (thousands)						
Mobile	3,278	3,278	*0.0*	3,278	3,278	*0.0*
of which machine to machine (postpaid)	*268*	*243*	*10.7*	*268*	*243*	*10.7*
Fixed telephony	38	50	*-24.0*	38	50	*-24.0*
Broadband	457	464	*-1.5*	457	464	*-1.5*
TV	553	508	*8.8*	553	508	*8.8*
Employees	3,238	3,107	*4.2*	3,238	3,107	*4.2*

1) Restated for comparability, see Note 1.

Net sales increased 8.4 percent in reported currency to SEK 4,080 million (3,763) and in local currency excluding acquisitions and disposals net sales fell 2.5 percent. The effect of exchange rate fluctuations was positive by 5.5 percent and the impact from acquisitions and disposals was positive by 5.4 percent.

Service revenues in local currency, excluding acquisitions and disposals declined 0.2 percent as mobile service revenue growth remained flat while fixed revenues declined slightly. The flat development in mobile service revenues was due to lower interconnect revenues that offset a slight growth in both mobile subscription revenues and other mobile service revenues. Fixed service revenues fell as strong growth in TV revenues was not enough to mitigate for pressure on other fixed services, mainly fixed broadband.

Adjusted EBITDA in reported currency rose 4.8 percent to SEK 1,191 million (1,137). The adjusted EBITDA margin fell to 29.2 percent (30.2). In local currency, excluding acquisitions and disposals, adjusted EBITDA declined 1.0 percent due to slightly lower revenues and marginally higher costs.

CAPEX increased to SEK 1,121 million (617) due to acquisition of spectrum in the 3.5 GHz band. CAPEX excluding licenses and spectrum fees increased to SEK 827 million (617).

The number of mobile subscriptions fell by 2,000 as the addition of 21,000 subscriptions from the acquisition of AinaCom Oy was more than offset by a loss of subscriptions in the existing business. Fixed broadband subscriptions increased by 9,000 and TV subscriptions rose by 3,000 in the quarter.

STRONG EBITDA GROWTH IN NORWAY

- The acquisition of Get and TDC Norway announced in July, was finalized in the quarter and the entities will merge with Telia Norway during the first quarter of 2019, creating a strong converged challenger in the Norwegian market, see Note 15.
- Telia launched its first 5G test network at the Odeon cinema theater in Oslo. By doing so making the cinema the world's first 5G cinema. A natural next step for Telia's award winning network which was the first in the world with narrowband IoT and Norway's first nationwide, IoT-specialized network. Also as the first operator in Norway, Telia's sub-brand OneCall initiated sales of used mobile phones under the concept "almost new". The concept offers quality-guaranteed phones with a two-year warranty.

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2018	Oct-Dec 2017[1]	*Chg (%)*	Jan-Dec 2018	Jan-Dec 2017[1]	*Chg (%)*
Net sales	3,687	2,671	*38.0*	11,898	10,087	*18.0*
Change (%) local organic	*0.8*			*3.6*		
of which service revenues (external)	*3,062*	*2,121*	*44.4*	*9,715*	*8,415*	*15.4*
change (%) local organic	*-1.1*			*-0.8*		
Adjusted EBITDA	1,371	859	*59.5*	4,492	3,531	*27.2*
Margin (%)	37.2	32.2		37.8	35.0	
change (%) local organic	*7.1*			*8.5*		
Adjusted operating income	547	482	*13.5*	2,343	2,003	*17.0*
Operating income	371	442	*-16.1*	2,139	1,851	*15.5*
CAPEX excluding license and spectrum fees	606	403	*50.3*	1,484	1,041	*42.6*
Adjusted EBITDA - CAPEX	765	458	*67.1*	3,008	2,083	*44.4*
Subscriptions, (thousands)						
Mobile	2,324	2,345	*-0.9*	2,324	2,345	*-0.9*
of which machine to machine (postpaid)	*71*	*65*	*9.2*	*71*	*65*	*9.2*
Fixed telephony	59	11		59	*11*	
Broadband	417			417		
TV	504			504		
Employees	2,033	1,201	*69.3*	2,033	1,201	*69.3*

1) Restated for comparability, see Note 1.

Net sales in reported currency rose 38.0 percent to SEK 3,687 million (2,671) and in local currency excluding acquisitions and disposals net sales rose 0.8 percent. The effect from exchange rate fluctuations was positive by 6.4 percent and the impact from acquisitions and disposals was positive by 30.8 percent.

Service revenues in local currency, excluding acquisitions and disposals declined 1.1 percent mainly due to lower mobile subscription revenues and to some extent also lower fixed telephony revenues. The pressure on mobile subscription revenues was driven by subscription base erosion mostly within the B2C segment.

Adjusted EBITDA in reported currency grew 59.5 percent to SEK 1,371 million (859). The adjusted EBITDA margin rose to 37.2 percent (32.2). In local currency, excluding acquisitions and disposals, adjusted EBITDA grew 7.1 percent driven by continued synergy realization from the Phonero acquisition and overall good cost control.

CAPEX increased to SEK 606 million (402) and CAPEX excluding licenses and spectrum fees increased to SEK 606 million (403).

The number of mobile subscriptions increased by 24,000 in the quarter due to the consolidation of Get and TDC Norway that added 54,000 subscriptions. The number of fixed broadband and TV subscriptions increased by 417,000 and 504,000, respectively, in the quarter due to the consolidation of Get and TDC Norway.

Note: The consolidation of Get and TDC Norway had a material impact on all numbers in reported currency and KPI's.

SOLID COST CONTROL IN DENMARK

- The positive development for the B2C service portfolio launched during the spring continued in the quarter. The new portfolio that targets a more simplified and digitalized customer experience continued to drive operational efficiency as well as a better customer experience. Nationwide narrowband IoT was launched with the first commercial B2B customers going live.

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2018	Oct-Dec 2017[1]	*Chg (%)*	Jan-Dec 2018	Jan-Dec 2017[1]	*Chg (%)*
Net sales	1,634	1,555	*5.1*	6,167	5,945	*3.7*
Change (%) local organic	*0.0*			*-2.4*		
of which service revenues (external)	*1,101*	*1,076*	*2.4*	*4,377*	*4,335*	*1.0*
change (%) local organic	*-2.4*			*-5.0*		
Adjusted EBITDA	237	208	*13.9*	751	704	*6.6*
Margin (%)	14.5	13.4		12.2	11.8	
change (%) local organic	*8.4*			*0.4*		
Adjusted operating income	-7	11		-116	-52	
Operating income	-5	-68		-123	-145	
CAPEX excluding license and spectrum fees	160	142	*12.8*	439	412	*6.7*
Adjusted EBITDA - CAPEX	77	66	*16.4*	311	292	*6.6*
Subscriptions, (thousands)						
Mobile	1,451	1,479	*-1.9*	1,451	1,479	*-1.9*
of which machine to machine (postpaid)	*69*	*49*	*40.1*	*69*	*49*	*40.1*
Fixed telephony	78	90	*-13.3*	78	90	*-13.3*
Broadband	104	114	*-8.8*	104	114	*-8.8*
TV	24	31	*-22.6*	24	31	*-22.6*
Employees	877	1,026	*-14.5*	877	1,026	*-14.5*

1) Restated for comparability, see Note 1.

Net sales in reported currency grew 5.1 percent to SEK 1,634 million (1,555) and in local currency excluding acquisitions and disposals net sales remained unchanged. The effect from exchange rate fluctuations was positive by 5.1 percent.

Service revenues in local currency, excluding acquisitions and disposals fell 2.4 percent as a slight growth in mobile service revenues was not enough to mitigate for lower fixed service revenues, mostly driven by fixed telephony and fixed broadband.

Adjusted EBITDA in reported currency rose 13.9 percent to SEK 237 million (208). The adjusted EBITDA margin rose to 14.5 percent (13.4). In local currency, excluding acquisitions and disposals, adjusted EBITDA grew 8.4 percent due to good cost control that mainly resulted in lower resource and network costs.

CAPEX increased to SEK 160 million (142) and CAPEX excluding licenses and spectrum fees increased to SEK 160 million (142).

The number of mobile subscriptions grew by 8,000 in the quarter driven by postpaid subscriptions used for machine-to-machine services. The number of fixed broadband subscriptions fell by 2,000 and TV subscriptions fell by 3,000 in the quarter.

MOBILE REMAINED STRONG IN LITHUANIA

- As the first operator in Lithuania Telia installed 5G network stations in the capital Vilnius and reached data transfer speeds of 1.8 gigabits per second with latency of only seven milliseconds.

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2018	Oct-Dec 2017[1]	*Chg (%)*	Jan-Dec 2018	Jan-Dec 2017[1]	*Chg (%)*
Net sales	996	970	*2.6*	3,849	3,543	*8.6*
Change (%) local organic	*-2.6*			*2.1*		
of which service revenues (external)	*731*	*718*	*1.7*	*2,983*	*2,820*	*5.8*
change (%) local organic	*-3.3*			*-0.6*		
Adjusted EBITDA	324	323	*0.5*	1,350	1,207	*11.8*
Margin (%)	32.6	33.3		35.1	34.1	
change (%) local organic	*-4.7*			*5.1*		
Adjusted operating income	155	183	*-15.7*	697	644	*8.2*
Operating income	153	178	*-13.8*	684	615	*11.2*
CAPEX excluding license and spectrum fees	113	186	*-39.3*	575	552	*4.1*
Adjusted EBITDA - CAPEX	211	137	*54.5*	775	655	*18.3*
Subscriptions, (thousands)						
Mobile	1,389	1,352	*2.7*	1,389	1,352	*2.7*
of which machine to machine (postpaid)	*157*	*141*	*11.2*	*157*	*141*	*11.2*
Fixed telephony	315	371	*-15.1*	315	371	*-15.1*
Broadband	409	410	*-0.2*	409	410	*-0.2*
TV	242	242	*0.0*	242	242	*0.0*
Employees	2,306	2,440	*-5.5*	2,306	2,440	*-5.5*

1) Restated for comparability, see Note 1.

Net sales in reported currency increased 2.6 percent to SEK 996 million (970). In local currency excluding acquisitions and disposals net sales fell 2.6 percent. The effect of exchange rate fluctuations was positive by 5.2 percent.

Service revenues in local currency, excluding acquisitions and disposals fell 3.3 percent as a strong growth of 16.3 percent in mobile revenues was offset by significantly lower fixed service revenues. The decline was driven to some extent by lower fixed telephony revenues although mainly from a tough comparable quarter last year that included a higher level of low margin transit service revenues.

Adjusted EBITDA in reported currency increased 0.5 percent to SEK 324 million (323). The adjusted EBITDA margin fell to 32.6 percent (33.3). In local currency, excluding acquisitions and disposals, adjusted EBITDA declined 4.7 percent mainly due to higher operating expenses mostly related to resources and marketing.

CAPEX fell to SEK 113 million (186) and CAPEX excluding licenses and spectrum fees fell to SEK 113 million (186).

The number of mobile subscriptions decreased by 9,000 and TV subscriptions increased by 4,000 in the quarter. The number of fixed broadband subscriptions remained unchanged in the quarter.

STRONG DEVELOPMENT IN ESTONIA

- Just before Christmas the first 4K video live stream was transmitted on the 5G test network, a service from a collaboration between Telia, TalTech University and Ericsson. The network serves as a testbed for innovation and research and is a permanent installation using standardized and commercial 5G products.

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2018	Oct-Dec 2017	*Chg (%)*	Jan-Dec 2018	Jan-Dec 2017	*Chg (%)*
Net sales	834	782	*6.6*	3,077	2,824	*9.0*
Change (%) local organic	*1.2*			*2.6*		
of which service revenues (external)	*612*	*564*	*8.4*	*2,399*	*2,182*	*10.0*
change (%) local organic	*3.0*			*3.6*		
Adjusted EBITDA	233	215	*8.0*	1,001	871	*14.9*
Margin (%)	27.9	27.5		32.5	30.9	
change (%) local organic	*2.7*			*8.0*		
Adjusted operating income	93	87	*6.8*	444	360	*23.3*
Operating income	91	58	*58.1*	440	326	*35.0*
CAPEX excluding license and spectrum fees	252	137	*84.3*	567	452	*25.5*
Adjusted EBITDA - CAPEX	-19	79		434	369	*17.4*
Subscriptions, (thousands)						
Mobile	986	925	*6.6*	986	925	*6.6*
of which machine to machine (postpaid)	*248*	*214*	*15.9*	*248*	*214*	*15.9*
Fixed telephony	263	279	*-5.7*	263	279	*-5.7*
Broadband	242	238	*1.7*	242	238	*1.7*
TV	212	200	*6.0*	212	200	*6.0*
Employees	1,794	1,871	*-4.1*	1,794	1,871	*-4.1*

Net sales in reported currency increased 6.6 percent to SEK 834 million (782) and in local currency excluding acquisitions and disposals net sales increased 1.2 percent. The effect from exchange rate fluctuations was positive by 5.4 percent.

Service revenues in local currency, excluding acquisitions and disposals rose 3.0 percent as both mobile revenues and fixed revenues increased. For mobile revenues the key driver was subscription base expansion and fixed revenues rose due to good development across most of the fixed services.

Adjusted EBITDA in reported currency increased 8.0 percent to SEK 233 million (215). The adjusted EBITDA margin increased slightly to 27.9 percent (27.5). In local currency, excluding acquisitions and disposals, adjusted EBITDA increased 2.7 percent mainly driven by a growth in service revenues.

CAPEX increased to SEK 252 million (137) and CAPEX excluding licenses and spectrum fees increased to SEK 252 million (137).

The number of mobile subscription increased by 9,000 and TV subscriptions increased by 5,000 in the quarter. The number of fixed broadband subscriptions increased by 2,000 in the quarter.

OTHER OPERATIONS

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2018	Oct-Dec 2017[1]	Chg (%)	Jan-Dec 2018	Jan-Dec 2017[1]	Chg (%)
Net sales	2,218	2,260	-1.9	8,743	9,025	-3.1
Change (%) local organic	*-5.4*			*-2.9*		
of which Telia Carrier	*1,356*	*1,518*	*-10.7*	*5,542*	*5,956*	*-7.0*
of which Latvia	*594*	*521*	*14.0*	*2,200*	*1,931*	*13.9*
Adjusted EBITDA	213	199	6.6	1,137	992	14.5
of which Telia Carrier	144	130	10.9	512	491	4.2
of which Latvia	182	140	29.8	694	592	17.3
Margin (%)	9.6	8.8		13.0	11.0	
Income from associated companies	182	3,172	-94.3	835	769	8.5
of which Russia	*–*	*2,795*		*–*	*2,700*	
of which Turkey	*106*	*336*	*-68.4*	*685*	*-2,070*	
of which Latvia	*74*	*43*	*74.0*	*175*	*137*	*27.6*
Adjusted operating income	78	5		904	1,176	-23.1
Operating income	63	2,958	-97.9	734	990	-25.9
CAPEX excluding license and spectrum fees	1,015	1,021	-0.6	3,095	3,063	1.0
Subscriptions, (thousands)						
Mobile Latvia	1,281	1,237	3.5	1,281	1,237	3.5
of which machine to machine (postpaid)	*313*	*285*	*10.0*	*313*	*285*	*10.0*
Employees	4,091	4,012	2.0	4,091	4,012	2.0

1) Restated for comparability, see Note 1.

Net sales in reported currency fell 1.9 percent to SEK 2,218 million (2,260). In local currency, excluding acquisitions and disposals net sales fell 5.4 percent. The effect from exchange rate fluctuations was positive by 3.5 percent.

Adjusted EBITDA in reported currency rose 6.6 percent to SEK 213 million (199). The adjusted EBITDA margin increased to 9.6 percent (8.8).

In **Telia Carrier**, net sales in reported currency fell 10.7 percent to SEK 1,356 million (1,518) due to reduced sales of low-margin products. Adjusted EBITDA increased 10.9 percent to SEK 144 million (130).

In **Latvia**, net sales in reported currency increased 14.0 percent to SEK 594 million (521). Adjusted EBITDA in reported currency increased 29.8 percent to SEK 182 million (140). In local currency, excluding acquisitions and disposals, adjusted EBITDA increased 23.6 percent, driven by increased net sales and lower costs.

The number of mobile subscriptions in Latvia fell by 1,000 in the quarter.

Income from associated companies decreased to SEK 182 million (3,172) mainly as the corresponding quarter last year was positively impacted by a capital gain of SEK 2.8 billion following the disposal of 6.2 percent in MegaFon.

DISCONTINUED OPERATIONS

- On December 5, 2018, Telia Company announced the divestment of Ucell in Uzbekistan. The transaction was not subject to any conditions, such as regulatory or competition approvals, and was completed the same day, see Note 4.
- On December 12, 2018, Telia Company announced the divestment of its direct, and via Fintur Holdings B.V.'s indirect holding in Kcell in Kazakhstan. The transaction was completed on December 21, 2018. Telia Company also announced that it had signed an agreement with Turkcell in Turkey to acquire Turkcell's 41.45 percent holding in Fintur Holdings, see Note 4.

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2018	Oct-Dec 2017[1]	*Chg (%)*	Jan-Dec 2018	Jan-Dec 2017[1]	*Chg (%)*
Net sales (external)	1,432	2,358	*-39.3*	6,687	11,275	*-40.7*
Adjusted EBITDA	510	806	*-36.8*	2,341	4,262	*-45.1*
Margin (%)	35.6	34.2		35.0	37.8	
CAPEX	282	468	*-39.8*	861	1,787	*-51.8*
CAPEX excluding license and spectrum fees	282	464	*-39.3*	823	1,782	*-53.8*

1) Restated for comparability, see Note 1.

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 fell 39.3 percent in reported currency to SEK 1,432 million (2,358) mainly due to the divestments of Azercell in Azerbaijan and Geocell in Georgia in the first quarter of 2018 and the divestment of Ucell in Uzbekistan in the fourth quarter of 2018.

Adjusted EBITDA fell 36.8 percent to SEK 510 million (806) mainly due to the divestments of Azercell and Geocell in the first quarter of 2018. Ucell's EBITDA in the fourth quarter of 2018 increased year on year despite not being consolidated for the entire quarter. The adjusted EBITDA margin rose to 35.6 percent (34.2).

CAPEX fell to SEK 282 million (468) and CAPEX, excluding license and spectrum fees fell to SEK 282 million (464).

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK in millions, except per share data and number of shares	Note	Oct-Dec 2018	Oct-Dec 2017[1]	Jan-Dec 2018	Jan-Dec 2017[1]
Continuing operations					
Net sales	5, 6	22,209	21,164	83,559	79,790
Cost of sales		-14,977	-13,038	-52,162	-49,166
Gross profit		**7,231**	**8,125**	**31,398**	**30,624**
Selling, administration and R&D expenses		-4,698	-4,878	-18,562	-18,334
Other operating income and expenses, net		-325	-248	-432	700
Income from associated companies and joint ventures		178	3,174	835	778
Operating income	5	**2,386**	**6,174**	**13,238**	**13,768**
Financial items, net		-682	-2,186	-2,252	-4,214
Income after financial items		**1,704**	**3,988**	**10,986**	**9,554**
Income taxes		129	-117	-1,496	-1,062
Net income from continuing operations		**1,833**	**3,871**	**9,489**	**8,492**
Discontinued operations					
Net income from discontinued operations	4	**-3,413**	**-3,066**	**-6,399**	**1,751**
Total net income		**-1,580**	**805**	**3,090**	**10,243**
Items that may be reclassified to net income:					
Foreign currency translation differences from continuing operations		-1,001	5,707	-63	10,831
Foreign currency translation differences from discontinued operations		4,759	1,084	7,692	-1,754
Other comprehensive income from associated companies and joint ventures		-156	-18	-27	138
Cash flow hedges		21	91	-312	-147
Cost of hedging		0	–	45	–
Available-for-sale financial instruments		–	158	–	729
Debt instruments at fair value through OCI		-31	–	-59	–
Income taxes relating to items that may be reclassified		-78	221	569	267
Items that will not be reclassified to net income:					
Equity instruments at fair value through OCI		–	–	554	–
Remeasurements of defined benefit pension plans		-1,691	91	-2,089	-406
Income taxes relating to items that will not be reclassified		347	-30	432	92
Associates remeasurements of defined benefit pension plans		0	0	-1	-25
Other comprehensive income		**2,169**	**7,304**	**6,740**	**9,725**
Total comprehensive income		**589**	**8,110**	**9,830**	**19,968**
Total net income attributable to:					
Owners of the parent		-1,095	792	3,179	9,705
Non-controlling interests		-485	14	-89	538
Total comprehensive income attributable to:					
Owners of the parent		849	8,161	9,842	19,811
Non-controlling interests		-260	-52	-13	156
Earnings per share (SEK), basic and diluted		-0.26	0.18	0.74	2.24
of which continuing operations, basic and diluted		*0.42*	*0.88*	*2.17*	*1.92*
Number of shares (thousands)					
Outstanding at period-end		4,230,807	4,330,085	4,230,807	4,330,085
Weighted average, basic and diluted		4,242,082	4,330,085	4,292,680	4,330,085
EBITDA from continuing operations	16	6,353	6,193	26,042	25,519
Adjusted EBITDA from continuing operations	3, 16	6,735	6,520	26,649	25,151
Depreciation, amortization and impairment losses from continuing operations		-4,145	-3,193	-13,638	-12,528
Adjusted operating income from continuing operations	3, 16	2,993	3,680	14,146	14,781

1) Restated for comparability, see Note 1.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK in millions	Note	Dec 31, 2018	Dec 31, 2017[1]
Assets			
Goodwill and other intangible assets	7, 15	93,018	76,652
Property, plant and equipment	7	78,220	60,024
Investments in associated companies and joint ventures, pension obligation assets and other non-current assets	8	14,346	17,650
Deferred tax assets		2,670	3,003
Long-term interest-bearing receivables	4, 8, 11	12,768	18,674
Total non-current assets		*201,021*	*176,003*
Inventories		1,854	1,521
Trade and other receivables and current tax receivables	8	17,624	16,385
Short-term interest-bearing receivables	8, 11	4,529	17,335
Cash and cash equivalents	4, 11	18,765	15,616
Assets classified as held for sale	4, 11	4,799	18,508
Total current assets		*47,570*	*69,365*
Total assets		**248,592**	**245,367**
Equity and liabilities			
Equity attributable to owners of the parent		97,344	101,226
Equity attributable to non-controlling interests		5,050	5,291
Total equity		*102,394*	*106,517*
Long-term borrowings	8, 11	86,990	87,813
Deferred tax liabilities		11,382	8,973
Provisions for pensions and other long-term provisions		6,715	8,210
Other long-term liabilities		2,169	1,950
Total non-current liabilities		*107,254*	*106,946*
Short-term borrowings	8, 11	9,552	3,674
Trade payables and other current liabilities, current tax payables and short-term provisions	4	28,832	19,673
Liabilities directly associated with assets classified as held for sale	4, 11	560	8,556
Total current liabilities		*38,943*	*31,904*
Total equity and liabilities		**248,592**	**245,367**

1) Restated for comparability, see Note 1.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SEK in millions	Note	Oct-Dec 2018	Oct-Dec 2017[1]	Jan-Dec 2018	Jan-Dec 2017[1]
Cash flow before change in working capital		5,434	5,870	24,809	27,869
Change in working capital		689	471	1,888	-4,665
Cash flow from operating activities		**6,122**	**6,341**	**26,696**	**23,204**
of which from continuing operations		*5,988*	*5,740*	*25,329*	*25,948*
of which from discontinued operations		*134*	*601*	*1,367*	*-2,744*
Cash CAPEX	16	-4,681	-4,755	-14,794	-16,040
Free cash flow	**16**	**1,442**	**1,586**	**11,902**	**7,164**
of which from continuing operations		*1,534*	*1,251*	*11,555*	*11,804*
of which from discontinued operations		*-92*	*335*	*347*	*-4,640*
Cash flow from other investing activities		-9,207	6,299	753	6,290
Total cash flow from investing activities		**-13,887**	**1,544**	**-14,041**	**-9,750**
of which from continuing operations		*-14,999*	*2,814*	*-14,412*	*-6,148*
of which from discontinued operations		*1,112*	*-1,270*	*371*	*-3,602*
Cash flow before financing activities		**-7,765**	**7,885**	**12,655**	**13,454**
Cash flow from financing activities		**-3,073**	**-8,128**	**-12,446**	**-13,905**
of which from continuing operations		*-2,865*	*-8,019*	*-12,286*	*-13,316*
of which from discontinued operations		*-208*	*-109*	*-160*	*-589*
Cash flow for the period		**-10,838**	**-243**	**209**	**-451**
of which from continuing operations		*-11,877*	*535*	*-1,368*	*6,484*
of which from discontinued operations		*1,039*	*-778*	*1,577*	*-6,935*
Cash and cash equivalents, opening balance		**33,120**	**20,789**	**20,984**	**22,907**
Cash flow for the period		-10,838	-243	209	-451
Exchange rate differences in cash and cash equivalents		310	438	1,398	-1,472
Cash and cash equivalents, closing balance		**22,591**	**20,984**	**22,591**	**20,984**
which from continuing operations		*18,765*	*15,616*	*18,765*	*15,616*
of which from discontinued operations (Eurasia)		*3,827*	*5,368*	*3,827*	*5,368*

1) Restated for comparability, see Note 1.
See Note 16 section Operational free cash flow for further information.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SEK in millions	Owners of the parent	Non-controlling interests	Total equity
Opening balance, January 1, 2017	**89,833**	**5,036**	**94,869**
Change in accounting principles[1]	1,159	31	1,190
Adjusted opening balance, January 1, 2017	**90,991**	**5,067**	**96,058**
Dividends	-8,660	-835	-9,495
Share-based payments	33	–	33
Acquisition of treasury shares	-4	–	-4
Change in non-controlling interests[2]	-903	903	–
Total transactions with owners	*-9,534*	*69*	*-9,466*
Total comprehensive income[4]	19,811	156	19,968
Effect of equity transactions in associated companies	-43	–	-43
Closing balance, December 31, 2017[4]	**101,226**	**5,291**	**106,517**
Opening balance, January 1, 2018	**101,226**	**5,291**	**106,517**
Change in accounting principles[3]	-16	–	-16
Change in accounting principles in associated companies[5]	282	–	282
Adjusted opening balance, January 1, 2018	**101,490**	**5,291**	**106,781**
Dividends	-9,881	-229	-10,110
Share-based payments	36	–	36
Acquisition of treasury shares[6]	-4,147	–	-4,147
Total transactions with owners	*-13,992*	*-229*	*-14,221*
Total comprehensive income	9,843	-12	9,830
Effect of equity transactions in associated companies	4	–	4
Closing balance, December 31, 2018	**97,344**	**5,050**	**102,394**

1) Transition effect of IFRS 15, see Note 1.
2) Non-controlling interests in Fintur Holdings B.V. increased by SEK 766 million due to reduced ownership in Turkcell. Capitalization of Ucell (OOO Coscom) and TeliaSonera Uzbek Telecom Holding B.V. resulted in an increase in non-controlling interests of SEK 138 million.
3) Transition effect of IFRS 9, see Note 1.
4) Restated for comparability, see Note 1.
5) Transition effect of IFRS 15 and IFRS 9 for Turkcell, which is a publicly listed company and therefore included with one-quarter lag.
6) Acquisition of treasury shares, see Note 9.

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, 2018, 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 2017, 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

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 has implemented 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. Revenue is allocated to performance obligations (equipment and services) in proportion to stand-alone selling prices ("fair values" under Telia Company's previous accounting principles) of the individual items. Revenue is recognized when (at a point in time) or as (over a period of time) the performance obligations are satisfied, which is determined by the manner in which control passes to the customer. Among others the new revenue standard gives detailed guidance on the accounting for:

Bundled offerings: Telia Company's prior accounting and recognition of revenue for bundled offerings and allocation of the consideration between equipment and service was 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 previously used has been slightly refined for some types of customer contracts, but the effect was not material.

Incremental costs for obtaining a contract: Sales commissions and equipment subsidies granted to dealers for obtaining a specific contract are capitalized and deferred over the period over which Telia Company expects to provide services to the customer. The amortization of capitalized contract costs over the service period is classified as operating expenses within EBITDA. Under Telia Company's prior accounting principles, costs for obtaining contracts were expensed as incurred. 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 are made at the prevailing interest rates in the relevant market. Under prior accounting principles Telia Company applied discounting, using the group's average borrowing rate and the model has therefore been adjusted, but the effect was not material.

Contract modifications: Guidance is included on when to account for modifications retrospectively or progressively. The new guidance had no 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. This disaggregation of revenues is also disclosed in the interim reports, see Note 6.

The restatement tables below present the impact of the initial application of IFRS 15 on the consolidated financial statements for 2017.

IFRS 9 "Financial Instruments"

IFRS 9 "Financial instruments" is effective as of January 1, 2018, and replaces IAS 39 "Financial instruments: Recognition and Measurement". As permitted by IFRS 9, Telia Company has chosen to implement the new standard without restating comparable figures for 2017. In accordance with RFR 2 "Accounting for Legal Entities", Telia Company AB (parent company) has chosen to apply IFRS 9 in the legal entity as of January 1, 2018.

The standard's three main projects have been classification and measurement, impairment and hedge accounting. During 2017 Telia Company has performed a review and an assessment of the effects on the financial assets and financial liabilities. The impact of IFRS 9 on the financial reporting for Telia Company is presented below for each respective area where IFRS 9 has brought changes compared with the requirements of IAS 39.

Classification and measurement of financial assets and financial liabilities: IFRS 9 requires financial assets that are debt instruments to be classified based on the entity's business model for managing the financial assets as well as the characteristics of the contractual cash flows of the financial assets. The classification in turn decides how the assets are to be measured. The financial assets are classified and measured at any of the following three categories: Amortized Cost (AC); Fair Value through Other Comprehensive Income (FVOCI); or Fair Value through Profit or Loss (FVPL). For Telia Company, there is no material change to the measurement of financial assets, since the measurement bases were already amortized cost or fair value. Telia Company has chosen to continue to report gains and losses from equity instruments classified as “financial assets available-for sale” under IAS 39 in other comprehensive income also under IFRS 9 as these instruments are held for strategic purposes. For equity instruments that are 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 were reclassified on derecognition or impairment. The changes in IFRS 9 that relate to classification and measurement of financial liabilities did not impact Telia Company as the group did not measure financial liabilities at fair value (other than derivatives liabilities, which are continued to be measured at FVPL).

Impairment: IFRS 9 requires a loss allowance for the expected credit losses to be recognized on receivables and other types of debt instruments. In order to be able to recognize the expected credit losses and not merely the “incurred” credit losses as was the requirement under IAS 39, Telia Company has made an assessment of impairment of trade receivables and other receivables resulting in a transition effect of SEK 16 million compared to the previous method for each portfolio of such assets. For investments in interest bearing assets in the bond and deposit portfolios, the general impairment model in IFRS 9, with the low credit risk exception, is applied, meaning that the loss allowance will be measured at an amount equal to the 12-month expected credit losses as long as there is no significant increase in credit risk. If a significant increase in credit risk should arise, the loss allowance will be measured at an amount equal to the lifetime expected credit losses for the asset. In Telia Company AB the transition effect from impairment for intragroup receivables was SEK 150 million. The amount is recognized as per January 1, 2018, as a decrease in Trade and other receivables and current tax receivables and a decrease in Equity.

Hedge accounting: IFRS 9 applies to all hedge relationships, with the exception of “fair value macro hedges”. The IASB is working on a project to address macro hedging and in the meantime IFRS 9 provides an accounting policy choice for hedge accounting: either to continue to apply the requirements of IAS 39 until the macro hedging project is finalized, or apply IFRS 9. The hedge accounting requirements in IFRS 9 retain the three hedge accounting mechanisms but introduces greater flexibility in the types of transactions eligible for hedge accounting, the risks that can be hedged, and the instruments that can be used as hedging instruments. The new hedge accounting model enables a better reflection of risk management activities in the financial statements. The previous 80-125 percent threshold effective-test is not carried over to IFRS 9. Instead, there should be an economic relationship between the hedged item and the hedging instrument, with no quantitative threshold. Telia Company applies the hedge accounting provisions of IFRS 9 as of the second quarter of 2018. The transition has caused no major effects. IFRS 9 better aligns hedge accounting with Telia Company risk mitigation strategies. However, the improved hedge accounting possibilities also require increased disclosures regarding the risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the financial statements. In addition, consequential amendments have been made to IFRS 7 “Financial Instruments: Disclosures”.

IFRS 16 “Leases”

IFRS 16 “Leases” replaces the current IAS 17 ”Leases” and its associated interpretative guidance. The new standard is effective as of January 1, 2019. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the lessee. The new standard removes the classification of leases as operating leases or finance leases, for lessees, as is required by IAS 17 and, instead introduces a single accounting model. According to the new model, leases result in the lessee obtaining the right to use an asset during the estimated leas term and, if lease payments are made over time, also obtaining financing. Telia Company’s long term operating leases will be recognized as non-current assets and financial liabilities in the consolidated statement of financial position. Instead of operating lease expenses, Telia Company will recognize depreciation and interest expenses in the consolidated statement of comprehensive income. Lease payments will affect cash flow from operating activities (e.g. interest, low value asset leases and short-term leases), and cash flow from financing activities (repayment of the lease liability) in the cash flow statement. The new standard does not include significant changes to the requirements for accounting by lessors.

Telia Company will apply the new standard using the modified retrospective approach, which means that comparative figures will not be restated. The cumulative effect of applying IFRS 16 will be recognized at January 1, 2019. The lease liabilities attributable to leases which have previously been classified as operating leases under IAS 17 will be measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of January 1, 2019. Telia Company will recognize a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to the lease, recognized as of December 31, 2018. Hence, the transition to IFRS 16 will have no material effect on group equity.

Telia Company will apply the practical expedients to recognize payments associated with short-term leases and leases of low value assets, as an expense in the income statement. Telia Company will not apply IFRS 16 to intangible assets. Non-lease components will be expensed and not accounted for as part of the right-of-use-asset or the lease liability. Telia Company will at the date of initial application of IFRS 16 reassess whether a contract is or contains a lease.

For leases classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability under IFRS 16 at January 1, 2019, will be the carrying amount of the lease asset and lease liability accounted for under IAS 17 immediately before transition to IFRS 16.

The initial application of IFRS 16 will have the following preliminary effects on the consolidated statement of financial position at the date of initial application January 1, 2019.

Preliminary IFRS 16 effects SEK in billions	**Jan 1, 2019**
Right-of-use-asset	15
Deferred tax asset	1
Increase total assets	**16**
Lease liability, non-current	12
Deferred tax liability	1
Lease liability, current	3
Increase total liabilities	**16**

In the table above, deferred tax assets and tax liabilities attributable to the right of use asset and lease liability, have been offset where there is a legal enforceable right to set off the deferred taxes.

Telia Company has identified lease contracts relating to e.g. network equipment (e.g. copper, dark fiber, IRU and ducts), technical and non-technical space, technical and non-technical equipment, shops, land and cars.

In determining the balances above, the main judgements made are related to determining the lease terms and whether a contract is or contains a lease. Regarding lease terms, a majority of the lease contracts in the group includes options for Telia Company either to extend or to terminate the contract. When determining the lease term, Telia Company considers all facts and circumstances that creates an economic incentive to exercise an extension option, or not to exercise a termination option. Example of factors that are considered are; strategic plans, assessment of future technology changes, the importance of the underlying asset to Telia Company's operations and/or costs associated with not extending or not terminating the lease.

Telia Company has reassessed whether a contract is or contains a lease at the date of initial application of IFRS 16. Telia Company has concluded that some agreements that were assessed to be a service contracts under IAS 17, meet the definition of a lease agreement and are in scope of IFRS 16.

The difference between Telia Company's future minimum leasing fees under operating lease agreements in accordance with IAS 17 and the lease liability which will be recognized as of January 1, 2019, in accordance with IFRS 16 is mainly related to finance leases, estimated lease term extension periods and reassessments of whether a contract is or contains a lease.

Changes in tax rate in Sweden

As a result of the enacted tax rate reductions, deferred tax assets and liabilities relating to Telia Company's Swedish entities were remeasured in the second quarter of 2018 using the new tax rates based on an assessment of when in time the asset or liability is expected to be realized or settled. The remeasurements lead to a decrease in both deferred tax liabilities of SEK 383 million and deferred tax assets of SEK 62 million. The main part of the net effect was recognized in the income statement in the line item "Income taxes".

In the third quarter of 2018 a re-assessment resulted in an additional decrease in deferred tax liabilities of SEK 12 million.

In the fourth quarter of 2018 a re-assessment resulted in an additional decrease in deferred tax liabilities of SEK 17 million.

Changes in tax rate in Norway

As a result of the enacted tax rate reduction, deferred tax assets and liabilities relating to Telia Company's Norwegian entities were remeasured in the fourth quarter of 2018. The remeasurements lead to a decrease in both deferred tax liabilities of SEK 174 million and deferred tax assets of SEK 6 million. The net effect was recognized in the income statement in the line item "Income taxes".

Restatement of operational data

As a result of a review in the first quarter of 2018, an additional number of machine-to-machine subscriptions in Finland started to be included in the reporting. As a consequence, the 2017 subscription base has been restated for comparability. Also, in order to reflect the full TV subscription base, OTT TV customers have started to be included in Sweden, Finland and Estonia, respectively, and as a result of this, the 2017 subscription base has been restated for comparability. Furthermore, the number of employees in Lithuania in 2017 has been restated for hourly paid employees.

Assets held for sale and discontinued operations

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. For information on assets held for sale and discontinued operations, see Note 4.

Segments

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 in Note 5.

Correction of prior period classification errors

Compensation from the pension fund

Compensation from the pension fund has previously been presented as cash flow from investing activities. From 2018 compensation from the pension fund is presented as cash flow from operating activities. The compensation from the pension fund was SEK 675 million in the first quarter of 2018. There was no compensation in 2017.

Capitalized work

Prior periods have been restated to reflect the discovery of certain classification errors referring to capitalized work by employees recognized as property plant and equipment of SEK 231 million and intangible assets of SEK 133 million. The correction resulted in a reclassification between personnel expenses and impairment losses and a reclassification between cash flow from operating activities and investing activities for the full year 2017. The reclassifications have no effect on costs by function, operating income, net income, free cash flow or total cash flow for the full year 2017 or carrying values of the related assets per December 31, 2017. The reclassification corrections for the fourth quarter and for the twelve-month period ended December 31, 2017, are presented in the restatement tables below.

Restatement effects on Condensed consolidated statements of comprehensive income

	Oct-Dec 2017					Jan-Dec 2017				
SEK in millions	**Reported**	**IFRS 15 effects**	**Ref**	**Capital-ized work**	**Restated**	**Reported**	**IFRS 15 effects**	**Ref**	**Capital-ized work**	**Restated**
Continuing operations										
Net sales	21,187	-23	b)		21,164	79,867	-77	b)	–	79,790
Cost of sales	-13,038				-13,038	-49,166	–		–	-49,166
Gross profit	**8,148**	**-23**		**–**	**8,125**	**30,701**	**-77**		**–**	**30,624**
Selling, admin. and R&D expenses	-4,945	67	c)	–	-4,878	-18,489	155	c)	–	-18,334
Other operating income and expenses, net	-248	–		–	-248	700	–		–	700
Income from associated companies and joint ventures	3,174	–		–	3,174	778	–		–	778
Operating income	**6,130**	**44**		**–**	**6,173**	**13,690**	**78**		**–**	**13,768**
Financial items, net	-2,191	5	d)	–	-2,186	-4,234	20	d)	–	-4,214
Income after financial items	**3,939**	**49**		**–**	**3,988**	**9,457**	**97**		**–**	**9,554**
Income taxes	-91	-25	e)	–	-117	-1,041	-21	e)	–	-1,062
Net income from continuing operations	**3,848**	**24**		**–**	**3,871**	**8,416**	**76**		**–**	**8,492**
Discontinued operations										
Net income from discontinued operations	-3,079	14	f)	–	-3,066	1,729	21	f)	–	1,751
Total net income	**768**	**37**	**a)**	**–**	**805**	**10,146**	**98**	**a)**	–	**10,243**
Other comprehensive income										
Total comprehensive income	**8,072**	**37**		**–**	**8,110**	**19,870**	**98**		–	**19,968**
Total net income attributable to:										
Owners of the parent	754	38		–	792	9,608	97		–	9,705
Non-controlling interests	14	-1		–	14	537	1		–	538
Total comprehensive income attributable to:										
Owners of the parent	8,123	38		–	8,161	19,715	97		–	19,811
Non-controlling interests	-51	-1		–	-52	155	1		–	156
Earnings per share (SEK), basic and diluted	0.17	0.01		–	0.18	2.22	0.02		–	2.24
of which from continuing operations, basic and diluted	*0.88*	*0.01*		–	*0.88*	*1.90*	*0.02*		–	*1.92*
EBITDA from continuing operations	6,263	44		-114	6,193	25,806	78		-365	25,519
Adjusted EBITDA from continuing operations	6,590	44		-114	6,520	25,438	78		-365	25,151
Depreciation, amortization and impairment losses from continuing operations	-3,307	–		114	-3,193	-12,893	–		365	-12,528
Adjusted operating income from continuing operations	3,750	44		-114	3,680	15,069	78		-365	14,781

Restatement effects on the Condensed consolidated statements of financial position

SEK in millions	Reported Dec 31, 2016	IFRS 15 effects	Ref	Restated Jan 1, 2017	Reported Dec 31, 2017	IFRS 15 effects	Ref	Restated Dec 31, 2017
Assets								
Investments in associates and joint ventures, pension obligation assets and other non-current assets	27,934	1,265	a)	29,199	16,151	1,499	a)	17,650
Other non-current assets	151,541	–		151,541	158,353	–		158,353
Trade and other receivables and current tax receivables	17,468	26		17,493	16,462	-77		16,385
Assets classified as held for sale	29,042	91	f)	29,133	18,408	100	f)	18,508
Other current assets	27,446	–		27,446	34,472	–		34,472
Total assets	**253,430**	**1,382**		**254,812**	**243,845**	**1,523**		**245,367**
Equity and liabilities								
Equity attributable to owners of the parent	89,833	1,159		90,991	99,970	1,255		101,226
Equity attributable to non-controlling interests	5,036	31		5,067	5,260	32		5,291
Total equity	*94,868*	*1,190*	*a)*	*96,058*	*105,230*	*1,287*	*a)*	*106,517*
Deferred tax liabilities	10,567	185	e)	10,752	8,766	207	e)	8,973
Other non-current liabilities	91,167	–		91,167	97,973	–		97,973
Trade payables and other current liabilities, current tax payables and short-term provisions	31,892	-4		31,888	19,649	24		19,673
Liabilities directly associated with assets classified as held for sale	13,627	10	f)	13,637	8,552	4	f)	8,556
Other current liabilities	11,307	–		11,307	3,674	–		3,674
Total equity and liabilities	**253,430**	**1,382**		**254,812**	**243,845**	**1,523**		**245,367**

a) The implementation of IFRS 15 had a positive equity effect of SEK 1,190 million per the transition date January 1, 2017, and SEK 1,287 million per December 31, 2017. The equity increases were mainly related to capitalization of incremental costs for obtaining new contracts. The net income effect for 2017 was limited.
b) The limited effect on net sales was related to refining of Telia Company's previous revenue model for bundled offerings.
c) Selling and administration expenses in the fourth quarter of 2017 were reduced by SEK 373 million due to capitalization of costs to obtain a contract, the corresponding amount for the full year 2017 was SEK 1,312 million. The amortization of the capitalized contract costs in the fourth quarter of 2017 of SEK -306 million were also included in Selling, administration and R&D expenses which lead to a net effect of SEK 67 million. The corresponding amount for full year 2017 was SEK -1,157 million, which lead to a net effect of SEK 155 million for the full year 2017. The amortization is classified as operating expenses within EBITDA.
d) The minor adjustment of the discount rate and calculation model used for the financing component in customer contracts had an immaterial effect on net income 2017.
e) The deferred tax relating to the IFRS 15 adjustments increased deferred tax liabilities by SEK 185 million at the date of transition January 1, 2017, and SEK 207 million as of December 31, 2017. The tax effect on net income 2017 was immaterial.
f) The implementation of IFRS 15 had no material effect on discontinued operations and assets held for sale. The implementation effects are mainly related to capitalization of incremental costs for obtaining new contracts.

Restatement effects on Consolidated statements of cash flows

	Oct-Dec 2017			Jan-Dec 2017		
SEK in millions	**Reported**	**Capital-ized work**	**Restated**	**Reported**	**Capital-ized work**	**Restated**
Cash flow before change in working capital	5,984	-114	5,870	28,234	-365	27,869
Change in working capital	471	–	471	-4,665	–	-4,665
Cash flow from operating activities	**6,455**	**-114**	**6,341**	**23,569**	**-365**	**23,204**
of which from continuing operations	*5,854*	*-114*	*5,740*	*26,313*	*-365*	*25,948*
Cash CAPEX	-4,869	114	-4,755	-16,405	365	-16,040
Free cash flow	**1,586**	**–**	**1,586**	**7,164**	**–**	**7,164**
Cash flow from other investing activities	6,299	–	6,299	6,290	–	6,290
Total cash flow from investing activities	**1,430**	**114**	**1,544**	**-10,115**	**365**	**-9,750**
of which from continuing operations	*2,700*	*114*	*2,814*	*-6,513*	*365*	*-6,148*
Cash flow from financing activities	**-8,128**	**–**	**-8,128**	**-13,905**	**–**	**-13,905**
Cash flow for the period	**-243**	**–**	**-243**	**-451**	**–**	**-451**

NOTE 2. REFERENCES

For more information regarding:

- Sales and earnings, Cash flow and Financial position see pages 7-9.
- Significant events in the first, second, third and fourth quarter, see pages 10-11.
- Significant events after the end of the fourth quarter, see page 11.
- Risks and uncertainties, see page 52.

NOTE 3. ADJUSTMENT ITEMS

Adjustment items within operating income, continuing operations

SEK in millions	Oct-Dec 2018	Oct-Dec 2017[6]	Jan-Dec 2018	Jan-Dec 2017[6]
Within EBITDA	**-382**	**-327**	**-607**	**368**
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.:				
Sweden	-159	-119	-181	-268
Finland	-23	-16	-63	-84
Norway	-177	-32	-205	-143
Denmark	-10	-58	-41	-72
Lithuania	-2	-5	-19	-29
Estonia	-2	-18	-6	-23
Other operations	-30	-87	-148	-229
Capital gains/losses[1]	21	9	56	1,215
Within Depreciation, amortization and impairment losses	**-233**	**26**	**-266**	**-438**
Within Income from associated companies and joint ventures	**8**	**2,795**	**-35**	**-942**
Capital gains/losses[2]	8	2,795	-35	-942
Total adjustment items within operating income, continuing operations	**-607**	**2,494**	**-908**	**-1,013**

Adjustment items within EBITDA, discontinued operations (region Eurasia)

SEK in millions	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Within EBITDA	**-3,417**	**-14**	**-7,141**	**3,971**
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc[3]	-178	-17	-379	4,163
Impairment loss on remeasurement to fair value less costs to sell[4]	–	–	-217	–
Capital gains/losses[5]	-3,239	3	-6,545	-190
Total adjustment items within EBITDA, discontinued operations	**-3,417**	**-14**	**-7,141**	**3,971**

1) 2017 includes a capital gain from the disposal of Sergel.
2) The fourth quarter of 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 in Turkcell.
3) 2017 includes the total net income effect of the change in the provision for settlement amount proposed by the US and Dutch authorities.
4) Total impairment loss on remeasurement to fair value less cost to sell for Ucell amounted to SEK 1,020 million for full year 2018, of which SEK 217 million has been recognized within EBITDA. See Note 4.
5) Capital gains/losses in the fourth quarter of 2018 relate to the disposals of Kcell and Ucell. Full year 2018 is also impacted by the capital losses from the disposals of Azercell and Geocell. Capital losses for comparable quarter relate to the disposal of Tcell. See Note 4.
6) Restated for comparability, see Note 1.

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 in 2016 and Tcell in Tajikistan was disposed in 2017. Azercell in Azerbaijan and Geocell in Georgia were disposed in March 2018. The associated company Rodnik in Kazakhstan was disposed in November 2018. Ucell in Uzbekistan and Kcell in Kazakhstan were disposed in December 2018. Telia Company is still committed to the plan to dispose the remaining part of Eurasia and the delay in the sales process is primarily caused by events and circumstances beyond Telia Company's control. Telia Company has taken actions necessary to respond to the changes in circumstances. Moldcell in Moldova is available for immediate sale and is being actively marketed at a reasonable price given the changes in circumstances. The sales process is in the final stage, bids have been received and term negotiations are at various stages with different parties. Disposal of Moldcell in Moldova is therefore deemed highly probable within 2019.

Measurement

The estimated cash and debt free value for Moldcell per March 31, 2018, of SEK 0.5 billion remains unchanged per December 31, 2018. Management's best estimate of the fair value is based on bids received and other input from the sales process. During the second and third quarters of 2018, impairment charges of SEK 60 million and SEK 25 million, respectively, were recognized for Moldcell due to changes in carrying value. Moldcell was impaired by SEK 450 million in 2017.

Disposals

Azercell in Azerbaijan

On March 5, 2018, Fintur Holdings B.V. (Fintur), jointly owned by Telia Company (58.55 percent) and Turkcell (41.45 percent) disposed its 51.3 percent holding in Azertel Telekommünikasyon Yatirim Dis Ticaret A.S. (Azertel) to Azerbaijan International Telecom LLC (Azintelecom), wholly-owned company by the Republic of Azerbaijan. Azertel is the sole shareholder of the leading Azeri mobile operator Azercell LLC (Azercell). The price for Fintur's 51.3 percent in Azertel was EUR 222 million (SEK 2.3 billion), which implied an equity value of EUR 432 million for 100 percent of Azercell and an enterprise value of EUR 197 million on a cash and debt free basis. The price corresponded to and EV/EBITDA multiple of 2.1x based on 2017. The total price was received in cash as of March 31, 2018.

In addition to the impairment of SEK 2,550 million recognized in December 2017, the disposal resulted in a capital loss of SEK 3,065 million for the group in the first quarter of 2018, mainly due to accumulated foreign exchange losses reclassified from equity to net income from discontinued operations of SEK 2,944 million. The reclassification of accumulated exchange losses had no effect on equity.

The transaction had a positive cash flow effect for the group (relating to both parent shareholders and non-controlling interests) in the first quarter of 2018 of SEK 264 million (price received less cash and cash equivalents in entities sold). Telia Company's share of the sales price of SEK 1.3 billion was classified within continuing operations in cash and cash equivalents. The minority owner Turkcell's share of the sales price of SEK 0.9 billion was included within discontinued operations and was classified as held for sale.

Geocell in Georgia

On March 20, 2018, Fintur's Turkish subsidiary Gürtel Telekomünikasyon Yatirim ve Dis Ticaret A.S. (Gürtel) disposed its 100 percent holding in Geocell LLC (Geocell) to the Georgian telecommunications company JSC Silknet. The price for Geocell of SEK 1.2 billion was based on an enterprise value of USD 153 million for 100 percent of the company and corresponded to an EV/EBITDA multiple of 4.5x based on 2017. Per December 31, 2018, SEK 1.1 billion was received in cash.

In addition to the impairment of SEK 550 million recognized in December 2017, the disposal resulted in a capital loss of SEK 241 million for the group in the first quarter of 2018, whereof accumulated foreign exchange losses reclassified from equity to net income from discontinued operations of SEK 101 million. The reclassification of accumulated exchange losses had no effect on equity.

The transaction had a positive cash flow effect for the group (relating to both parent shareholders and non-controlling interests) in the first quarter of 2018 of SEK 1,100 million (price received less cash and cash equivalents in the entity sold). Telia Company's share of the sales price of SEK 0.7 billion was classified within continuing operations, whereof SEK 0.6 billion in cash and cash equivalents and SEK 0.1 billion as Long term interest-bearing receivables. The minority owner Turkcell's share of the sales price of SEK 0.5 billion was included within discontinued operations and was classified as held for sale.

Rodnik and KazTransCom

On November 5, 2018, Telia Company completed the transfer of its holding in the associated company TOO Rodnik in Kazakhstan, which Telia Company consolidated to 50 percent, to Amun Services. Rodnik owns the listed company AO KazTransCom, a company which operates a fiber network and provides ICT services for the corporate segment in Kazakhstan. In addition, Telia Company entered into a settlement with Amun Services in respect of claims Amun Services and its affiliates had made or could direct against Telia Company and its affiliates. Telia Company has also entered into a settlement with its former partner in Rodnik, Almaty Engineering Company, with respect to certain claims related to the historic management and investments in Rodnik. The transaction resulted in a capital loss of SEK 271 million, whereof accumulated foreign exchange losses reclassified from equity to net income from discontinued operations of SEK 259 million. The reclassification of accumulated exchange losses had no effect on equity.

In 2017 Telia Company made a write-down of SEK 330 million of its holding in Rodnik.

Ucell in Uzbekistan

On December 5, 2018, Telia Company disposed its interest in Ucell in Uzbekistan to the State Committee of the Republic of Uzbekistan for Assistance to Privatized Enterprises and Development of Competition, a governmental authority of the sovereign state of Uzbekistan, for a price corresponding to USD 215 million (SEK 1.9 billion) on a debt free basis for 100 percent. The transaction was not subject to any conditions, such as regulatory or competition approvals. The transaction resulted in a capital loss for the group of SEK 3,449 million, whereof accumulated foreign exchange losses reclassified from equity to net income from discontinued operations of SEK 3,934 million. The reclassification of accumulated exchange losses had no effect on equity.

The transaction had a positive cash flow effect for the group in the fourth quarter of 2018 of SEK 1,154 million (price received less cash and cash equivalents in the entity sold).

Due to increased carrying value for Ucell, an impairment charge of SEK 300 million was recognized in the first quarter of 2018. In the second quarter of 2018 the value of Ucell was further impaired by SEK 550 million due to increased carrying value and changes in debt adjustments. In the third quarter of 2018, Ucell was impaired by SEK 170 million due to increased carrying value. Ucell was impaired by SEK 1,600 million in 2017.

Kcell in Kazakhstan

On December 21, 2018, Telia Company, together with Fintur Holdings B.V. (Fintur), jointly owned by Telia Company and Turkcell, disposed their 75 percent holding in the leading Kazakhi telecommunications operator Kcell JSC, to the telecom operator Kazakhtelecom JSC, a company controlled by the government of the Republic of Kazakhstan through the sovereign wealth fund Samruk-Kazyna. The price for Telia Company's and Fintur's 75 percent in Kcell was USD 445 million (SEK 4.0 billion), which implied an enterprise value (EV) of USD 771 million for 100 percent on a cash and debt free basis. This price corresponded to an EV/EBITDA multiple of 5.0x based on the last twelve months per September 2018.

The transaction resulted in a capital gain of SEK 210 million for the group, whereof accumulated foreign exchange losses reclassified from equity to net income from discontinued operations of SEK 668 million. The reclassification of accumulated exchange losses had no effect on equity.

The transaction had a positive cash flow effect for the group (relating to both parent shareholders and non-controlling interests) in the fourth quarter of 2018 of SEK 3,716 million (price less cash and cash equivalents in the entity sold). Telia Company's share of the sales price of SEK 2.9 billion was classified within continuing operations within cash and cash equivalents. The minority owner Turkcell's share of the sales price of SEK 1.1 billion was included within discontinued operations and was classified as held for sale.

At the same time Telia Company signed an agreement to acquire Turkcell's 41.45 percent share in Fintur for a price based on their proportional share of the cash in Fintur. The total cash position in Fintur was approximately SEK 6.1 billion by the end of November 2018 which will be split proportionally whereby Telia Company pays 95 percent on the cash value to Turkcell for their part. In total Telia Company keeps approximately SEK 3.7 billion plus its proceeds from Kcell. The cash in Fintur will be distributed to Telia Company in full. Closing is expected in early 2019. Subsequent to the Fintur transaction, Telia Company will be the sole shareholder of Moldcell in Moldova.

Tcell in Tajikistan

In April 2017, Telia Company disposed its holdings in Tcell in Tajikistan, which resulted in a capital loss of SEK 193 million relating to reclassification of accumulated negative foreign exchange differences to net income. Tcell was impaired by SEK 222 million in 2017.

Ncell in Nepal

On April 11, 2016, Telia Company completed the disposal of its holdings in Ncell in Nepal. 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.

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. 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 of 2017. The remaining part of USD 208 million is related to the SEC disgorgement amount potentially offset against any disgorgement obtained by the Swedish Prosecutor or Dutch authorities. The outstanding discounted provision amounts to SEK 1,854 million per December 31, 2018, and was reclassified in the second quarter of 2018 from the line item "Provisions for pensions and other long-term provisions" to "Trade payables and other current liabilities, current tax payables and short-term provisions" (continuing operations) in the condensed consolidated statements of financial position. There was no material effect on net income in the fourth quarter or the full year of 2018.

During the fourth quarter of 2018 Telia Company disposed its interest in Ucell, as described under section Ucell in Uzbekistan. Telia Company has complied with all requirements of its September 21, 2017 Deferred Prosecution Agreement with the US Department of Justice (DOJ) with respect to the transaction.

For more information, see the Annual and Sustainability Report 2017.

Net income from discontinued operations (region Eurasia)

SEK in millions, except per share data	Oct-Dec 2018	Oct-Dec 2017[3]	Jan-Dec 2018	Jan-Dec 2017[3]
Net sales	1,432	2,358	6,687	11,275
Expenses and other operating income, net[1]	-1,101	-1,563	-4,720	-2,841
Operating income	**330**	**795**	**1,967**	**8,433**
Financial items, net	-164	-31	-139	-218
Income after financial items	**-104**	**764**	**1,557**	**8,216**
Income taxes	-70	20	-307	-543
Net income before remeasurement and gain/loss on disposal	**-174**	**784**	**1,251**	**7,673**
Impairment loss on remeasurement to fair value less costs to sell[2]	–	-3,850	-1,105	-5,729
Loss on disposal of Azercell in Azerbaijan (including cumulative Azercell exchange loss in equity reclassified to net income of SEK -2,944 million)[2]	–	–	-3,065	–
of which loss attributable to parent shareholders	–	–	*-3,024*	–
of which loss attributable to non-controlling interests	–	–	*-41*	–
Loss on disposal of Geocell in Georgia (including cumulative Geocell exchange loss in equity reclassified to net income of SEK -101 million)[2]	–	–	-241	–
of which loss attributable to parent shareholders	–	–	*-190*	–
of which loss attributable to non-controlling interests	–	–	*-52*	–
Loss on disposal of associated company Rodnik (including cumulative Rodnik exchange loss in equity reclassified to net income of SEK -259 million) [2]	-271		-271	
Gain on disposal of Kcell in Kazakhstan (including cumulative Kcell exchange loss in equity reclassified to net income of SEK -668 million)[2]	210	–	210	–
of which gain attributable to parent shareholders	*509*	–	*509*	–
of which loss attributable to non-controlling interests	*-299*	–	*-299*	–
Loss on disposal of Ucell in Uzbekistan (including cumulative Ucell exchange loss in equity reclassified to net income of SEK -3,934 million)[2]	-3,449	–	-3,449	–
of which loss attributable to parent shareholders	*-3,198*	–	*-3,198*	–
of which loss attributable to non-controlling interests	*-251*	–	*-251*	–
Loss on disposal of Tcell in Tajikistan (including cumulative Tcell exchange loss in equity reclassified to net income of SEK -193 million)[2]	–	–	–	-193
Net income from discontinued operations	**-3,413**	**-3,066**	**6,399**	**1,751**
EPS from discontinued operations (SEK)	-0.67	-0.70	-1.42	0.32
Adjusted EBITDA	510	806	2,341	4,262

1) The full year 2017 included the adjustment of the provision for the settlement amount with the US and Dutch authorities.
2) Non-tax deductible.
3) Restated for comparability, see Note 1.

Assets classified as held for sale

SEK in millions	Eurasia Dec 31, 2018	Eurasia Dec 31, 2017[4]	Property, plant and equipment Dec 31, 2017[3]	Total, Dec 31, 2017[4]
Goodwill and other intangible assets	216	2,694	–	2,694
Property, plant and equipment	402	6,329	28	6,358
Other non-current assets[1]	79	189	–	189
Short-term interest-bearing receivables	0	2,091	–	2,091
Other current assets	274	1,807	–	1,807
Cash and cash equivalents[1]	3,827	5,368	–	5,368
Assets classified as held for sale	**4,799**	**18,480**	**28**	**18,508**
Long-term borrowings	–	295	–	295
Long-term provisions	8	1,887	–	1,887
Other long-term liabilities	193	1,197	–	1,197
Short-term borrowings	–	1,428	–	1,428
Other current liabilities	359	3,749	–	3,749
Liabilities associated with assets classified as held for sale	**560**	**8,556**	–	**8,556**
Net assets classified as held for sale[2]	**4,239**	**9,924**	**28**	**9,951**

1) Eurasia December 31, 2018, includes the sales prices for minority owner Turkcell's share of Azercell, Geocell and Kcell, whereof SEK 2.6 billion is included in cash and cash equivalents. The sales prices for Telia Company's shares in Azercell, Geocell, Kcell and Ucell 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 was sold during the first quarter of 2018.
4) Restated for comparability, see Note 1.

NOTE 5. SEGMENT INFORMATION

SEK in millions	Oct-Dec 2018	Oct-Dec 2017[1]	Jan-Dec 2018	Jan-Dec 2017[1]
Net sales				
Sweden	9,396	9,713	36,677	36,825
of which external	*9,281*	*9,646*	*36,346*	*36,578*
Finland	4,080	3,763	15,512	13,742
of which external	*4,040*	*3,717*	*15,341*	*13,575*
Norway	3,687	2,671	11,898	10,087
of which external	*3,686*	*2,666*	*11,881*	*10,064*
Denmark	1,634	1,555	6,167	5,945
of which external	*1,605*	*1,531*	*6,075*	*5,845*
Lithuania	996	970	3,849	3,543
of which external	*980*	*957*	*3,788*	*3,492*
Estonia	834	782	3,077	2,824
of which external	*810*	*760*	*2,982*	*2,737*
Other operations	2,218	2,260	8,743	9,025
Total segments	**22,844**	**21,715**	**85,923**	**81,991**
Eliminations	-636	-551	-2,364	-2,201
Group	**22,209**	**21,164**	**83,559**	**79,790**
Adjusted EBITDA				
Sweden	3,166	3,578	13,162	13,627
Finland	1,191	1,137	4,757	4,218
Norway	1,371	859	4,492	3,531
Denmark	237	208	751	704
Lithuania	324	323	1,350	1,207
Estonia	233	215	1,001	871
Other operations	213	199	1,137	992
Total segments	**6,735**	**6,520**	**26,649**	**25,151**
Eliminations	-0	0	-0	0
Group	**6,735**	**6,520**	**26,649**	**25,151**
Operating income				
Sweden	1,277	2,113	7,319	8,204
Finland	436	494	2,045	1,926
Norway	371	442	2,139	1,851
Denmark	-5	-68	-123	-145
Lithuania	153	178	684	615
Estonia	91	58	440	326
Other operations	63	2,958	734	990
Total segments	**2,386**	**6,174**	**13,238**	**13,768**
Eliminations	-0	0	-0	0
Group	**2,386**	**6,174**	**13,238**	**13,768**
Financial items, net	-682	-2,186	-2,252	-4,214
Income after financial items	**1,704**	**3,988**	**10,986**	**9,554**

1) Restated for comparability, see Note 1.

SEK in millions	Dec 31, 2018	Dec 31, 2018	Dec 31, 2017[1,2]	Dec 31, 2017[1,2]
	Segment assets	Segment liabilities	Segment assets	Segment liabilities
Sweden	49,307	13,758	46,388	11,133
Finland	53,657	5,749	49,212	4,970
Norway	57,434	4,324	28,805	2,753
Denmark	8,372	1,707	8,775	1,578
Lithuania	7,325	810	7,174	774
Estonia	5,540	778	5,168	588
Other operations	26,987	9,851	26,544	8,748
Total segments	**208,622**	**36,976**	**172,067**	**30,544**
Unallocated	35,171	108,661	54,792	99,750
Assets and liabilities held for sale	4,799	560	18,508	8,556
Total assets/liabilities, group	**248,592**	**146,197**	**245,367**	**138,850**

1) Comparable figures for segments Sweden, Norway and Denmark have been restated to reflect a reallocation of inventories and related liabilities.
2) Restated for comparability, see Note 1.

NOTE 6. NET SALES

SEK in millions	Oct-Dec 2018								
	Sweden	Finland	Norway	Denmark	Lithua-nia	Estonia	Other opera-tions	Elimi-nations	Total
Mobile subscription revenues	3,290	1,606	1,798	726	263	222	306	–	8,211
Interconnect	157	121	131	59	35	18	18	–	540
Other mobile service revenues	155	198	252	112	16	4	11	–	749
Total mobile service revenues	**3,603**	**1,926**	**2,181**	**896**	**315**	**244**	**335**	**–**	**9,499**
Telephony	602	52	63	43	74	32	–	–	866
Broadband	1,115	179	368	61	141	136	–	–	1,999
TV	464	158	416	39	69	58	–	–	1,204
Business solutions	733	577	3	46	53	54	17	–	1,482
Other fixed service revenues	1,214	432	0	9	80	80	1,102	–	2,917
Total fixed service revenues	**4,127**	**1,398**	**849**	**198**	**416**	**360**	**1,119**	**–**	**8,467**
Other service revenues	**122**	**1**	**31**	**8**	–	**7**	**94**	**–**	**263**
Total service revenues[1]	**7,851**	**3,324**	**3,062**	**1,101**	**731**	**612**	**1,548**	**–**	**18,230**
Total equipment revenues[1]	**1,430**	**716**	**623**	**504**	**249**	**198**	**260**	**–**	**3,979**
Total external net sales	**9,281**	**4,040**	**3,686**	**1,605**	**980**	**810**	**1,807**	**–**	**22,209**
Internal net sales	116	39	1	29	16	24	411	-636	–
Total net sales	**9,396**	**4,080**	**3,687**	**1,634**	**996**	**834**	**2,218**	**-636**	**22,209**

SEK in millions	Oct-Dec 2017[2] Sweden	Finland	Norway	Denmark	Lithua-nia	Estonia	Other opera-tions	Elimi-nations	Total
Mobile subscription revenues	3,280	1,515	1,713	702	217	206	283	–	7,916
Interconnect	163	125	129	59	34	19	26	–	555
Other mobile service revenues	120	186	241	89	6	3	4	–	650
Total mobile service revenues	**3,563**	**1,826**	**2,083**	**850**	**257**	**229**	**314**	**–**	**9,121**
Telephony	753	56	37	52	82	34	–	–	1,014
Broadband	1,143	188	0	68	137	125	–	–	1,661
TV	449	125	–	42	60	51	–	–	727
Business solutions[3]	741	542	–	40	44	45	15	–	1,427
Other fixed service revenues[3]	1,194	349	0	19	137	72	1,271	–	3,041
Total fixed service revenues	**4,280**	**1,260**	**37**	**220**	**461**	**326**	**1,286**	**–**	**7,870**
Other service revenues	176	1	0	5	–	9	74	–	265
Total service revenues[1]	**8,018**	**3,087**	**2,121**	**1,076**	**718**	**564**	**1,673**	**–**	**17,257**
Total equipment revenues[1]	**1,628**	**630**	**545**	**456**	**239**	**196**	**213**	**–**	**3,907**
Total external net sales	**9,646**	**3,717**	**2,666**	**1,531**	**957**	**760**	**1,886**	**–**	**21,164**
Internal net sales	67	46	6	24	13	22	374	-551	–
Total net sales	**9,713**	**3,763**	**2,671**	**1,555**	**970**	**782**	**2,260**	**-551**	**21,164**

SEK in millions	Jan-Dec 2018 Sweden	Finland	Norway	Denmark	Lithua-nia	Estonia	Other opera-tions	Elimi-nations	Total
Mobile subscription revenues	13,115	6,309	7,214	2,936	1,018	871	1,200	–	32,664
Interconnect	636	481	535	230	147	71	133	–	2,234
Other mobile service revenues	635	779	982	335	44	18	48	–	2,840
Total mobile service revenues	**14,386**	**7,569**	**8,731**	**3,500**	**1,209**	**960**	**1,382**	**–**	**37,737**
Telephony	2,614	224	165	178	313	132	–	–	3,627
Broadband	4,537	713	369	263	570	531	0	–	6,982
TV	1,838	555	416	165	268	222	–	–	3,464
Business solutions	2,770	2,275	4	177	203	200	65	–	5,694
Other fixed service revenues	4,317	1,558	0	66	420	316	4,559	–	11,236
Total fixed service revenues	**16,075**	**5,325**	**953**	**850**	**1,774**	**1,401**	**4,624**	**–**	**31,003**
Other service revenues	**371**	**20**	**31**	**28**	–	**38**	**324**	**–**	**812**
Total service revenues[1]	**30,833**	**12,914**	**9,715**	**4,377**	**2,983**	**2,399**	**6,330**	**–**	**69,552**
Total equipment revenues[1]	**5,513**	**2,426**	**2,166**	**1,698**	**804**	**582**	**817**	**–**	**14,007**
Total external net sales	**36,346**	**15,341**	**11,881**	**6,075**	**3,788**	**2,982**	**7,147**	**–**	**83,559**
Internal net sales	332	171	17	92	61	95	1,596	-2,364	–
Total net sales	**36,677**	**15,512**	**11,898**	**6,167**	**3,849**	**3,077**	**8,743**	**-2,364**	**83,559**

SEK in millions	Jan-Dec 2017[2]								
	Sweden	Finland	Norway	Denmark	Lithua-nia	Estonia	Other opera-tions	Elimi-nations	Total
Mobile subscription revenues	12,968	5,806	6,909	2,850	841	800	1,088	–	31,262
Interconnect	650	475	541	229	131	71	147	–	2,245
Other mobile service revenues	581	733	826	334	24	15	64	–	2,577
Total mobile service revenues	**14,200**	**7,014**	**8,276**	**3,413**	**996**	**886**	**1,298**	**–**	**36,084**
Telephony	3,063	238	120	203	344	139	–	–	4,107
Broadband	4,581	782	0	286	544	485	–	–	6,678
TV	1,774	524	–	162	229	188	–	–	2,877
Business solutions[3]	2,845	1,962	–	157	181	168	65	–	5,379
Other fixed service revenues[3]	4,409	1,221	0	93	526	272	4,997	–	11,519
Total fixed service revenues	**16,673**	**4,728**	**120**	**900**	**1,824**	**1,252**	**5,062**	**–**	**30,560**
Other service revenues	**444**	**6**	**19**	**22**	**–**	**44**	**479**	**–**	**1,013**
Total service revenues[1]	**31,317**	**11,748**	**8,415**	**4,335**	**2,820**	**2,182**	**6,840**	**–**	**67,657**
Total equipment revenues[1]	**5,261**	**1,827**	**1,649**	**1,510**	**672**	**555**	**660**	**–**	**12,134**
Total external net sales	**36,578**	**13,575**	**10,064**	**5,845**	**3,492**	**2,737**	**7,500**	**–**	**79,790**
Internal net sales	247	168	24	100	51	87	1,525	-2,201	–
Total net sales	**36,825**	**13,742**	**10,087**	**5,945**	**3,543**	**2,824**	**9,025**	**-2,201**	**79,790**

1) In all material aspects, equipment revenues are recognized at a point in time and service revenues over time.
2) Restated for comparability, see Note 1.
3) Due to harmonization in the reporting within Enterprise segment in Sweden, historical figures have been reclassified by SEK 51 million for the fourth quarter and SEK 188 million for the full year 2017, from the line item Other fixed service revenues to Business solutions.

NOTE 7. INVESTMENTS

SEK in millions	Oct-Dec 2018	Oct-Dec 2017[1]	Jan-Dec 2018	Jan-Dec 2017[1]
CAPEX	**5,888**	**4,434**	**16,361**	**15,307**
Intangible assets	2,235	849	4,342	4,014
Property, plant and equipment	3,653	3,585	12,019	11,293
Acquisitions and other investments	**29,097**	**220**	**30,186**	**4,973**
Asset retirement obligations	27	75	64	60
Goodwill, intangible and tangible non-current assets acquired in business combinations	29,060	119	30,037	4,886
Equity instruments	9	26	85	27
Total continuing operations	**34,984**	**4,654**	**46,547**	**20,280**
Total discontinued operations	282	**468**	862	**1,787**
of which CAPEX	*282*	*468*	*861*	*1,787*
Total investments	**35,267**	**5,122**	**47,409**	**22,066**
of which CAPEX	*6,170*	*4,902*	*17,223*	*17,094*

1) Restated for comparability, see Note 1.

NOTE 8. FINANCIAL INSTRUMENTS – FAIR VALUES

Long-term and short-term borrowings[1] SEK in millions	Dec 31, 2018 Carrying value	Dec 31, 2018 Fair value	Dec 31, 2017 Carrying value[2]	Dec 31, 2017 Fair value[2]
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships[2]	49,963	55,014	45,184	49,967
Interest rate swaps	162	162	276	276
Cross-currency interest rate swaps	1,792	1,792	1,990	1,990
Subtotal	**51,917**	**56,968**	**47,450**	**52,233**
Open-market financing program borrowings[2]	32,267	39,767	37,987	46,878
Other borrowings at amortized cost	1,443	1,443	2,204	2,204
Subtotal	**85,626**	**98,177**	**87,642**	**101,316**
Finance lease agreements	1,363	1,363	171	171
Total long-term borrowings	**86,990**	**99,541**	**87,813**	**101,487**
Short-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	3,018	3,019	729	735
Interest rate swaps	45	45	4	4
Cross-currency interest rate swaps	292	292	199	199
Subtotal	**3,355**	**3,357**	**932**	**937**
Utilized bank overdraft and short-term credit facilities at amortized cost	–	–	0	0
Open-market financing program borrowings	1,771	1,776	1,459	1,461
Other borrowings at amortized cost	4,378	4,378	1,276	1,336
Subtotal	**9,505**	**9,512**	**3,668**	**3,734**
Finance lease agreements	46	46	6	6
Total short-term borrowings	**9,552**	**9,558**	**3,674**	**3,740**

1) For financial assets, fair values equal carrying values. For information on fair value estimation, see the Annual and Sustainability Report 2017, Note C3 to the consolidated financial statements.
2) Carrying value of SEK 267 million has been reclassified from “Open-market financing program borrowings” to “Open-market financing program borrowings in fair value hedge”. Fair value for “Open-market financing program borrowings in fair value hedge” and “Open-market financing program borrowings” have been adjusted by SEK -4,998 million and SEK 3,609 million, respectively.

Financial assets and liabilities by fair value hierarchy level[1] SEK in millions	Dec 31, 2018				Dec 31, 2017			
	Carrying value	of which Level 1	of which Level 2	of which Level 3	Carrying value	of which Level 1	of which Level 2	of which Level 3
Financial assets at fair value								
Equity instruments at fair value through OCI[2]	223	–	–	223	1,899	–	–	1,899
Equity instruments at fair value through income statement[2]	13	–	–	13	19	–	–	19
Long- and short-term bonds at fair value through OCI[2]	7,780	7,780	–	–	22,738	18,029	4,709	–
Derivatives designated as hedging instruments	1,856	–	1,856	–	1,709	–	1,709	–
Derivatives at fair value through income statement[2]	1,323	–	1,323	–	1,508	–	1,508	–
Total financial assets at fair value by level	**11,195**	**7,780**	**3,179**	**236**	**27,874**	**18,029**	**7,926**	**1,919**
Financial liabilities at fair value								
Derivatives designated as hedging instruments	2,000	–	2,000	–	2,180	–	2,180	–
Derivatives at fair value through income statement[2]	392	–	392	–	514	–	514	–
Total financial liabilities at fair value by level	**2,392**	**–**	**2,392**	**–**	**2,693**	**–**	**2,693**	**–**

1) For information on fair value hierarchy levels and fair value estimation, see the Annual and Sustainability Report 2017, Note C3 to the consolidated financial statements and the section below.
2) For comparable figures, financial assets measured at fair value through Other Comprehensive Income (OCI) refer to financial assets classified as “available-for-sale” under IAS 39, whereas financial assets and financial liabilities measured at fair value through profit or loss (income statement) refer to instruments classified as “held for trading” under IAS 39.

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 have 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 revenues, 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 table below presents the movements in level 3 instruments for the twelve-month period ended December 31, 2018. The change in fair value and the disposals of equity instruments relate mainly to the disposal of Telia Company's holding in Spotify.

Movements within Level 3, fair value hierarchy SEK in millions	**Jan-Dec 2018**		
	Equity instruments at fair value through OCI	**Equity instruments at fair value through income statement**	**Total**
Level 3, opening balance	**1,899**	**19**	**1,919**
Changes in fair value	554	–	554
of which recognized in other comprehensive income	*554*	–	*554*
Purchases/capital contributions	39	0	39
Disposals	-2,269	-6	-2,275
Level 3, closing balance	**223**	**13**	**236**

Movements within Level 3, fair value hierarchy SEK in millions	**Jan-Dec 2017**		
	Equity instruments at fair value through OCI[1]	**Equity instruments at fair value through income statement[1]**	**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**

1) For comparable figures, financial assets measured at fair value through Other Comprehensive Income (OCI) refer to financial assets classified as "available-for-sale" under IAS 39, whereas financial assets and financial liabilities measured at fair value through profit or loss (income statement) refer to instruments classified as "held for trading" under IAS 39.

NOTE 9. TREASURY SHARES

On April 20, 2018, the Board of Directors decided on a share buy-back program. The intention is to buy back shares for an annual amount of SEK 5 billion over the coming three-year period, totaling SEK 15 billion, subject to the annual general meeting approving necessary mandates for such buy-backs in 2019 and 2020. As of December 31, 2018, Telia Company held 99,277,963 treasury shares. The total price for the repurchased shares during the twelve-month period was SEK 4,126 million and transaction costs amounted to SEK 2 million.

On May 3, 2018, Telia Company AB acquired additional 445,891 own shares at an average price of SEK 42.9698 to cover commitments under the “Long term Incentive Program 2015/2018”. The total price paid in cash for the repurchased shares was SEK 19 million. During the second quarter of 2018, Telia Company distributed these shares to the incentive program participants.

In total the acquisitions of treasury shares during 2018 reduced other contributed capital within parent shareholder’s equity by SEK 4,147 million.

As of December 31, 2018, the total numbers of issued and outstanding shares were 4,330,084,781 and 4,230,806,818 respectively. As of December 31, 2017, no Telia Company shares were held by the company itself or by its subsidiaries and the total numbers of issued and outstanding shares were 4,330,084,781.

NOTE 10. RELATED PARTY TRANSACTIONS

In the twelve-month period ended December 31, 2018, Telia Company purchased goods and services for SEK 34 million (28), and sold goods and services for SEK 16 million (13). These related party transactions are based on commercial terms.

NOTE 11. 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, 2018	Dec 31, 2017
Long-term borrowings	86,990	88,108
Less 50 percent of hybrid capital[1]	-7,861	-7,670
Short-term borrowings	9,552	5,102
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA)	-2,946	-3,032
Less long-term bonds at fair value through OCI[2]	-7,267	-12,084
Less short-term investments	-513	-15,616
Less cash and cash equivalents	-22,591	-20,984
Net debt, continuing and discontinued operations	**55,363**	**33,823**

1) 50 percent of hybrid capital is treated as equity, consistent with market practice for this type of instrument, and reduces net debt.
2) For comparable figures, long-term bonds at fair value through OCI refer to long-term bonds “available for sale” under IAS 39.

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 at fair value through OCI 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 12. LOAN FINANCING AND CREDIT RATING

On October 23, 2018, Telia Company's long-term credit rating was downgraded by Standard & Poor's by one notch from A- to BBB+ with stable outlook. The short-term rating was affirmed and remains at A-2 with stable outlook. The downgrade was due to higher leverage following the NOK 21 billion acquisition of Get and TDC Norway, alongside the previously announced SEK 15 billion three-year share buy-back program. The Moody's credit rating of Telia Company remained unchanged during the fourth quarter with the long-term rating at Baa1 and P-2 as short-term rating, both with a stable outlook.

Telia Company has not made any major long-term funding transactions during the fourth quarter but a short-term bridge financing of USD 400 million related to the exit from region Eurasia.

NOTE 13. CONTINGENT LIABILITIES, COLLATERAL PLEDGED AND LITIGATIONS

As of December 31, 2018, the maximum potential future payments that Telia Company (continuing operations) could be required to make under issued financial guarantees totaled SEK 304 million (368), of which SEK 289 million (352) referred to guarantees for pension obligations. Collateral pledged (continuing and discontinued operations) totaled SEK 45 million (714). The decrease is mainly related to investment bonds pledged under repurchase agreements in 2017. For ongoing legal proceedings see Note C29 in the Annual and Sustainability Report 2017, with the following amendment: During the fourth quarter of 2018 the arbitration proceedings related to Rodnik have been finally settled. For updated information regarding the Uzbekistan investigations, see Note 4.

NOTE 14. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of December 31, 2018, contractual obligations (continuing operations) totaled SEK 3,364 million (3,373), of which SEK 1,870 million (1,448) referred to contracted build-out of Telia Company's fixed networks in Sweden. Total contractual obligations per December 31, 2018, also include upgrade of network equipment in Norway. Total contractual obligations as of December 31, 2017, included the lease agreement related to the Telia Helsinki Data Center.

NOTE 15. BUSINESS COMBINATIONS

Business combinations

On January 31, 2018, Telia Company acquired all shares in the Finnish ICT company Inmics Oy. The acquisition will strengthen Telia Company's offer of IT equipment and services targeting the Finnish SME segment.

On March 9, 2018, Telia Company acquired all shares in the Finnish IT service provider Cloud Solutions CS Oy. The acquisition will strengthen Telia Company's offer of cloud services and data security targeting the Finnish large B2B customers.

On July 17, 2018, Telia Company announced that it had signed an agreement to acquire all shares in Get and TDC Norway at an enterprise value of NOK 21 billion on a cash and debt free basis. The acquisition of Get and TDC Norway was approved by the Norwegian Competition Authority on October 5, 2018, and the transaction was closed on October 15, 2018. The Danish operator TDC's Norwegian business encompasses Get, a leading provider of fixed and TV services, with a total of 518,000 households and businesses connected to its fiber-based network, and more than 1 million private and business customers who use the TV and broadband services on a daily basis. TDC's B2B business in Norway is also part of the transaction, which paired with Telia Company's enterprise business will enable converged offerings to B2B customers. The acquisition will strengthen Telia Company's position on the Norwegian market and will position the company as a strong challenger in mobile, TV and broadband. In 2017 Get and TDC Norway reported revenues of NOK 4 billion and EBITDA of NOK 1.7 billion. The purchase price of NOK 21 billion corresponds to an EV/EBITDA multiple of 12.1x based on 2017, and 9.0x including expected synergies. Telia Company expects to generate full run-rate synergies of NOK 0.6 billion by the end of 2021 from B2C and B2B cross-sales, churn reduction and other cost efficiencies. The acquisition is estimated to incur integration costs during 2019 and 2020 of approximately NOK 200 million annually. The transaction results in a net debt to EBITDA pro forma at 1.9x i.e. slightly below Telia Company's target of 2x plus/minus 0.5x.

On December 3, 2018, Telia Company acquired all shares in AinaCom Oy, a Finnish provider of ICT services to enterprise customers. The acquisition will further strengthen Telia Company's position as a leading national partner for ICT services in Finland.

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

SEK in millions	Inmics	Cloud Solutions	Get / TDC Norway	AinaCom	Total
Cost of combination	**914**	**82**	**24,582**	**186**	**25,764**
of which cash consideration	*914*	*82*	*24,582*	*186*	*25,764*
Fair value of net assets acquired					
Intangible assets	423	0	4,314	41	4,778
of which customer relationships	*390*	*–*	*3,621*	*33*	*4,044*
of which other intangible assets	*32*	*0*	*693*	*8*	*733*
Property, plant and equipment and other non-current assets	5	1	16,627[1]	12	16,645
Current assets	239	41	987	55	1,323
Total assets acquired	**667**	**42**	**21,929**	**108**	**22,746**
Non-current liabilities	-90	–	-3,750	-15	-3,855
Current liabilities	-62	-24	-1,542	-28	-1,655
Total liabilities assumed	**-152**	**-24**	**-5,292**	**-43**	**-5,511**
Total fair value of net assets acquired	**515**	**18**	**16,637**	**65**	**17,235**
Goodwill	**399**	**64**	**7,945**	**121**	**8,529**

1) Whereof property, plant and equipment (mainly network infrastructure) SEK 16,297 million.

Inmics

The net cash flow effect of the business combination was SEK 743 million (cash consideration SEK 914 million less cash and cash equivalents SEK 171 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. The fair value of acquired receivables was SEK 63 million (whereof all attributable to short-term accounts receivables). The best estimate at the acquisition date was that all contractual cash flows will be obtained. Acquisition-related costs of SEK 18 million have been recognized as other operating expenses. From the acquisition date, revenues of SEK 546 million and net income of SEK 2 million are included in the condensed consolidated statements of comprehensive income. If Inmics had been acquired at the beginning of 2018, there had been no material difference in revenues or total net income for Telia Company for 2018.

Cloud Solutions CS

The net cash flow effect of the business combination was SEK 59 million (cash consideration SEK 82 million less cash and cash equivalents SEK 22 million). Goodwill consist of the knowledge of transferred personnel and expected synergies. No part of goodwill is expected to be deductible for tax purposes. Acquisition-related costs of SEK 3 million have been recognized as other operating expenses. From the acquisition date until end of September when the company was merged, revenues of SEK 83 million and net income of SEK 3 million are included in the condensed consolidated statements of comprehensive income. If Cloud Solutions CS had been acquired at the beginning of 2018, there had been no material difference in revenues or total net income for Telia Company for 2018.

Get and TDC Norway

The net cash flow effect of the business combination was SEK 24,230 million (cash consideration SEK 24,582 million less cash and cash equivalents SEK 352 million). Goodwill consists of the knowledge of transferred personnel and expected synergies related to cross-sales from B2C and B2B, churn reduction and other cost efficiencies. No part of goodwill is expected to be deductible for tax purposes. The fair value of acquired receivables was SEK 284 million (whereof all attributable to accounts receivables), had gross contractual amounts of SEK 303 million. The best estimate at the acquisition date of the contractual cash flows not expected to be collected were SEK 19 million. 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. Acquisition-related costs of SEK 126 million have been recognized as other operating expenses. From the acquisition date, revenues of SEK 880 million and net income of SEK -110 million are included in the condensed consolidated statements of comprehensive income. If Get and TDC Norway had been acquired at the beginning of 2018, revenues and total net income for Telia Company for 2018 had been SEK 86,995 million and SEK 3,475 million, respectively.

AinaCom

The net cash flow effect of the business combination was SEK 178 million (cash consideration SEK 186 million less cash and cash equivalents SEK 9 million). Goodwill consists of the knowledge of transferred personnel and expected synergies from cross sales of the new acquired services. No part of goodwill is expected to be deductible for tax purposes. The fair value of acquired receivables was SEK 37 million (whereof all attributable to short-term account receivables). The best estimate at the acquisition date was that all contractual cash flows will be obtained. Acquisition-related costs of SEK 8 million have been recognized as other operating expenses. The total cost of the combination 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. From the acquisition date, revenues of SEK 8 million and net income of SEK -7 million are included in the condensed consolidated statements of comprehensive income. If AinaCom had been acquired at the beginning of 2018 revenues and total net income for Telia Company for 2018 had been SEK 83,696 million and SEK 3,079 million, respectively.

Minor business combinations

On January 2, 2018, Telia Company acquired all shares in Axelerate Solutions AB. The cost of the acquisition was SEK 17 million.

On May 2, 2018, Telia Company acquired all shares in Atrox Development AB. The cost of the acquisition was SEK 19 million.

On June 1, 2018, Telia Company acquired the Finnish company Assembly Organizing Oy. The cost of the acquisition was SEK 20 million for 80.1 percent of the shares.

On July 10, 2018, Telia Company acquired all shares in Romelebygdens Kabel-TV AB. The cost of the acquisition was SEK 36 million.

The total cash flow effect and total goodwill for all minor business combinations amounted to SEK 97 million and SEK 101 million, respectively.

Business combinations after the reporting period

Bonnier Broadcasting

On July 20, 2018, Telia Company announced that it had signed an agreement to acquire Bonnier Broadcasting, including the brands TV4, C More and Finnish MTV, from Bonnier AB at an enterprise value of SEK 9.2 billion, with a contingent consideration of maximum SEK 1 billion. The contingent consideration will be based on future operational performance on revenue and EBITA. The purchase price of SEK 9.2 billion corresponds to an EV/EBIT multiple of 15.4x, based on the last 12-month period as of March 31, 2018. Including full run-rate synergies, the EV/EBIT multiple is 7.7x.

The acquisition of TV4, C More and MTV is of strategic importance to Telia Company as it strengthens the company in the fast-growing area of video content consumption. With this acquisition, Telia Company will establish a new business area, where both Telia Company's existing TV business and the Bonnier Broadcasting businesses will be included.

Bonnier Broadcasting had revenues of SEK 7.5 billion in the last 12-month period as of March 31, 2018, and an EBIT of SEK 0.6 billion. The operational free cash flow amounted to SEK 0.3 billion. The transaction is expected to generate synergies as per 2020 with a full run-rate of SEK 0.6 billion in 2022. The integration costs are expected to amount to SEK 0.4 billion on an aggregated level in 2020 and 2021. The transaction is expected to contribute by SEK 0.5 billion to Telia Company's operational free cash flow 2020. The pro forma impact on net debt to EBITDA equals 0.2x. The transaction is subject to regulatory approvals and is expected to be completed during the second half of 2019.

Minor business combinations after the reporting period

On January 3, 2019, Telia Company acquired all shares in Dalbo Net AB. The cost of the acquisition was SEK 13 million.

NOTE 16. 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, 2018[1]	Dec 31, 2017[1,4]
Return on equity (%, rolling 12 months)[2, 3]	3.6	11.2
Return on capital employed (%, rolling 12 months)[2, 3]	4.7	9.2
Equity/assets ratio (%)[2, 3]	37.2	39.4
Net debt/adjusted EBITDA ratio (multiple, rolling 12 months)[5]	2.07	1.15
Parent owners' equity per share (SEK)[2, 3]	23.01	23.38

1) Includes continuing and discontinued operations.
2) Key ratios for Dec 31, 2017, are affected by the adjustment of the provision for the settlement proposed by and agreed with the US and Dutch authorities, see Note 4.
3) Equity is adjusted by proposed ordinary dividend, see the Annual and Sustainability Report 2017 section Definitions for key ratio definitions.
4) Restated for comparability, see Note 1.
5) Net debt/adjusted EBITDA ratio (multiple, rolling 12 months) 2018 including Get and TDC Norway adjusted EBITDA Jan 1- Oct 15, 2018, was approximately1.97x.

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. 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 2017. 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 2018	Oct-Dec 2017[1]	Jan-Dec 2018	Jan-Dec 2017[1]
Operating income	**2,386**	**6,174**	**13,238**	**13,768**
Income from associated companies and joint ventures	-178	-3,174	-835	-778
Total depreciation/amortization/write-down	4,145	3,193	13,638	12,528
EBITDA	**6,353**	**6,193**	**26,042**	**25,519**
Adjustment items within EBITDA (Note 3)	382	327	607	-368
Adjusted EBITDA	**6,735**	**6,520**	**26,649**	**25,151**

Discontinued operations

SEK in millions	Oct-Dec 2018	Oct-Dec 2017[1]	Jan-Dec 2018	Jan-Dec 2017[1]
Operating income	**59**	**795**	**1,696**	**8,433**
Income from associated companies and joint ventures	272	-4	267	-8
Total depreciation/amortization/write-down	–	–	-218	–
Gain/loss on disposals	-3,239	–	-6,545	-193
EBITDA	**-2,908**	**791**	**-4,800**	**8,233**
Adjustment items within EBITDA (Note 3)	3,417	14	7,141	-3,971
Adjusted EBITDA	**509**	**806**	**2,341**	**4,262**

1) Restated for comparability, see Note 1.

Adjusted operating income, continuing operations

Telia Company considers Adjusted operating income, continuing operations, as a relevant measure 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 2018	Oct-Dec 2017[1]	Jan-Dec 2018	Jan-Dec 2017[1]
Operating income	**2,386**	**6,174**	**13,238**	**13,768**
Adjustment items within Operating income (Note 3)	607	-2,494	908	1,013
Adjusted operating income, continuing operations	**2,993**	**3,680**	**14,146**	**14,781**

1) Restated for comparability, see Note 1.

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 2018	Oct-Dec 2017[1]	Jan-Dec 2018	Jan-Dec 2017[1]
Continuing operations				
Investments in intangible assets	2,235	849	4,342	4,014
Investments in property, plant and equipment	3,653	3,585	12,019	11,293
CAPEX	**5,888**	**4,434**	**16,361**	**15,307**
Net of not paid investments and additional payments from previous periods[2]	-1,433	56	-2,587	-1,162
Cash CAPEX	**4,454**	**4,489**	**13,774**	**14,144**
CAPEX	**5,888**	**4,434**	**16,361**	**15,307**
Deduct: Investments in license and spectrum fees	-1,378	2	-1,378	-457
CAPEX excluding license and spectrum fees	**4,510**	**4,436**	**14,984**	**14,849**

SEK in millions	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Discontinued operations				
Investments in intangible assets	46	95	203	178
Investments in property, plant and equipment	235	373	658	1,609
CAPEX	**282**	**468**	**861**	**1,787**
Net of not paid investments and additional payments from previous periods	-55	-203	158	109
Cash CAPEX	**226**	**265**	**1,020**	**1,896**

1) Restated for comparability, see Note 1.
2) The fourth quarter of 2018 is mainly related to acquired spectrums in Sweden and full year 2018 is also impacted by the Telia Helsinki Data Center. 2017 mainly refers to acquired rights for the ice hockey rights in Finland.

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 and after CAPEX.

SEK in millions	Oct-Dec 2018	Oct-Dec 2017[1]	Jan-Dec 2018	Jan-Dec 2017[1]
Cash flow from operating activities	6,122	6,341	26,696	23,204
Cash CAPEX (paid Intangible and tangible assets)	-4,681	-4,755	-14,794	-16,040
Free cash flow, continuing and discontinued operations	**1,442**	**1,586**	**11,902**	**7,164**

1) Restated for comparability, see Note 1.

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. Operational free cash flow in continuing operations represents Telia Company's outlook. Telia Company intends to distribute a minimum of 80 percent of free cash flow from continuing operations, excluding licenses and spectrum fees.

SEK in millions	Oct-Dec 2018	Oct-Dec 2017[1]	Jan-Dec 2018	Jan-Dec 2017[1]
Cash flow from operating activities from continuing operations	5,988	5,740	25,330	25,948
Deduct: Cash CAPEX from continuing operations	-4,454	-4,489	-13,774	-14,144
Free cash flow, continuing operations	**1,534**	**1,251**	**11,555**	**11,804**
Add back: Cash CAPEX for licenses and spectrum fees from continuing operations	142	78	188	561
Free cash flow that forms the basis for dividend	**1,676**	**1,328**	**11,743**	**12,365**
Deduct: Dividends from associates from continuing operations	-259	-526	-968	-2,851
Add back: Taxes paid on dividends from associates from continuing operations	0	1	41	173
Operational free cash flow	**1,417**	**803**	**10,816**	**9,687**

1) Restated for comparability, see Note 1.

Net debt

Telia Company considers Net debt to be a relevant measure to be able to understand the group's indebtedness. Net debt is specified in Note 11.

Net debt/Adjusted EBITDA ratio (multiple, rolling 12 months)

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, 2018	Dec 31, 2017[1]
Net debt	**55,363**	**33,823**
Adjusted EBITDA continuing operations, Jan-Dec	26,649	25,151
Adjusted EBITDA discontinued operations, Jan-Dec	2,341	4,262
Deduct: Disposed operations	-2,259	-109
Adjusted EBITDA rolling 12 months excluding disposed operations	**26,731**	**29,304**
Net debt/adjusted EBITDA ratio (multiple)	**2.07x**	**1.15x**

1) Restated for comparability, see Note 1.

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 comparable benchmark.

SEK in millions	Oct-Dec 2018	Oct-Dec 2017[1]	Jan-Dec 2018	Jan-Dec 2017[1]
Net sales	22,209	21,164	83,559	79,790
Adjusted EBITDA	6,735	6,520	26,649	25,151
Adjusted EBITDA margin (%), continuing operations	**30.3**	**30.8**	**31.9**	**31.5**

1) Restated for comparability, see Note 1.

PARENT COMPANY

Condensed income statements

SEK in millions	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	64	133	417	413
Gross income	**64**	**133**	**417**	**413**
Operating expenses and other operating income, net	-580	-578	-1,477	5,184
Operating income	**-516**	**-445**	**-1,060**	**5,597**
Financial income and expenses	-300	-4,263	16,996	2,093
Income after financial items	**-816**	**-4,708**	**15,936**	**7,689**
Appropriations	1,215	2,596	7,284	7,000
Income before taxes	**399**	**-2,112**	**23,220**	**14,689**
Income taxes	-210	-48	-563	-536
Net income	**189**	**-2,160**	**22,657**	**14,153**

Operating expenses and other operating income, net, amounted to SEK -1,477 million (5,184) for 2018. 2017 full year included the adjustment of the provision for the settlement with the authorities regarding the Uzbekistan investigations with a total effect on net income amounting to SEK 4,018 million, and the net income effect of SEK 252 million related to the adjustment of the provision for the final settlement. 2017 full year was further impacted by the transfer of parts of the provision, in accordance with the settlement agreements, to four other group companies with a positive net income effect after impairment of the receivable on OOO Coscom (Ucell), of SEK 2,191 million. See Note 4 for further information.

Financial income and expenses full year 2018 were positively impacted by increased dividends from subsidiaries. Financial income and expenses in the fourth quarter of 2017 and full year 2017 were negatively impacted by impairment of shares in subsidiaries amounting to SEK 5,588 million and SEK 7,837 million, respectively. Fourth quarter of 2017 and full year 2017 were also negatively affected by bond buy-back transactions affecting net interest expenses amounting to SEK 445 million and SEK 805 million, respectively.

Condensed balance sheets

SEK in millions	Dec 31, 2018	Dec 31, 2017
Assets		
Non-current assets	176,064	156,592
Current assets	47,512	67,556
Total assets	**223,577**	**224,148**
Equity and liabilities		
Restricted shareholders' equity	15,713	15,713
Non-restricted shareholders' equity	79,477	70,687
Total shareholders' equity	**95,189**	**86,400**
Untaxed reserves	6,882	8,029
Provisions	534	2,153
Long-term liabilities	84,199	85,450
Short-term liabilities and short-term provisions	36,772	42,116
Total equity and liabilities	**223,577**	**224,148**

Non-current assets increased to SEK 176,064 million (156,592) mainly impacted by the acquisitions of Get AS in Norway and Inmics Oy in Finland.

Current assets decreased to SEK 47,512 million (67,556) mainly due to decreased current interest bearing intra-group receivables, matured investment bonds and decreased cash and bank, mainly related to acquisitions of subsidiaries offset by received dividends.

Equity increased to SEK 95,189 million (86,400) due to positive effects from net income, partly offset by dividend to shareholders and repurchased shares related to the share buy-back program.

Provisions decreased to SEK 534 million (2,153) and were impacted by the reclassification of the provision for the settlement with the US and Dutch authorities in the second quarter of 2018 to Short-term liabilities and short-term provisions, which were further impacted by reduced interest bearing intra-group liabilities.

Financial investments during 2018 amounted to SEK 20,128 million (4,110). The financial investments were mainly impacted by the acquisitions of Get AS and Inmics Oy while previous year was mainly impacted by the acquisitions of Phonero AS and Nebula Top Oy, respectively.

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. Telia Company's risk universe consists of four categories and over thirty risk areas used to aggregate and categorize risks identified across the organization within the risk management framework, see below.

For further information regarding details on risk exposure and risk management, see the Annual and Sustainability Report 2017, Directors Report, section Risk and uncertainties.

After the completed divestments during 2018, all Telia Company's mobile operations in region Eurasia are divested, except for Moldcell in Moldova. These divestments have significantly reduced Telia Company's risk exposure described in the Annual and Sustainability Report 2017, Directors Report, section Risk and uncertainties subsections Emerging markets and Review of Eurasian transactions.

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

Stockholm, January 25, 2019

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.

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.

Broadband revenues: External net sales related to fixed broadband services.

Business solutions: External net sales related to fixed business networking and communication solutions.

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 cash flow from operating activities and cash CAPEX.

Interconnect revenues: External net sales related to mobile termination.

Internal net sales: Group internal net sales.

Mobile subscription revenues: External net sales related to voice, messaging, data and content (including machine-to-machine).

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 at fair value through OCI 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 spectrum fees and dividends from associated companies net of taxes.

Other fixed service revenues: External net sales of fixed services including fiber installation, wholesale and other infrastructure services.

Other mobile service revenues: External net sales related to visitors' roaming, wholesale and other services.

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

Telephony revenues: External net sales related to fixed telephony services.

Total equipment revenues: External equipment net sales.

Total service revenues: External net sales excluding equipment sales.

TV revenues: External net sales related to TV services.

For definitions of other alternative performance measures, see the Annual and Sustainability Report 2017.

In this report, comparable 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 2018
will be published week 12, 2019

Annual General Meeting 2019
April 10, 2019, in Stockholm

Interim Report January-March 2019
April 25, 2019

Interim Report January-June 2019
July 18, 2019

Interim Report January-September 2019
October 17, 2019

QUESTIONS REGARDING THE REPORT

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