TELIA COMPANY
YEAR-END REPORT
JANUARY-DECEMBER 2016

DELIVERING ON OUTLOOK

Fourth quarter summary

- As earlier announced former segment region Eurasia is reported as held for sale and discontinued operations. Sergel is reported as held for sale. The Spanish operation Yoigo is deconsolidated from quarter four. The divestment resulted in a capital gain of approximately SEK 4.5 billion.
- Net sales in local currencies, excluding acquisitions and disposals, increased 0.2 percent. In reported currency, net sales declined 6.7 percent to SEK 21,130 million (22,638). Service revenues in local currencies, excluding acquisitions and disposals, increased 0.6 percent.
- EBITDA, excluding non-recurring items, declined 1.9 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, declined 2.7 percent to SEK 6,380 million (6,556). The margin, excluding non-recurring items, rose to 30.2 percent (29.0).
- Operating income, excluding non-recurring items, dropped 24.3 percent to SEK 3,737 million (4,938) mainly due to lower contribution from associated companies.
- Total net income attributable to the owners of the parent rose to SEK 7,338 million (-3,010) and earnings per share to SEK 1.69 (-0.70) due to Yoigo capital gain and by impairment charges last year in Uzbekistan and Denmark. Total net income rose to SEK 7,325 million (-2,627).

Full year summary

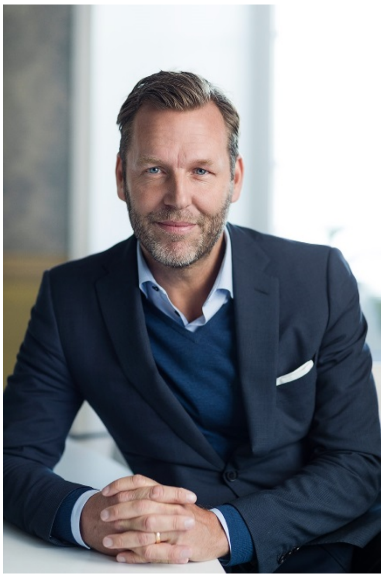
- Net sales in local currencies, excluding acquisitions and disposals, declined 0.8 percent. In reported currency, net sales declined 2.7 percent to SEK 84,178 million (86,498). Service revenues in local currencies, excluding acquisitions and disposals, declined 0.4 percent.
- Operating income, excluding non-recurring items, declined 3.9 percent to SEK 17,123 million (17,814).
- Total net income attributable to the owners of the parent dropped to SEK 3,732 million (8,551) and earnings per share to SEK 0.86 (1.97) mainly due to provision for settlement amount proposed by the US and Dutch authorities. Total net income fell to SEK 6,496 million (10,205).

Highlights

SEK in millions, except key ratios, per share data and changes	Oct-Dec 2016	Oct-Dec 2015	Chg %	Jan-Dec 2016	Jan-Dec 2015	Chg %
Net sales	21,130	22,638	*-6.7*	84,178	86,498	*-2.7*
Change (%) local organic[1]	*0.2*			*-0.8*		
of which service revenues (external)	17,594	18,520	*-5.0*	71,516	72,907	*-1.9*
change (%) local organic	*0.6*			*-0.4*		
EBITDA[1] excl. non-recurring items[2]	6,380	6,556	*-2.7*	25,836	25,281	*2.2*
Change (%) local organic	*-1.9*			*2.6*		
Margin (%)	30.2	29.0		30.7	29.2	
Operating income excl. non-rec. items	3,737	4,938	*-24.3*	17,123	17,814	*-3.9*
Operating income	8,022	2,848	*181.6*	21,090	14,606	*44.4*
Income after financial items	7,671	2,033		19,249	11,689	*64.7*
Net income from continuing operations	7,078	1,420		16,433	9,532	*72.4*
Net income from discontinued operations[3]	247	-4,047		-9,937	673	
Total net income	7,325	-2,627		6,496	10,205	*-36.3*
of which attrib. to owners of the parent	7,338	-3,010		3,732	8,551	*-56.4*
EPS total (SEK)	1.69	-0.70		0.86	1.97	*-56.4*
EPS from continuing operations (SEK)	1.63	0.32		3.76	2.16	*74.1*
Total Free cash flow	-381	2,691		7,267	16,550	*-56.1*
of which from continuing operations	32	1,834	*-98.2*	7,152	12,520	*-42.9*
CAPEX[1] excl. license and spectrum fees[4]	4,532	4,903	*-7.6*	15,016	14,289	*5.1*

1) See Note 15 for information on financial key ratios and/or page 44 for definitions. 2) Non-recurring items; see Note 3.
3) Discontinued operations see Note 4. 4) Excluding units classified as discontinued operations (region Eurasia).

COMMENTS BY JOHAN DENNELIND, PRESIDENT & CEO



“Dear shareholders, as I am looking back at a challenging and interesting 2016, I am very pleased that we were able to beat our EBITDA guidance set a year ago, ending with a fourth quarter in accordance with our plan. For this I want to thank all employees across the company for the hard work you have put in during the year. I also want to direct a special thank you to our employees in Eurasia for keeping focus and turning trends during exceptionally difficult environments and circumstances.

We continue to invest heavily in fixed and mobile across our footprint and during the year were awarded best mobile networks in Sweden, Finland, Norway, Lithuania and Estonia, a clear proof point that we are creating superior network connectivity and we are securing our customers journey from voice to data. In addition the Swedish quality index (SKI) reported that we continue to have the most satisfied TV customers in Sweden which is shown in a continued strong intake. We now have 1.7 million TV customers in the Nordics and Baltics.

During 2016 EU adopted new end-user rules regarding roaming regulation. We are however still awaiting final legislation regarding the wholesale prices. Roaming volumes will definitely be affected, but will also lead to a review of our offerings. As of now we expect the new roaming regulation to have a slight negative effect on our EBITDA for 2017.

We continue to look for value creative M&A to support our strategy in the Nordics & Baltics. We are awaiting approval from the Norwegian competition authorities for the Phonero acquisition (expected in the first half of 2017), which will strengthen our position in the enterprise segments and we believe this transaction will increase competition and benefit Norway and Norwegian businesses. When it comes to Denmark, as of now we don't see risk and valuation as attractive for a larger acquisition in Denmark and will continue to review our strategic options. Finally, we also closed the Yoigo divestment enabling further focus and improved our net debt position.

Division X continued to spearhead the creation of a New Generation Telco - exploring, building and commercializing emerging business areas such as IoT, eHealth and data analytics. December saw their first offerings hit the market - Telia Sense in the connected car space, and Telia Zone which is a connected home play - with more in the pipeline for 2017 and beyond.

We have taken great step in our journey to re-shape the company during the year partly through strong internal engagement, shown in our Purple Voice (our internal engagement survey). In December 2016, we announced a new organizational structure with more country exposure. This will enhance our business and enable us to ramp up execution across our Nordic and Baltic markets even further.

When it comes to the disposal of Fintur Holdings, we have seen an increased interest in our assets following the decision to explore a joint divestment of Fintur Holdings together with Turkcell. We see it as highly probable that the Eurasian assets will be disposed during 2017. As we already explained last quarter, the timing of the sale of Ucell asset is the most difficult to predict. We continue to have a constructive dialogue with the US, Dutch and Swedish authorities in their respective investigations and have an active dialogue regarding the proposed settlement of USD 1.45 billion, recorded in our books in quarter three. Our ambition is to close this in a responsible way and in the best interest of our shareholders.

Overall, we reached our ambition of a slight increase in organic EBITDA for 2016, which was revised up during the year, and a free cash flow excluding licenses of SEK 7.2 billion. The board proposes an ordinary dividend of SEK 2 per share to be distributed to our shareholders.

Our ambition and focus is clear – to be a leading integrated operator in the Nordics & Baltics. We are excited about the opportunities to create a better digital experience for societies, enterprises and consumers in this region and we believe the prospects for value creation are very good. There are still challenges to address in our operations. We see a continuously tough market for our legacy services in fixed which do put pressure on our profitability. So far we have been able to mitigate these negative effects through cost efficiency measures and revenue growth in new services. Looking ahead we aim to mitigate the fall in legacy services, and thereby pressure on profitability, with growth in core and new services. In addition we will ensure that we continue to invest in our networks and to be able to find and maintain growth in our converged offerings in the Nordics and Baltics.

We update our dividend policy, stating that at least 80 percent of free cash flow, excluding licenses, from continuing operations to be distributed to our shareholders (previously including licenses). We continue to aim for a net debt/EBITDA ratio of 2 times, +/- 0.5 and target a solid investment grade long-term credit rating (A- to BBB+).

In terms of financial guidance for 2017 our organic EBITDA, from continuing operations, excluding non-recurring items, is expected to be around the 2016 level. We aim for our operational free cash flow (free cash flow excluding licenses and dividends from associates), from continuing operations, to be above SEK 7 billion (from SEK 5.5 billion 2016). This operational free cash flow together with dividends from associates, should cover a dividend around the 2016 level. For 2018 and 2019 we aim to further increase the operational cash flow.”

OUTLOOK FOR 2017

Free cash flow from continuing operations, excluding licenses and dividends from associated companies, is expected to be above SEK 7 billion. This operational cash flow together with dividends from associates, should cover a dividend around the 2016 level.

EBITDA from continuing operations, excluding non-recurring items, in local currencies, excluding acquisitions and disposals, is expected to be around the 2016 level.

DIVIDEND POLICY, UPDATED

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

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

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

REVIEW OF THE GROUP, FOURTH QUARTER 2016

(Former segment region Eurasia is reported as held for sale and discontinued operations. For more information see Note 4.)

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals, increased 0.2 percent. In reported currency, net sales declined 6.7 percent to SEK 21,130 million (22,638). The effect of exchange rate fluctuations was positive by 2.3 percent and the effect of acquisitions and disposals was negative by 9.0 percent. Service revenues in local currencies, excluding acquisitions and disposals, increased 0.6 percent.

In region Sweden, net sales excluding acquisitions and disposals increased 0.7 percent. Net sales including acquisitions and disposals increased 0.8 percent to SEK 9,975 million (9,893).

In region Europe, net sales in local currencies, excluding acquisitions and disposals, declined 0.3 percent. In reported currency, net sales declined 14.4 percent to SEK 9,755 million (11,401).

The number of subscriptions decreased by 3.6 million from the end of the fourth quarter of 2015 to 23.5 million. During the quarter, the total number of subscriptions declined by 3.4 million. The decrease refers mainly to the disposal of Yoigo in Spain.

EBITDA, excluding non-recurring items, declined 1.9 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, declined 2.7 percent to SEK 6,380 million (6,556). The EBITDA margin, excluding non-recurring items, rose to 30.2 percent (29.0).

Income from associated companies and joint ventures, decreased to SEK 424 million (1,170) mainly due to lower contribution from MegaFon.

Operating income, excluding non-recurring items, dropped 24.3 percent to SEK 3,737 million (4,938) mainly due to lower contribution from associated companies.

Non-recurring items affecting operating income totaled SEK 4,285 million (-2,089) mainly due to a capital gain from the disposal of Yoigo in Spain.

Financial items totaled SEK -351 million (-816) of which SEK -538 million (-620) related to net interest expenses.

Income taxes decreased to SEK -593 million (-613). The effective tax rate was 7.7 percent (30.1). The decrease in effective tax rate is mainly related to a non-taxable capital gain on the disposal of Yoigo in Spain.

Total net income rose to SEK 7,325 million (-2,627), whereof SEK 7,078 million (1,420) from continuing operations and SEK 247 million (-4,047) from discontinued operations. Total earnings per share was SEK 1.69 (-0.70).

Total net income attributable to non-controlling interests decreased to SEK -12 million (383).

Other comprehensive income improved to SEK -766 million (-2,236) mainly due to lower negative currency exchange effects, partly offset by lower positive effect from remeasurements on defined benefit pension plans.

Cash flow and financial position

Free cash flow, in continuing and discontinued operations, decreased to SEK -381 million (2,691) mainly due to Ncell in Nepal not being consolidated, lower change in working capital and the timing of received dividend from MegaFon.

Total cash flow decreased to SEK -5,764 million (-1,404), whereof SEK -381 million (2,691) from free cash flow and additionally affected by the timing of paid ordinary dividend, partly offset by the divestment of Yoigo in Spain.

CAPEX decreased to SEK 5,007 million (5,209) and the CAPEX-to-service revenue ratio increased to 28.5 percent (28.1). CAPEX excluding license and spectrum fees decreased to SEK 4,532 million (4,903) and the CAPEX-to-service revenue ratio, excluding license and spectrum fees, declined to 25.8 percent (26.5).

Net debt, in continuing and discontinued operations, was SEK 50,756 million at the end of the fourth quarter (51,796 at the end of the third quarter of 2016). The net debt/EBITDA ratio was 1.69 (1.67 at the end of the third quarter of 2016).

The equity/assets ratio, in continuing and discontinued operations, was 34.0 percent (31.5 percent at the end of the third quarter of 2016).

REVIEW OF THE GROUP, FULL YEAR 2016

(Former segment region Eurasia is reported as held for sale and discontinued operations. For more information see Note 4.)

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals, declined 0.8 percent. In reported currency, net sales declined 2.7 percent to SEK 84,178 million (86,498). The effect of exchange rate fluctuations was positive by 0.1 percent and the effect of acquisitions and disposals was negative by 2.0 percent. Service revenues in local currencies, excluding acquisitions and disposals, declined 0.4 percent.

EBITDA, excluding non-recurring items, increased 2.6 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 2.2 percent to SEK 25,836 million (25,281). The EBITDA margin, excluding non-recurring items, increased to 30.7 percent (29.2).

Income from associated companies and joint ventures decreased to SEK 2,810 million (3,394) mainly due to lower contribution from MegaFon.

Operating income, excluding non-recurring items, fell 3.9 percent to SEK 17,123 million (17,814).

Non-recurring items affecting operating income totaled SEK 3,967 million (-3,208) mainly due to a capital gain from the disposal of Yoigo in Spain.

Financial items totaled SEK -1,841 million (-2,917) of which SEK -2,069 million (-2,515) related to net interest expenses.

Income taxes increased to SEK -2,816 million (-2,157). The effective tax rate was 14.6 percent (18.5). The decrease in effective tax rate is mainly related to non-taxable capital gain on the sale of Yoigo in Spain.

Total net income declined to SEK 6,496 million (10,205), whereof SEK 16,433 million (9,532) from continuing operations and SEK -9,937 million (673) from discontinued operations. Total earnings per share was SEK 0.86 (1.97). See Note 4 for further information regarding discontinued operations.

Total net income attributable to non-controlling interests increased to SEK 2,764 million (1,654).

Other comprehensive income increased to SEK 1,463 million (-8,997) mainly due to positive currency exchange effects.

Cash flow and financial position

Free cash flow, in continuing and discontinued operations, decreased to SEK 7,267 SEK million (16,550) mainly due to Ncell in Nepal not being consolidated the full year, weakened operational performance in Eurasia and dividend received from Turkcell in 2015.

Total cash flow decreased to SEK -3,949 SEK million (-3,363), whereof 7,267 million (16,550) from free cash flow and additionally affected positively by the divestments of Ncell in Nepal and Yoigo in Spain. 2015 was negatively affected by the acquisition of Tele 2 in Norway, partly offset by the repayment of the last two tranches from AF Telecom Holding.

CAPEX increased to SEK 15,625 million (14,595) and the CAPEX-to-service revenue ratio rose to 21.8 percent (20.0). CAPEX excluding license and spectrum fees rose to SEK 15,016 million (14,289) and the CAPEX-to-service revenue ratio, excluding license and spectrum fees, to 21.0 percent (19.6).

Significant events in the first quarter

- On January 12, 2016, Telia Company announced that it had appointed Anders Olsson Chief Operating Officer and Head of Global Services & Operations and member of the Group Executive Management team.
- On March 18, 2016, Telia Company announced and confirmed that it was in exclusive discussions with Zegona Communications regarding a potential divestment of Yoigo in Spain.
- On March 29, 2016, Telia Company announced that no decision was made on dividend at Turkcell's Ordinary General Assembly.

Significant events in the second quarter

- On April 11, 2016, Telia Company announced that it had completed the divestment of its holdings in Ncell in Nepal to Axiata, one of Asia's largest telecommunication groups. The transaction was subject to customary closing balance sheet adjustments based on net debt and net working capital. For more information see Note 4.
- On April 11, 2016, Telia Company announced that it had initiated a strategic review of its Nordic and Baltic credit management services (CMS) and debt puchase business, Sergel**.** For more information see Note 4.
- On April 12, 2016, Telia Company announced that the ordinary members of the Board Marie Ehrling, Olli-Pekka Kallasvuo, Mikko Kosonen, Nina Linander and Martin Lorentzon were re-elected. Susanna Campbell, Anna Settman and Olaf Swantee were elected new members to the Board. Marie Ehrling was elected Chair of the Board and Olli-Pekka Kallasvuo was elected Vice-Chair of the Board. The Annual General Meeting also decided upon a dividend to shareholders of SEK 3.00 per share and that the payment should be distributed in two equal tranches of SEK 1.50 each to be paid in April and October, respectively.
- On April 13, 2016, the Swedish Companies Registration Office approved the name change of the company from TeliaSonera AB to Telia Company AB.
- On April 29, 2016, Telia Company announced that it had acquired 118,398 shares to an average price of SEK 38.6519. The shares were to be distributed to the participants in the "Long Term Incentive Program 2013/2016".
- On June 21, 2016, Telia Company announced that it had divested its 76.6 percent holding in Spanish Yoigo to Masmovil, a Spanish telecommunications operator. The transaction price was based on an enterprise value of EUR 625 million for 100 percent of Yoigo. The deal was subject to approval from the Spanish competition authorities. The transaction closed on October 5, 2016. For more information see Note 4.
- On June 21, 2016, Sonera, Telia Company's Finnish operation, announced its interest in acquiring Anvia Telecom, a Finnish wireline operator. On June 29, 2016, Anvia Group announced that it intends to sell its telecoms business to Finnish Elisa.
- On June 21, 2016, Telia Company announced that it had signed an agreement to divest its 100 percent holding in Sergel (credit management services and debt purchase business) to Marginalen at an enterprise value of SEK 2.1 billion. The transaction is conditional on relevant regulatory approvals including the Swedish Financial Supervisory Authority as well as Competition Authorities. The transaction is not yet closed. For more information see Note 4.
- On June 21, 2016, Telia Company hosted its 2016 Capital Market Day. Presentations included updates on group strategy and the financials together with a special section on the Swedish operations. The full year 2016 outlook was reiterated.

Significant events in the third quarter

- On September 7, 2016, Telia Company announced that it had signed an agreement to divest its stake in Tajik operator Tcell. The transaction is subject to regulatory approvals in Tajikistan and is not yet closed. See Note 4 for further information.
- On September 15, 2016, Telia Company announced that it had received a settlement proposal of USD 1.45 billion by the US and Dutch authorities. See Note 4 for further information.

Significant events in the fourth quarter

- On October 3, 2016, Telia Company announced that it had signed a new dual tranche EUR 1,500 million Revolving Credit Facility with a group of 13 relationship banks.
- On October 6, 2016, Telia Company announced that it had completed the divestment of its holding in Yoigo in Spain. For more information see Note 4.
- On October 21, 2016, Telia Company announced that we will explore together with Turkcell a joint divestment of Fintur Holdings. This will most likely happen in 2017.

- On November 7, 2016, Telia Company announced that it had signed an agreement to acquire Norwegian Phonero at an enterprise value of NOK 2,300 million on a cash and debt free basis. The transaction will strengthen
Telia's position in the Norwegian enterprise segment and expects to generate annual cost synergies of approximately NOK 400 million. The acquisition is subject to approval from the Norwegian competition authorities and is expected be completed in the first half of 2017.
- On December 14, 2016, Telia Company announced organizational changes in Group Executive Management as of January 1, 2017.

Significant events after the end of the fourth quarter

- No significant events have occurred after the end of the reporting period.

Telia Company share

The Telia Company share is listed on Nasdaq Stockholm and Nasdaq Helsinki. The share's settlement price in Stockholm dropped 13.0 percent in 2016, from SEK 42.19 to SEK 36.71. The highest share price was SEK 42.19 (55.65) and the lowest SEK 34.20 (40.05). The number of shareholders decreased from 515,437 to 512,841. Ownership by the Swedish state was 37.3 percent and the Finnish state's holding was 3.2 percent. Holdings outside Sweden and Finland percent decreased to 32.0 percent from 35.1 percent.

Ordinary dividend to shareholders

For 2016, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 2 (3.00), totaling SEK 8.7 billion (13.0), or 120 percent of free cash flow attributable to continuing operations.

Dividend should be split and distributed into two equal tranches of SEK 1.0 each.

First distribution
The Board of Directors proposes that the final day for trading in shares entitling shareholders to dividend be set for April 5, 2017, and that the first day of trading in shares excluding rights to dividend be set for April 6, 2017. The recommended record date at Euroclear Sweden for the right to receive dividend will be April 7, 2017. If the AGM votes to approve the Board's proposals, the dividend is expected to be distributed by Euroclear Sweden on April 12, 2017.
Second distribution
The Board of Directors proposes that the final day for trading in shares entitling shareholders to dividend be set for October 20, 2017, and that the first day of trading in shares excluding rights to dividend be set for October 23, 2017. The recommended record date at Euroclear Sweden for the right to receive dividend will be October 24, 2017. If the AGM votes to approve the Board's proposals, the dividend is expected to be distributed by Euroclear Sweden on October 27, 2017.

ANNUAL GENERAL MEETING 2017

The Annual General Meeting (AGM) will be held on April 5, 2017, 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 2017. The record date entitling shareholders to attend the meeting will be March 30, 2017. Shareholders may file notice of intent to attend the AGM from the beginning of March 2017. Telia Company must receive notice of attendance no later than March 30, 2017.

REVENUE GROWTH IN SWEDEN

- Reported service revenues grew by 0.5 percent as a positive development in the consumer segment driven by both mobile and fixed service revenues, more than compensated for lower service revenues in the enterprise segment. EBITDA, excluding non-recurring items, declined 1.7 percent mainly as an effect from a less favorable sales mix, despite higher service revenues.
- In the quarter the fiber campaigns to single dwelling units (SDUs) resulted in 34,000 new households and in total 79,000 for the full year.

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2016	Oct-Dec 2015	*Chg (%)*	Jan-Dec 2016	Jan-Dec 2015	*Chg (%)*
Net sales	9,975	9,893	*0.8*	37,251	37,336	*-0.2*
Change (%) local organic	*0.7*			*-0.3*		
of which service revenues (external)	8,379	8,339	*0.5*	32,128	32,268	*-0.4*
change (%) local organic	*0.3*			*-0.6*		
EBITDA excl. non-recurring items	3,745	3,807	*-1.7*	14,455	14,267	*1.3*
Margin (%)	37.5	38.5		38.8	38.2	
Income from associated companies	0	0		1	-20	
Operating income excl. non-recurring items	2,413	2,651	*-9.0*	9,569	9,797	*-2.3*
Operating income	2,329	2,449	*-4.9*	9,360	9,284	*0.8*
CAPEX excl. license and spectrum fees	2,320	2,192	*5.8*	7,119	6,179	*15.2*
% of service revenues	27.7	26.3		22.2	19.1	
EBITDA excl. non-recurring items - CAPEX	1,425	1,615	*-11.8*	7,337	8,088	*-9.3*
Subscriptions, (thousands)						
Mobile	6,207	6,119	*1.4*	6,207	6,119	*1.4*
Fixed telephony	1,675	1,896	*-11.7*	1,675	1,896	*-11.7*
Broadband	1,299	1,306	*-0.5*	1,299	1,306	*-0.5*
TV	765	730	*4.8*	765	730	*4.8*
Employees	6,720	6,718	*0.0*	6,720	6,718	*0.0*

Net sales, excluding acquisitions and disposals, grew 0.7 percent. The effect of acquisitions and disposals was positive by 0.1 percent. **Service revenues**, excluding acquisitions and disposals, increased 0.3 percent.

Reported service revenues increased 0.5 percent as growth in the consumer segment more than compensated for lower service revenues in the enterprise segment. The latter mainly due to pressure on fixed revenues whilst the former was mainly driven by higher mobile billed service revenues, fiber installation fees and positive development in TV and fixed broadband revenues.

EBITDA, excluding non-recurring items, acquisitions and disposals, declined 1.8 percent. EBITDA, excluding non-recurring items, but including acquisitions and disposals, declined 1.7 percent to SEK 3,745 million (3,807). The EBITDA margin decreased to 37.5 percent (38.5), mainly as erosion of high margin fixed legacy revenues more than offset a positive impact of approximately SEK 100 million from lower pension expenses compared to the corresponding quarter previous year.

CAPEX increased to SEK 2,320 million (2,192) and CAPEX, excluding licenses and spectrum fees increased to SEK 2,320 million (2,192).

The net intake of mobile subscriptions was 22,000 in the quarter driven by postpaid subscriptions. The number of fixed broadband subscriptions declined by 2,000 and TV subscriptions increased by 13,000 in the quarter.

SOLID DEVELOPMENT IN REGION EUROPE

- Service revenues rose organically 1.2 percent from growth in mobile service revenues driven by positive development in five of six markets. Fixed service revenues declined impacted by less demand for traditional telephony in all markets and fixed broadband in Finland.
- The Spanish operation has been deconsolidated from this quarter as it is divested to the Spanish telecommunications operator Masmovil.
- In Finland, Sonera invested EUR 22 million in new spectrum in the 700 MHz band to enable further increases in 4G coverage and speed.

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2016	Oct-Dec 2015	*Chg (%)*	Jan-Dec 2016	Jan-Dec 2015	*Chg (%)*
Net sales	9,755	11,401	*-14.4*	41,746	43,658	*-4.4*
Change (%) local organic	*-0.3*			*-0.4*		
of which service revenues (external)	7,620	8,631	*-11.7*	33,497	34,429	*-2.7*
change (%) local organic	*1.2*			*0.7*		
EBITDA excl. non-recurring items	2,702	2,666	*1.3*	11,036	10,584	*4.3*
Margin (%)	27.7	23.4		26.4	24.2	
Income from associated companies	28	32	*-11.9*	115	119	*-3.5*
Operating income excl. non-recurring items	1,209	1,224	*-1.2*	5,219	4,875	*7.0*
Operating income	5,680	-744		9,529	2,375	
CAPEX excl. license and spectrum fees	1,535	1,847	*-16.9*	4,993	5,517	*-9.5*
% of service revenues	20.1	21.4		14.9	16.0	
EBITDA excl. non-recurring items - CAPEX	691	512	*34.9*	5,434	4,761	*14.1*
Subscriptions, (thousands)						
Mobile	10,488	13,914	*-24.6*	10,488	13,914	*-24.6*
Fixed telephony	890	942	*-5.5*	890	942	*-5.5*
Broadband	1,260	1,283	*-1.8*	1,260	1,283	*-1.8*
TV	923	900	*2.6*	923	900	*2.6*
Employees	11,093	11,323	*-2.0*	11,093	11,323	*-2.0*

Net sales in local currencies, excluding acquisitions and disposals, declined 0.3 percent. In reported currency, net sales declined 14.4 percent to SEK 9,755 million (11,401). The decline is mainly an effect from the deconsolidation of the disposed operation in Spain. The effect of exchange rate fluctuations was positive by 4.2 percent and the effect of acquisitions and disposals was negative by 18.3 percent. **Service revenues** in local currencies, excluding acquisitions and disposals, rose 1.2 percent.

Mobile service revenues in local currencies, excluding acquisitions and disposals, grew 3.2 percent due to positive development in five of six markets. Fixed service revenues in local currencies, excluding acquisitions and disposals declined 3.1 percent mainly due to lower revenues from traditional fixed telephony in all markets and lower fixed broadband revenues in Finland.

EBITDA, excluding non-recurring items, increased 4.3 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, increased 1.3 percent to SEK 2,702 million (2,666). The EBITDA margin grew to 27.7 percent (23.4) mainly explained by the deconsolidation of the low margin operation in Spain.

CAPEX declined to SEK 2,010 million (2,153) and CAPEX, excluding licenses and spectrum fees, declined to SEK 1,535 million (1,847).

FINLAND – GROWING MOBILE SERVICE REVENUES

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2016	Oct-Dec 2015	*Chg (%)*	Jan-Dec 2016	Jan-Dec 2015	*Chg (%)*
Net sales	3,513	3,406	*3.1*	13,042	13,279	*-1.8*
Change (%) local organic	*-1.5*			*-3.0*		
of which service revenues (external)	2,934	2,771	*5.9*	11,197	11,065	*1.2*
change (%) local organic	*1.0*			*-0.1*		
EBITDA excl. non-recurring items	1,000	947	*5.6*	4,059	3,945	*2.9*
Margin (%)	28.5	27.8		31.1	29.7	
Subscriptions, (thousands)						
Mobile	3,253	3,306	*-1.6*	3,253	3,306	*-1.6*
Fixed telephony	65	80	*-18.8*	65	80	*-18.8*
Broadband	497	527	*-5.7*	497	527	*-5.7*
TV	489	486	*0.6*	489	486	*0.6*

Service revenues rose 1.0 percent in local currency, excluding acquisitions and disposals, as growth in mobile billed service revenues more than offset the pressure on fixed and interconnect revenues. The improvement was mainly driven by a positive postpaid ARPU development following price adjustments and successful upsell activities.

The **EBITDA margin**, excluding non-recurring items, increased to 28.5 percent (27.8), mainly due to lower equipment sales compared to the corresponding quarter last year.

The number of mobile subscriptions fell by 32,000 in the quarter. The number of fixed broadband subscriptions declined by 12,000 and TV subscriptions remained flat in the quarter.

NORWAY – STRONG REVENUE AND EARNINGS DEVELOPMENT

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2016	Oct-Dec 2015	*Chg (%)*	Jan-Dec 2016	Jan-Dec 2015	*Chg (%)*
Net sales	2,541	2,287	*11.1*	9,057	9,094	*-0.4*
Change (%) local organic	*3.3*			*-0.5*		
of which service revenues (external)	2,036	1,811	*12.4*	7,516	7,485	*0.4*
change (%) local organic	*4.0*			*-0.2*		
EBITDA excl. non-recurring items	865	681	*27.0*	3,125	2,761	*13.2*
Margin (%)	34.0	29.8		34.5	30.4	
Subscriptions, (thousands)						
Mobile	2,211	2,311	*-4.3*	2,211	2,311	*-4.3*

Service revenues grew 4.0 percent in local currency, excluding acquisitions and disposals, mainly following higher wholesale revenues but also growth in mobile billed service revenues driven by an improved ARPU.

The **EBITDA margin**, excluding non-recurring items, rose to 34.0 percent (29.8) mainly due to growth in wholesale revenues as well as lower marketing and subscription acquisition costs.

The number of mobile subscriptions declined by 63,000 in the quarter mainly attributable to prepaid subscriptions.

DENMARK – PRESSURE ON EARNINGS

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2016	Oct-Dec 2015	*Chg (%)*	Jan-Dec 2016	Jan-Dec 2015	*Chg (%)*
Net sales	1,593	1,563	*2.0*	5,880	5,890	*-0.2*
Change (%) local organic	*-2.8*			*-1.6*		
of which service revenues (external)	1,105	1,052	*5.0*	4,270	4,247	*0.5*
change (%) local organic	*-0.2*			*-0.9*		
EBITDA excl. non-recurring items	199	215	*-7.3*	692	743	*-6.8*
Margin (%)	12.5	13.8		11.8	12.6	
Subscriptions, (thousands)						
Mobile	1,606	1,644	*-2.3*	1,606	1,644	*-2.3*
Fixed telephony	101	114	*-11.4*	101	114	*-11.4*
Broadband	128	135	*-5.2*	128	135	*-5.2*
TV	28	28	*0.0*	28	28	*0.0*

Service revenues declined 0.2 percent in local currency, excluding acquisitions and disposals, as growth in interconnect and wholesale revenues was offset by pressure on mobile billed service and fixed billed service revenues.

The **EBITDA margin**, excluding non-recurring items, declined to 12.5 percent (13.8).

The number of mobile subscriptions declined by 27,000 in the quarter, partly due to clean out of inactive subscriptions. The number of fixed broadband subscriptions and TV subscriptions remained flat.

LITHUANIA – REVENUE GROWTH BUT LOWER PROFITABILITY

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2016	Oct-Dec 2015	*Chg (%)*	Jan-Dec 2016	Jan-Dec 2015	*Chg (%)*
Net sales	903	840	*7.5*	3,268	3,146	*3.9*
Change (%) local organic	*2.8*			*2.6*		
of which service revenues (external)	690	651	*5.9*	2,662	2,536	*5.0*
change (%) local organic	*1.0*			*3.7*		
EBITDA excl. non-recurring items	286	285	*0.6*	1,139	1,051	*8.4*
Margin (%)	31.7	33.9		34.9	33.4	
Subscriptions, (thousands)						
Mobile	1,318	1,327	*-0.7*	1,318	1,327	*-0.7*
Fixed telephony	417	447	*-6.7*	417	447	*-6.7*
Broadband	402	390	*3.1*	402	390	*3.1*
TV	229	212	*8.0*	229	212	*8.0*

Service revenues grew 1.0 percent in local currency, excluding acquisitions and disposals, mainly due to a positive development in fixed broadband and TV revenues.

The **EBITDA margin**, excluding non-recurring items declined to 31.7 percent (33.9) due to lower mobile billed service revenues and revenues from traditional telephony.

The number of mobile subscriptions declined by 15,000 in the quarter despite a positive net intake of 8,000 postpaid subscriptions. The number of fixed broadband subscriptions increased by 2,000 and TV subscriptions by 3,000 in the quarter.

LATVIA – POSITIVE SERVICE REVENUE GROWTH

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2016	Oct-Dec 2015	*Chg (%)*	Jan-Dec 2016	Jan-Dec 2015	*Chg (%)*
Net sales	483	463	*4.4*	1,788	1,660	*7.8*
Change (%) local organic	*-0.3*			*6.4*		
of which service revenues (external)	310	289	*7.2*	1,202	1,188	*1.1*
change (%) local organic	*2.2*			*-0.1*		
EBITDA excl. non-recurring items	143	138	*3.4*	580	548	*5.8*
Margin (%)	29.6	29.9		32.4	33.0	
Subscriptions, (thousands)						
Mobile	1,200	1,119	*7.3*	1,200	1,119	*7.3*

Service revenues grew 2.2 in local currency, excluding acquisitions and disposals, following growth in mobile billed service revenues attributable to higher ARPU and subscription base expansion.

The **EBITDA margin**, excluding non-recurring items, declined to 29.6 percent (29.9).

The number of mobile subscriptions increased by 38,000 in the quarter due to a 52,000 addition of postpaid subscriptions used for machine-to-machine services.

ESTONIA – STRONG PROFITABILITY GROWTH

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2016	Oct-Dec 2015	*Chg (%)*	Jan-Dec 2016	Jan-Dec 2015	*Chg (%)*
Net sales	743	738	*0.6*	2,733	2,692	*1.5*
Change (%) local organic	*-3.8*			*-1.3*		
of which service revenues (external)	545	549	*-0.7*	2,080	2,062	*0.8*
change (%) local organic	*-5.3*			*-2.1*		
EBITDA excl. non-recurring items	207	169	*22.4*	811	817	*-0.8*
Margin (%)	27.9	22.9		29.7	30.3	
Subscriptions, (thousands)						
Mobile	901	863	*4.4*	901	863	*4.4*
Fixed telephony	307	301	*2.0*	307	301	*2.0*
Broadband	233	231	*0.9*	233	231	*0.9*
TV	177	174	*1.7*	177	174	*1.7*

Service revenues fell 5.3 percent in local currency, excluding acquisitions and disposals, mainly due to lower sales of travel products and as quarter four last year included high revenues from the Estonian subsidiary Green IT.

The **EBITDA margin**, excluding non-recurring items, increased to 27.9 percent (22.9) mainly explained by lower marketing expenses in the quarter and high revenues from Green IT, although at low margin, last year.

The number of mobile subscriptions increased net by 7,000 in the quarter of which 19,000 used for machine-to-machine services. The number of fixed broadband subscriptions as well as TV subscriptions increased by 1,000 each in the quarter.

OTHER OPERATIONS

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2016	Oct-Dec 2015	*Chg (%)*	Jan-Dec 2016	Jan-Dec 2015	*Chg (%)*
Net sales	2,011	1,965	*2.3*	7,468	7,753	*-3.7*
Change (%) local organic	*0.7*			*-3.0*		
of which Telia Carrier	1,656	1,676	*-1.2*	6,227	6,631	*-6.1*
EBITDA excl. non-recurring items	-66	83		345	430	*-19.8*
of which Telia Carrier	143	124	*15.7*	498	401	*24.3*
Margin (%)	-3.3	4.2		4.6	5.5	
Income from associated companies	396	1,137	*-65.2*	2,695	3,295	*-18.2*
of which Russia	216	504	*-57.1*	899	1,413	*-36.4*
of which Turkey	183	641	*-71.4*	1,805	1,894	*-4.7*
Operating income excl. non-recurring items	116	1,063	*-89.1*	2,335	3,141	*-25.7*
Operating income	13	1,144	*-98.8*	2,201	2,948	*-25.3*
CAPEX	677	864	*-21.6*	2,905	2,593	*12.0*
Employees	3,217	3,301	*-2.5*	3,217	3,301	*-2.5*

Net sales in local currencies, excluding acquisitions and disposals, increased 0.7 percent. In reported currency, net sales increased 2.3 percent to SEK 2,011 million (1,965). The positive effect of exchange rate fluctuations was 1.6 percent.

EBITDA, excluding non-recurring items dropped to SEK -66 million (83) due to higher pension and variable payment expenses as well as costs related to Division X. The EBITDA margin, excluding non-recurring items, was negative at -3.3 percent (4.2).

In Telia Carrier, net sales fell 1.2 percent to SEK 1,656 million (1,676) and the EBITDA margin, excluding non-recurring items, rose to 8.7 percent (7.4). For the full year the EBITDA margin improved due to a more favorable product mix and lower operating expenses.

Income from associated companies declined to SEK 396 million (1,137) due to lower contribution from Turkcell and MegaFon.

In the second quarter, Telia Company agreed to divest its Nordic and Baltic credit management services and debt purchase business Sergel to Marginalen. The transaction is not yet closed. See Note 4 for further information.

DISCONTINUED OPERATIONS

Highlights

SEK in millions, except margins, operational data and changes	Oct-Dec 2016	Oct-Dec 2015	Chg (%)	Jan-Dec 2016	Jan-Dec 2015	Chg (%)
Net sales (external)	3,336	4,470	*-25.4*	13,653	20,742	*-34.2*
EBITDA excl. non-recurring items	1,347	2,299	*-41.4*	5,880	11,035	*-46.7*
Margin (%)	40.4	51.4		43.1	53.2	
CAPEX	3,438	976		5,813	4,195	*38.6*
CAPEX excluding license and spectrum fees	766	951	*-19.5*	2,432	3,784	*-35.7*

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

Net sales declined 25.4 percent in reported currency to SEK 3,336 million (4,470), mainly due to the deconsolidation of Ncell in Nepal in the second quarter of 2016 and lower net sales in Azercell in Azerbaijan due to negative currency development. For the full year net sales decreased 34.2 percent to SEK 13,653 million (20,742) due to the deconsolidation of Ncell in Nepal in the second quarter as well as negative operational performance combined with negative FX development in the region.

EBITDA, excluding non-recurring items, declined to SEK 1,347 million (2,299). The EBITDA margin, excluding non-recurring items dropped to 40.4 percent (51.4) mainly due to the deconsolidation of Ncell in Nepal in the second quarter of 2016 and margin erosion in Azercell in Azerbaijan.

CAPEX increased to SEK 3,438 million (976) due to license and spectrum in Uzbekistan. CAPEX, excluding license and spectrum fees declined to SEK 766 million (951).

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK in millions, except per share data and number of shares	Note	Oct-Dec 2016	Oct-Dec[1] 2015	Jan-Dec 2016	Jan-Dec[1] 2015
Continuing operations					
Net sales	1, 5	21,130	22,638	84,178	86,498
Cost of sales	1	-13,024	-14,157	-50,691	-52,710
Gross profit		**8,106**	**8,481**	**33,487**	**33,788**
Selling, administration and R&D expenses		-4,943	-4,986	-19,300	-20,243
Other operating income and expenses, net		4,435	-1,817	4,092	-2,333
Income from associated companies and joint ventures		424	1,170	2,810	3,394
Operating income	5	**8,022**	**2,848**	**21,090**	**14,606**
Financial items, net		-351	-816	-1,841	-2,917
Income after financial items		**7,671**	**2,033**	**19,249**	**11,689**
Income taxes		-593	-613	-2,816	-2,157
Net income from continuing operations		**7,078**	**1,420**	**16,433**	**9,532**
Discontinued operations					
Net income from discontinued operations[2]	4	**247**	**-4,047**	**-9,937**	**673**
Total net income		**7,325**	**-2,627**	**6,496**	**10,205**
Items that may be reclassified to net income:					
Foreign currency translation differences from continuing operations		-2,675	-1,465	1,303	-6,868
Foreign currency translation differences from discontinued operations		937	-2,914	868	-5,478
Income from associated companies and joint ventures		-80	-38	-340	-2
Cash flow hedges		-196	237	-128	614
Available-for-sale financial instruments		-48	-17	134	-2
Income tax relating to items that will be reclassified		-56	-417	668	-667
Items that will not be reclassified to net income:					
Remeasurements of defined benefit pension plans		1,728	3,018	-1,297	4,322
Income tax relating to items that will not be reclassified		-375	-648	276	-922
Associates' remeasurements of defined benefit pension plans		-1	7	-20	6
Other comprehensive income		**-766**	**-2,236**	**1,463**	**-8,997**
Total comprehensive income		**6,559**	**-4,863**	**7,959**	**1,208**
Total net income attributable to:					
Owners of the parent		7,338	-3,010	3,732	8,551
Non-controlling interests		-12	383	2,764	1,654
Total comprehensive income attributable to:					
Owners of the parent		6,636	-4,664	4,833	987
Non-controlling interests		-77	-199	3,125	221
Earnings per share (SEK), basic and diluted		1.69	-0.70	0.86	1.97
of which continuing operations, basic and diluted		1.63	0.32	3.76	2.16
Number of shares (thousands)					
Outstanding at period-end		4,330,085	4,330,080	4,330,085	4,330,080
Weighted average, basic and diluted		4,330,085	4,330,082	4,330,083	4,330,082
EBITDA from continuing operations		10,674	6,367	29,813	23,992
EBITDA excl. non-recurring items from continuing operations		6,380	6,556	25,836	25,281
Depreciation, amortization and impairment losses from continuing operations		-3,076	-4,688	-11,534	-12,780
Operating income excl. non-recurring items from continuing operations		3,737	4,938	17,123	17,814

1) Certain restatements have been made, see Note 1.

2) Includes expenses for the provision for the settlement amount proposed by the US and Dutch authorities, see Note 4.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK in millions	Note	Dec 31, 2016	Dec 31, 2015
Assets			
Goodwill and other intangible assets	6, 14	70,947	67,933
Property, plant and equipment	6	58,107	55,093
Investments in associates and joint ventures, pension obligation assets and other non-current assets		27,934	29,401
Deferred tax assets		4,366	5,054
Long-term interest-bearing receivables	10	18,120	16,368
Total non-current assets		*179,475*	*173,850*
Inventories		1,792	1,871
Trade and other receivables and current tax receivables		17,468	17,158
Short-term interest-bearing receivables	10	11,143	10,679
Cash and cash equivalents	10	14,510	14,647
Assets classified as held for sale[2, 4]	4, 10	29,042	35,812
Total current assets		*73,955*	*80,167*
Total assets[1]		**253,430**	**254,017**
Equity and liabilities			
Equity attributable to owners of the parent		89,833	97,884
Equity attributable to non-controlling interests		5,036	4,318
Total equity		*94,869*	*102,202*
Long-term borrowings	7, 10	83,161	91,646
Deferred tax liabilities		10,567	10,627
Provisions for pensions and other long-term provisions[3, 4]		7,282	6,199
Other long-term liabilities		725	702
Total non-current liabilities		*101,734*	*109,175*
Short-term borrowings	7, 10	11,307	9,337
Trade payables and other current liabilities, current tax payables and short-term provisions[5]	4	31,892	21,706
Liabilities directly associated with assets classified as held for sale[4]	4, 10	13,627	11,598
Total current liabilities		*56,826*	*42,641*
Total equity and liabilities		**253,430**	**254,017**

1) The sales price for Telia Company's 60.4 percent direct ownership in Ncell and Telia Company's share in the holding company Reynolds Holding and Telia Company's sales price for the economic interest in the 20 percent local shares in Ncell are included in continuing operations.
2) The minority owner Visor's share of the sales price for Visor's 19.6 percent ownership in Ncell and Visor's share in the holding company Reynolds Holding were retained within discontinued operations and classified as assets held for sale. The major part of the price has been distributed to Visor during the third quarter of 2016 and SEK 0.3 billion remains within cash and cash equivalents of discontinued operations as of December 31, 2016.
3) Includes provisions for transaction warranties relating to the divestment of Ncell in Nepal.
4) For more information on the divestment of Ncell in Nepal, see Note 4.
5) Short-term provisions as of December 31, 2016, include the provision for the settlement amount proposed by the US and Dutch authorities, see Note 4.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SEK in millions	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Cash flow before change in working capital	5,979	8,341	25,964	36,184
Change in working capital	-651	-123	6	-935
Cash flow from operating activities	**5,328**	**8,218**	**25,970**	**35,249**
of which from discontinued operations	*637*	*1,261*	*3,460*	*8,121*
Cash CAPEX	-5,709	-5,527	-18,703	-18,699
Free cash flow	**-381**	**2,691**	**7,267**	**16,550**
of which from discontinued operations	*-413*	*857*	*116*	*4,030*
Cash flow from other investing activities	1,311	-1,936	11,275	-10,285
Total cash flow from investing activities[1, 2]	**-4,398**	**-7,463**	**-7,428**	**-28,985**
of which from discontinued operations[2]	*-1,102*	*-681*	*-1,508*	*-4,823*
Cash flow before financing activities	**929**	**755**	**18,542**	**6,264**
Cash flow from financing activities	**-6,694**	**-2,158**	**-22,491**	**-9,628**
of which from discontinued operations	*-50*	*-226*	*-1,976*	*422*
Cash flow for the period	**-5,764**	**-1,404**	**-3,949**	**-3,363**
of which from discontinued operations	*-516*	*354*	*-24*	*3,719*
Cash and cash equivalents, opening balance	**27,969**	**26,742**	**25,334**	**28,735**
Cash flow for the period	-5,764	-1,404	-3,949	-3,363
Exchange rate differences	702	-5	1,523	-38
Cash and cash equivalents, closing balance	**22,907**	**25,334**	**22,907**	**25,334**
of which from continuing operations (incl. Sergel and Yoigo)[1]	*14,605*	*14,647*	*14,605*	*14,647*
of which from discontinued operations (Eurasia)[2]	*8,302*	*10,687*	*8,302*	*10,687*

1) Includes sales price paid in cash for Telia Company's 60.4 percent ownership in Ncell, Telia Company's share in the holding company Reynolds Holding and Telia Company's economic interest in the 20 percent local shares in Ncell. For more information, see Note 4.

2) Includes sales price paid in cash in for minority owner Visor's share of Ncell and Visor's share in the holding company Reynolds Holding. The major part of the price has been distributed to Visor during the third quarter of 2016 and SEK 0.3 billion remains within cash and cash equivalents of discontinued operations as of December 31, 2016. For more information, see Note 4.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SEK in millions	Owners of the parent	Non-controlling interests	Total equity
Opening balance, January 1, 2015	**111,383**	**4,981**	**116,364**
Dividends	-12,990	-835	-13,825
Share-based payments	23	–	23
Repurchased treasury shares	-14	–	-14
Acquisition of non-controlling interests	-309	-47	-356
Total transactions with owners	*-13,289*	*-882*	*-14,171*
Total comprehensive income	987	221	1,208
Effect of equity transactions in associates	-1,197	–	-1,197
Closing balance, December 31, 2015	**97,884**	**4,318**	**102,202**
Opening balance, January 1, 2016	**97,884**	**4,318**	**102,202**
Dividends	-12,990	-2,365	-15,355
Share-based payments	28	–	28
Repurchased treasury shares	-5	–	-5
Change in non-controlling interests	42	-43	0
Total transactions with owners	*-12,924*	*-2,408*	*-15,331*
Total comprehensive income	4,833	3,125	7,959
Effect of equity transactions in associates	39	–	39
Closing balance, December 31, 2016	**89,833**	**5,036**	**94,869**

NOTE 1. BASIS OF PREPARATION

General

As in the annual accounts for 2015, Telia Company's consolidated financial statements as of and for the twelve-month period ended December 31, 2016, 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 report 2015, except as described below. All amounts in this report are presented in SEK millions, unless otherwise stated. Rounding differences may occur.

Assets held for sale and discontinued operations

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. The Sergel companies (Sergel) are included in continuing operations but classified as assets held for sale since June 30, 2016. 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.

Correction of prior period classification errors

Prior periods have been restated to reflect the discovery of certain classification errors between net sales and cost of sales referring to insurance sales in region Europe. The corrections were as follows:

SEK in millions	Jan-Mar 2015 Reported	Jan-Mar 2015 Restatement	Jan-Mar 2015 Disc. operations	Jan-Mar 2015 Restated
Net sales	26,041	-18	-5,434	20,589
Cost of sales	-15,147	18	2,455	-12,674
Gross profit	**10,894**	**–**	**-2,979**	**7,915**

SEK in millions	Apr-Jun 2015 Reported	Apr-Jun 2015 Restatement	Apr-Jun 2015 Disc. operations	Apr-Jun 2015 Restated
Net sales	27,115	-19	-5,538	21,558
Cost of sales	-15,299	19	2,274	-13,006
Gross profit	**11,816**	**–**	**-3,264**	**8,552**

SEK in millions	Jul-Sep 2015 Reported	Jul-Sep 2015 Restatement	Jul-Sep 2015 Disc. operations	Jul-Sep 2015 Restated
Net sales	27,029	-18	-5,300	21,712
Cost of sales	-15,293	18	2,403	-12,873
Gross profit	**11,737**	**–**	**-2,897**	**8,840**

SEK in millions	Oct-Dec 2015 Reported	Oct-Dec 2015 Restatement	Oct-Dec 2015 Restated
Net sales	22,655	-17	22,638
Cost of sales	-14,174	17	-14,157
Gross profit	**8,481**	**–**	**8,481**

SEK in millions	Jan-Dec 2015 Reported	Jan-Dec 2015 Restatement	Jan-Dec 2015 Restated
Net sales	86,569	-71	86,498
Cost of sales	-52,782	71	-52,710
Gross profit	**33,788**	**–**	**33,788**

Restatement of financial data

Prior periods have been restated for comparability to reflect a refined product classification in region Sweden where certain revenues now are treated as external service revenues instead of equipment sales.

Restatement of operational data

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

NOTE 2. REFERENCES

For more information regarding;

- Sales and earnings, see pages 6-7.
- Cash flow and financial position, see pages 6-7.
- Significant events in the first, second, third and fourth quarter, see pages 8-9.
- Significant events after the end of the fourth quarter, see page 9.
- Risks and uncertainties, see pages 36-42.

NOTE 3. NON-RECURRING ITEMS

Non-recurring items within operating income, continuing operations

SEK in millions	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Within EBITDA	**4,294**	**-189**	**3,977**	**-1,289**
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.:				
Region Sweden	-85	-202	-362	-495
Region Europe	-29	-83	-189	-615
Other operations	-102	81	-134	-194
Capital gains/losses	4,510	14	4,662	14
Within Depreciation, amortization and impairment losses	**–**	**-1,900**	**–**	**-1,900**
Impairment losses, accelerated depreciation:				
Region Sweden	–	–	–	–
Region Europe	–	-1,900	–	-1,900
Other operations	–	–	–	–
Within Income from associated companies and joint ventures	**-10**	**–**	**-10**	**-19**
Capital gains/losses	-10	–	-10	-19
Total non-recurring items within operating income, continuing operations	**4,285**	**-2,089**	**3,967**	**-3,208**

Non-recurring items within EBITDA, discontinued operations (region Eurasia)

SEK in millions	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Within EBITDA	**-573**	**-189**	**-11,952**	**-474**
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.:	-1,035	-189	-13,693	-474
Impairment loss on remeasurement to fair value less costs to sell[1]	–	–	-52	–
Capital gains/losses	462	–	1,793	–
Total non-recurring items within EBITDA, discontinued operations[2]	**-573**	**-189**	**-11,952**	**-474**

1) Total impairment loss on remeasurement to fair value less cost to sell in the quarter amounts to SEK 600 million.
2) For more information on assets held for sale and discontinued operations see Note 4.

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 divested or liquidated in connection with the transactions. Telia Company is still committed to the plan to divest the remaining parts of Eurasia and the delay during 2016 in the sales process was caused by events and circumstances beyond Telia Company's control. A sales agreement was signed in September 2016 for Tcell, but regulatory approval has not yet been received for the transaction. For the other remaining parts of Eurasia different circumstances arose during 2016 which led to that these units were not sold by the end of the year. Telia Company has taken actions necessary to respond the change in circumstances and the units are being actively marketed at reasonable prices given the change in circumstances. The remaining Eurasian parts are available for immediate sale and divestments of these units are deemed highly probable within one year.

Yoigo

Yoigo in Spain was classified as held for sale since June 2016 when Telia Company signed an agreement to sell its 76.6 percent holding in the Spanish operator Yoigo. The deal was closed on October 5, 2016, see Disposals. Yoigo in Spain was a part of the reportable segment region Europe. It was not considered to represent a separate major line of business or geographical area of operations and is therefore not presented as discontinued operations.

Sergel

In June 2016, Telia Company signed an agreement to divest its 100 percent holding in Sergel (credit management services and debt purchase business) to Marginalen at an enterprise value of SEK 2.1 billion. In 2015, Sergel's EBITDA contribution, excluding non-recurring items, was SEK 206 million. The transaction is conditional on relevant regulatory approvals including the Swedish Financial Supervisory Authority as well as Competition Authorities. The approvals are deemed highly probable and Sergel is therefore classified as held for sale since June 30, 2016. In the segment reporting Sergel is part of Other operations. It is not considered to represent a separate major line of business or geographical area of operations and is therefore not presented as discontinued operations.

Presentation

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

Measurement

In accordance with IFRS 5 discontinued operations (Eurasia) and assets held for sale (Sergel) are measured at the lower of carrying value and estimated fair value less costs to sell. The valuation is based on an assessment of the input from the sales process and the risks in the different countries. Non-current assets included in discontinued operations or disposal groups held for sale are not depreciated or amortized. Depreciation and amortization in discontinued operations (Eurasia) of SEK 2.0 billion have been reversed in 2016. Depreciation and amortization in discontinued operations (Eurasia) for 2015 was SEK 3.6 billion. The remeasurement of the net assets in region Eurasia per December 31, 2015, resulted in an impairment charge in the fourth quarter of 2015 of SEK 5.3 billion related to goodwill and other fixed assets in Uzbekistan. Management's best estimate is that the risk adjusted debt free value of Ucell of SEK 3.3 billion as of September 30, 2016, remains unchanged as of December 31, 2016. Changes in any of the estimated risk adjustments made for Ucell would have a material impact on the estimated fair value. The most significant impact on fair value will be the buyer's ability to operate in the country and convert local currency. For information on the valuation of Ucell, see the Annual and Sustainability Report 2015. Due to increased carrying values for Ucell, impairment charges of SEK 200 million, SEK 550 million, SEK 600 million and SEK 600 million were recognized in the first, second, third and fourth quarter of 2016, respectively. In total Ucell was impaired by SEK 1,950 million in 2016.

In September 2016, Telia Company signed an agreement to sell its 60 percent holding in Central Asian Telecommunications Development B.V., which controls CJSC "Indigo Tajikistan" (Tcell), to the Aga Khan Fund for Economic Development (AKFED). AKFED is currently the minority owner in Central Asian Telecommunications Development B.V. with a 40 percent holding. The transaction is subject to regulatory approvals in Tajikistan. The transaction price for Tcell is based on an enterprise value of USD 66 million, of which Telia Company's 60 percent share corresponds to USD 39 million. Based on current FX-rates, the agreed price implies an EV/EBITDA multiple of approximately 4.0x based on Tcell's 2015 results. The transaction will have limited result and net debt impact. Based on the signed agreement for Tcell and current information in the sales process of Roshan (financial asset relating to shares in an operator in Afghanistan), management's best estimate is that the enterprise value for Tcell (100 percent) and the value of the shares in Roshan (12.25 percent) combined as of June 30, 2016, of SEK 600 million remains unchanged as of December 31, 2016. An impairment loss of SEK 450 million was recognized in the second quarter of 2016 for Tcell and Roshan.

The classification of Yoigo and Sergel as held for sale did not result in any impairment in 2016.

Disposals

Ncell in Nepal

On April 11, 2016, Telia Company completed the divestment of its holdings in Ncell in Nepal to Axiata, one of Asia's largest telecommunication groups. The deal has been approved by all relevant authorities. Telia Company has completed the sale at an enterprise value of USD 1,030 million for its 60.4 percent ownership of Ncell and Telia Company's share of the holding company Reynolds Holding. The transaction was subject to customary closing adjustments based on net debt and net working capital. Telia Company has been paid for Ncell's cash position in proportion to its economic interest of 80.4 percent. Furthermore, Telia Company has dissolved its economic interests in the 20 percent local ownership in Ncell and received approximately USD 48 million from Sunivera Capital Ventures, Singapore.

The divestment, all transactions included, resulted in a total capital gain of SEK 1,258 million for the group in the second quarter of 2016, whereof a loss of SEK -888 million was attributable to owners of the parent and a gain of SEK 2,146 million was attributable to non-controlling interests. The sale resulted in a loss for the parent shareholders mainly due to the carrying value of goodwill in Ncell (not attributable to minority) and provisions for parent shareholder's transaction warranties. On signing in December 2015, no material effect on net income (attributable to parent shareholders) was expected, but final amounts were subject to deviations in foreign exchange rates and closing adjustments. Compared to the estimated net income effect expected in December 2015, the capital loss relating to parent shareholders of SEK -888 million recognized in the second quarter of 2016 was effected by negative foreign currency effects on the sales price, estimated closing adjustments and estimated additional provisions for transaction warranties. In the fourth quarter of 2016 the total capital gain for the group was reduced to SEK 1,035 million, whereof a loss of SEK -927 million was attributable to owners of the parent and a gain of SEK 1,962 million was attributable to non-controlling interests. The change in the fourth quarter was mainly related to transaction warranties of the minority owners.

The net cash flow effect for the group was SEK 9.8 billion (relating to both parent shareholders and non-controlling-interests) in the second quarter of 2016 and changed to SEK 9.3 billion at the end of the third quarter of 2016. The net cash flow change of SEK -0.5 billion related to cash proceeds received in the third quarter, of SEK 0.9 billion and SEK -1.4 billion, respectively, which was part of the proceeds that were recognized as cash in the second quarter that was reported as receivables in the third quarter of 2016. There were no cash flow changes during the fourth quarter of 2016.

Provisions for transaction warranties are included in the statement of financial position for continuing operations. The sales price of SEK 12.9 billion for Telia Company's 60.4 percent direct ownership and the minority owner Visor's 19.6 percent ownership in Ncell and their 100 percent ownership in the holding company Reynolds Holding, have been recognized in the legal entity TeliaSonera Norway Nepal Holding. A liquidation process has been initiated for TeliaSonera Norway Nepal Holding, which is included within discontinued operations. Telia Company's share of the sales price of SEK 9.6 billion has been classified within continuing operations (whereof SEK 8.9 billion has been included in cash and cash equivalents as of December 31, 2016). The minority owner Visor's share of the sales price of SEK 3.3 billion was included within discontinued operations and was classified as held for sale. The major part of Visor's sales price was distributed to Visor during the third quarter and SEK 0.3 billion remains within cash and cash equivalents of discontinued operations as of December 31, 2016. The sales price of SEK 1.0 billion for Telia Company's economic interest in the 20 percent local shares has been transferred to Telia Company AB and has been included within cash and cash equivalents in continuing operations. The final amounts relating to the Ncell divestment are still subject to deviations in foreign exchange rates and transaction warranties. Ncell in Nepal was part of the former segment region Eurasia which is classified as discontinued operations.

Yoigo in Spain

In June 2016, Telia Company signed an agreement to sell its 76.6 percent holding in the Spanish operator Yoigo to Masmovil, a Spanish telecommunications operator. The deal has been approved by all relevant authorities and was completed on October 5, 2016, at a price of SEK 3.8 billion for Telia Company's share. The divestment resulted in a capital gain of SEK 4.5 billion, which is recognized as part of "Other operating income" within continuing operations. The transaction had a cash flow effect of SEK 2.6 billion and has reduced net debt for Telia Company by SEK 6.1 billion.

NCI and put option in Uzbekistan

Based on put options granted on 6 percent of the share capital in TeliaSonera Uzbek Telecom Holding B.V. (Uzbek Holding), the subsidiary has previously accounting-wise been treated as a wholly-owned subsidiary of Telia Company. During the fourth quarter of 2016 the 6 percent shares owned by the non-controlling owner Takilant were transferred to the Dutch Authorities. As a result the put option can no longer be exercised. The put option provision of SEK 686 million has therefore been derecognized with a corresponding charge to other operating income within discontinued operations. In addition a 6 percent non-controlling interest has been recognized in equity.

Provision for settlement amount proposed by the US and Dutch authorities

The US and Dutch authorities have investigated historical transactions related to Telia Company's entry into Uzbekistan in 2007. As announced on September 15, 2016, Telia Company received a proposal from the authorities for resolution of the pending investigations. The authorities have proposed a global resolution that includes a total financial sanction of USD 1.45 billion. Resolution of the various investigations is complex and will require further discussion and negotiation with the various government agencies involved in the investigations. Without certainty as to the timing and amount that may be paid at the time of a final resolution, Telia Company has recorded a USD 1.45 billion (SEK 12.5 billion per September 30, 2016, which due to foreign currency changes has increased to SEK 13.2 billion per December 31, 2016) provision at the balance sheet date. This is in line with IFRS requirements, which states that the best estimate must be recorded as a provision. As it is not possible for management to make another reliable estimate at this point in time, this amount is the estimate of the expenditure required to settle this matter at the balance sheet date. Disclosure of further details regarding the assumptions and uncertainties of the provision is expected to prejudice seriously the position of Telia Company. Telia Company has therefore, in accordance with IAS 37.92, not presented any further information on the provision in this Interim report. From end of December 2016, the provision is partly hedged for changes in foreign currencies. The total net income effect of the provision including foreign exchange effects and the hedge effect was SEK 13.5 billion for 2016.

The provision is recognized as a short-term provision and is included in the line item "Trade payables and other current liabilities, current tax payables and short-term provisions" in the condensed consolidated statements of financial position. The provision is classified as part of liabilities relating to continuing operations as the provision will not be part of the sale of the Eurasian net assets. The effect on net income is included in the line item "Net income from discontinued operations" in the condensed consolidated statements of comprehensive income and disclosed as operating expenses in the table "Net income from discontinued operations (Eurasia)" below. The net income effect is classified as part of discontinued operations based on that the expenses are related to the operations in Uzbekistan. The settlement amount excluding foreign currency effects and hedge effects is assumed to be non-tax deductible.

Net income from discontinued operations (region Eurasia)

SEK in millions, except per share data	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales	3,336	4,470	13,653	20,742
Expenses and other operating income, net[1]	-2,346	-3,185	-20,701	-13,775
Operating income	**990**	**1,285**	**-7,048**	**6,967**
Financial items, net	168	892	-315	1,552
Income after financial items	**1,158**	**2,177**	**-7,364**	**8,519**
Income taxes	-89	-924	-1,208	-2,546
Net income before remeasurement and gain on disposal	**1,069**	**1,253**	**-8,572**	**5,973**
Impairment loss on remeasurement to fair value less costs to sell[2]	-600	-5,300	-2,400	-5,300
Gain on disposal of Ncell in Nepal (including cumulative Ncell exchange loss in equity reclassified to net income of SEK -1,065 million)[3]	-223		1,035	
whereof loss attributable to parent shareholders	*-39*		*-927*	
whereof gain attributable to non-controlling interests	*-184*		*1,962*	
Net income from discontinued operations[1]	**247**	**-4,047**	**-9,937**	**673**
EPS from discontinued operations (SEK)[1]	0.07	-1.01	-2.90	-0.19
EBITDA excl. non-recurring items	1,347	2,299	5,880	11,035

1) Operating expenses for 2016 include expenses relating to the provision for settlement amount proposed by the US and Dutch authorities.
2) Non-tax deductible.
3) Non-taxable gain.

Assets classified as held for sale (region Eurasia and Sergel)

SEK in millions	Eurasia Dec 31, 2016[4]	Sergel, Dec 31, 2016	Total, Dec 31, 2016[4]	Eurasia Dec 31, 2015
Goodwill and other intangible assets	7,562	38	7,601	10,821
Property, plant and equipment	7,551	6	7,557	10,379
Other non-current assets	448	251	699	586
Short-term interest-bearing receivables	1,889	1	1,890	1,382
Other current assets[4]	2,329	568	2,898	1,957
Cash and cash equivalents[4]	8,302	95	8,397	10,687
Assets classified as held for sale	**28,082**	**960**	**29,042**	**35,812**
Long-term borrowings	355	0	355	238
Long-term provisions	2,652	149	2,801	4,431
Other long-term liabilities	3,711	5	3,716	2,176
Short-term borrowings	1,612	–	1,612	1,230
Other current liabilities	4,932	211	5,144	3,524
Liabilities associated with assets classified as held for sale	**13,262**	**365**	**13,627**	**11,598**
Net assets classified as held for sale[5]	**14,819**	**596**	**15,415**	**24,214**

4) The major part of the minority owner Visor's share of the sales price for Ncell and Visor's share of the holding company Reynolds Holding has been distributed to Visor during the third quarter of 2016 and SEK 0.3 billion remains within cash and cash equivalents of discontinued operations as of December 31, 2016. The provisions for transaction warranties and the sales price for Telia Company's 60.4 percent ownership in Ncell and Telia Company's share in the holding company Reynolds Holding, as well as sales price for Telia Company's economic interest in the 20 percent local shares in Ncell are included in continuing operations.
5) Represents 100 percent of external assets and liabilities, i.e. non-controlling interests' share of net assets are included.

NOTE 5. SEGMENT INFORMATION

SEK in millions	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales				
Region Sweden	9,975	9,893	37,251	37,336
of which external	9,891	9,791	36,938	37,051
Region Europe	9,755	11,401	41,746	43,658
of which external	9,645	11,298	41,350	43,238
Other operations	2,011	1,965	7,468	7,753
Total segments	**21,741**	**23,259**	**86,465**	**88,747**
Eliminations	-611	-620	-2,287	-2,249
Group	**21,130**	**22,638**	**84,178**	**86,498**
EBITDA excl. non-recurring items				
Region Sweden	3,745	3,807	14,455	14,267
Region Europe	2,702	2,666	11,036	10,584
Other operations	-66	83	345	430
Total segments	**6,380**	**6,556**	**25,836**	**25,281**
Eliminations	0	0	0	0
Group	**6,380**	**6,556**	**25,836**	**25,281**
Operating income				
Region Sweden	2,329	2,449	9,360	9,284
Region Europe	5,680	-744	9,529	2,375
Other operations	13	1,144	2,201	2,948
Total segments	**8,022**	**2,848**	**21,090**	**14,606**
Eliminations	0	0	0	0
Group	**8,022**	**2,848**	**21,090**	**14,606**
Financial items, net	-351	-816	-1,841	-2,917
Income after financial items	**7,671**	**2,033**	**19,249**	**11,689**

SEK in millions	Region Sweden	Region Europe	Other operations	Total segments	Unallocated	Assets and liabilities held for sale	Total assets/ liabilities, group
Segment assets							
December 31, 2016	46,157	96,754	33,678	176,589	47,799	29,042	**253,430**
December 31, 2015	42,516	96,018	33,633	172,166	46,039	35,812	**254,017**
Segment liabilities							
December 31, 2016	11,304	8,294	20,937	40,534	104,399	13,627	**158,561**
December 31, 2015	11,123	11,626	5,663	28,413	111,805	11,598	**151,816**

NOTE 6. INVESTMENTS

SEK in millions	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
CAPEX	**5,007**	**5,209**	**15,625**	**14,595**
Intangible assets	1,170	1,066	2,787	2,251
Property, plant and equipment	3,838	4,143	12,838	12,344
Acquisitions and other investments	**144**	**183**	**483**	**5,818**
Asset retirement obligations	126	187	337	275
Goodwill and fair value adjustments	6	-5	34	4,497
Equity holdings	12	1	112	1,045
Total continuing operations	**5,151**	**5,392**	**16,108**	**20,413**
Total discontinued operations	**3,442**	**996**	**5,829**	**4,215**
of which CAPEX	3,438	976	5,813	4,195
Total investments	**8,593**	**6,388**	**21,936**	**24,628**
of which CAPEX	8,445	6,185	21,439	18,790

NOTE 7. FINANCIAL INSTRUMENTS – FAIR VALUES

	Dec 31, 2016		Dec 31, 2015	
Long-term and short-term borrowings[1] SEK in millions	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	37,189	46,135	37,672	41,021
Interest rate swaps	37	37	627	627
Cross currency interest-rate swaps	2,648	2,648	1,694	1,694
Subtotal	**39,873**	**48,819**	**39,993**	**43,342**
Open-market financing program borrowings	41,334	45,209	47,908	53,577
Other borrowings at amortized cost	1,733	1,733	3,699	3,699
Subtotal	**82,940**	**95,761**	**91,600**	**100,618**
Finance lease agreements	221	221	46	46
Total long-term borrowings	**83,161**	**95,982**	**91,646**	**100,664**
Short term borrowings				
Open-market financing program borrowings in fair value hedge relationships	7,486	7,551	–	–
Interest-rate swaps	3	3	51	51
Cross currency interest-rate swaps	191	191	21	21
Subtotal	**7,679**	**7,744**	**72**	**72**
Utilized bank overdraft and short-term credit facilities at amortized cost	0	0	9	9
Open-market financing program borrowings	2,258	2,265	5,627	5,648
Other borrowings at amortized cost	1,360	1,360	3,623	3,623
Subtotal	**11,297**	**11,368**	**9,330**	**9,351**
Finance lease agreements	10	10	7	7
Total short-term borrowings	**11,307**	**11,378**	**9,337**	**9,358**

1) For financial assets, fair values equal carrying values. For information on fair value estimation, see the Annual and Sustainability Report 2015, Note C3 to the consolidated financial statements.

Financial assets and liabilities by fair value hierarchy level[1] SEK in millions	Dec 31, 2016 Carrying value	of which Level 1	Level 2	Level 3	Dec 31, 2015 Carrying value	of which Level 1	Level 2	Level 3
Financial assets at fair value								
Equity instruments available-for-sale	1,162	–	–	1,162	1,053	–	–	1,053
Equity instruments held-for-trading	26	–	–	26	35	–	–	35
Long- and short-term bonds available-for-sale	19,186	19,186	–	–	15,739	15,739	–	–
Derivatives designated as hedging instruments	2,637	–	2,637	–	2,824	–	2,824	–
Derivatives held-for-trading	3,058	–	3,058	0	3,137	–	3,072	65
Total financial assets at fair value by level	**26,069**	**19,186**	**5,695**	**1,188**	**22,789**	**15,739**	**5,896**	**1,153**
Financial liabilities at fair value								
Derivatives designated as hedging instruments	2,346	–	2,346	–	2,165	–	2,165	–
Derivatives held-for-trading	1,226	–	1,226	–	329	–	329	–
Total financial liabilities at fair value by level	**3,572**	**–**	**3,572**	**–**	**2,494**	**–**	**2,494**	**–**

1) For information on fair value hierarchy levels and fair value estimation, see the Annual and Sustainability Report 2015, Note C3 to the consolidated financial statements and the section below.

Fair value measurement of level 3 financial instruments

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

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

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

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

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

The table below presents the movement in level 3 instruments for the twelve-month period ended December 31, 2016.

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

SEK in millions	Jan-Dec 2015 Equity instruments available-for-sale	Equity instruments held-for-trading	Long- and short-term bonds available-for-sale	Derivatives held-for-trading	Total
Level 3, opening balance	**275**	**61**	**0**	**55**	**391**
Changes in fair value	10	-26	0	10	-6
of which recognized in net income	*-15*	*-26*	*0*	*10*	*-31*
of which recognized in other comprehensive income	*25*	–	–	–	*25*
Purchases/capital contributions	994	4	–	–	998
Transfer into/out of level 3	–	–	–	–	–
Exchange rate differences	16	-5	0	0	11
Reclassified to assets classified as held for sale	-242	–	–	-1	-243
Level 3, closing balance	**1,053**	**35**	**–**	**65**	**1,153**

The purchases in 2015 were mainly related to the acquisition of a 1.4 percent stake in Spotify for USD 115 million, corresponding to SEK 976 million at the transaction date on June 9, 2015.

NOTE 8. TREASURY SHARES

As of December 31, 2015, 4,588 Telia Company shares were held by the company itself and the total numbers of issued and outstanding shares were 4,330,084,781 and 4,330,080,193, respectively. On April 29, 2016, Telia Company AB acquired additional 118,398 own shares at an average price of SEK 38.6519 to cover commitments under the “Long term Incentive Program 2013/2016”. During the second quarter of 2016, Telia Company distributed 122,986 shares to the incentive program participants. As of December 31, 2016, no Telia Company shares were held by the company itself or by its subsidiaries. The total numbers of issued and outstanding shares were 4,330,084,781.

NOTE 9. RELATED PARTY TRANSACTIONS

In the twelve-month period ended December 31, 2016, Telia Company purchased goods and services for SEK 96 million (83), and sold goods and services for SEK 91 million (112). Related parties in these transactions were mainly MegaFon, Turkcell and Lattelecom.

NOTE 10. NET DEBT, CONTINUING AND DISCONTINUED OPERATIONS

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

SEK in millions	Dec 31, 2016	Dec 31, 2015
Long-term borrowings	83,516	91,884
Short-term borrowings	12,919	10,567
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA)	-5,455	-5,580
Less long-term bonds available for sale	-10,185	-8,841
Less short-term investments	-7,132	-6,979
Less cash and cash equivalents[1]	-22,907	-25,334
Net debt, continuing and discontinued operations	**50,756**	**55,717**

1) SEK 0.3 billion of the minority owner Visor's share of the sales price for Ncell and the holding company Reynolds Holding remain within cash and cash equivalents of discontinued operations as of December 31, 2016. For more information, see Note 4.

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. Long-term bonds available for sale are part of the balance sheet line item Long-term interest-bearing receivables. Short-term investments are part of the balance sheet line item Short-term interest-bearing receivables.

NOTE 11. LOAN FINANCING AND CREDIT RATING

The underlying operating cash flow continued to be positive also in the fourth quarter of 2016.

The credit rating of Telia Company remained unchanged during the fourth quarter. Moody's rating for long-term borrowings is Baa1 and P-2 for short-term borrowings, both with a stable outlook. Standard & Poor long-term rating is A- and short-term rating is A-2, however with the long term rating on credit watch negative since September 21, 2016.

Telia Company has not been issuing any new debt through the debt capital markets during the fourth quarter. The strategy remains to optimize the liability structure and to use divestment proceeds to reduce outstanding capital market debt.

NOTE 12. GUARANTEES AND COLLATERAL PLEDGED

As of December 31, 2016, the maximum potential future payments that Telia Company (continuing operations) could be required to make under issued financial guarantees totaled SEK 398 million (298 at the end of 2015), of which SEK 287 million (283 at the end of 2015) referred to guarantees for pension obligations. Collateral pledged (continuing and discontinued operations) totaled SEK 752 million (353 at the end of 2015). For information regarding ongoing investigations of Eurasian transactions see Review of Eurasian transactions in section Risk and uncertainties.

NOTE 13. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of December 31, 2016, contractual obligations (continuing operations) totaled SEK 2,897 million (2,506 at the end of 2015), of which SEK 1,215 million (1,802 at the end of 2015) referred to contracted build-out of Telia Company's fixed networks in Sweden and a lease agreement relating to future data center in Finland.

NOTE 14. BUSINESS COMBINATIONS

Minor business combinations

On March 1, 2016, Telia Company acquired all shares in the Swedish company Telecom3 Fibernät i Sverige AB. The cost and net cash outflow of the combination was SEK 26 million, all attributable to goodwill. On July 1, 2016, Telia Company acquired a minor business, consisting of fiber networks from Comne Work AB. The cost of the acquisition was SEK 26 million. On December 30, 2016, Telia Company acquired a minor business from the Estonian company AK Süsteemid OÜ, consisting of IT Hosting and Workplace management solutions. The cost of the acquisition was SEK 8 million.

NOTE 15. FINANCIAL KEY RATIOS

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

	Dec 31, 2016	Dec 31, 2015
Return on equity (%, rolling 12 months)[1, 2]	4.5	9.3
Return on capital employed (%, rolling 12 months)[1, 2]	7.7	8.9
Equity/assets ratio (%)[2]	34.0	35.1
Net debt/equity ratio (%)[2]	58.9	62.5
Net debt/EBITDA rate excl. non-recurring items (multiple, rolling 12 months)[1]	1.69	1.53
Net debt/assets ratio (%)	20.0	21.9
Owners' equity per share (SEK) [2]	20.75	22.60

1) Includes continuing and discontinued operations.

2) Key ratio effected by provision for the settlement proposed by the US and Dutch authorities, see Note 4 for further information.

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, EBITDA excluding non-recurring items, CAPEX, Cash CAPEX, Free cash flow, Operational free cash flow and Net debt. 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 2015. These terms may be defined differently by other companies and are therefore not always comparable to similar measures used by other companies.

EBITDA and EBITDA excluding non-recurring items

Telia Company considers EBITDA as a relevant measure for investors 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 EBITDA excluding non-recurring items. EBITDA and EBITDA excluding non-recurring items relate to continuing operations unless otherwise stated. Non-recurring items within EBITDA are specified in Note 3.

SEK in millions	Oct -Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Operating income	**8,022**	**2,848**	**21,090**	**14,606**
Income from associated companies and joint ventures	-424	-1,170	-2,810	-3,394
Total depreciation/amortization/write-down	3,076	4,688	11,534	12,780
EBITDA	**10,674**	**6,367**	**29,813**	**23,992**
Non-recurring within EBITDA (Note 3)	-4,294	189	-3,977	1,289
EBITDA excluding non-recurring items	**6,380**	**6,556**	**25,836**	**25,281**

CAPEX

Telia Company considers CAPEX as a relevant measure for investors to understand the group's investments in intangible and tangible non-current assets (excluding goodwill, assets acquired in business combinations and asset retirement obligations). CAPEX is specified in Note 6.

Free cash flow

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

SEK in millions	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Cash flow from operating activities	5,328	8,218	25,970	35,249
Cash CAPEX (paid Intangible and tangible assets)	-5,709	-5,527	-18,703	-18,699
Free cash flow	**-381**	**2,691**	**7,267**	**16,550**

Operational free cash flow

Telia Company considers Operational free cash flow as a relevant measure for investors to be able to understand the cash flows that Telia Company are 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 board of the associated companies. Licenses and spectrum payments are excluded as they generally refer to a longer period than just one year.

SEK in millions	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Cash flow from operating activities from continuing operations	4,691	6,956	22,510	27,128
Deduction: Cash CAPEX from continuing operations	-4,659	-5,123	-15,358	-14,608
Free cash flow continuing operations	**32**	**1 833**	**7,152**	**12,520**
Add back: Cash CAPEX for licenses from continuing operations	349	383	376	383
Deduction: dividends from associates from continuing operations	-736	-1 236	-2,122	-6,896
Add back: taxes paid on dividends from associates from continuing operations	27	62	91	517
Operational free cash flow	**-328**	**1 042**	**5,497**	**6,524**

Net debt

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

PARENT COMPANY

Condensed income statements SEK in millions	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales	1	1	4	4
Gross income	**1**	**1**	**4**	**4**
Operating expenses	-1,318	-459	-14,304	-1,265
Operating income	**-1,317**	**-457**	**-14,300**	**-1,261**
Financial income and expenses	6,991	1,099	14,212	7,765
Income after financial items	**5,673**	**642**	**-88**	**6,503**
Appropriations	3,249	2,113	11,567	6,376
Income before taxes	**8,923**	**2,755**	**11,479**	**12,879**
Income taxes	-419	-605	-1,113	-1,194
Net income	**8,504**	**2,150**	**10,367**	**11,685**

Operating expenses 2016 include the income effect of the provision for settlement amount proposed by the US and Dutch authorities. See Note 4 for further information.

Condensed balance sheets SEK in millions	Dec 31, 2016	Dec 31, 2015
Assets		
Non-current assets	162,286	162,700
Current assets	52,898	60,513
Total assets	**215,184**	**223,213**
Equity and liabilities		
Restricted shareholders' equity	15,713	15,712
Non-restricted shareholders' equity	64,573	67,189
Total shareholders' equity	**80,286**	**82,901**
Untaxed reserves	8,786	12,666
Provisions	519	504
Long-term liabilities	81,216	88,094
Short-term liabilities and short-term provisions	44,377	39,048
Total equity and liabilities	**215,184**	**223,213**

The provision for settlement amount proposed by the US and Dutch authorities is included within "Short-term liabilities and short-term provisions". See Note 4 for further information.

Current assets decreased mainly due to settlement of intra-group receivables and repayment of borrowings affecting also both long- and short-term liabilities.

Financial investments 2016 were SEK 1,498 million (8,013 in 2015). The investments in 2015 were mainly related to the acquisition of Tele2's Norwegian mobile operations.

RISKS AND UNCERTAINTIES

Telia Company operates in a broad range of geographical product and service markets in the highly competitive and regulated telecommunications industry. As a result, Telia Company is subject to a variety of risks and uncertainties. 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. Risk management is an integrated part of Telia Company's business planning process and monitoring of business performance.

See Note C26 in the consolidated financial statements in the Annual and Sustainability Report 2015 for a detailed description of some of the factors that may affect Telia Company's business, brand perception, financial position, results of operations or the share price from time to time. Risks and uncertainties that could specifically impact the quarterly results of operations during 2017 include, but may not be limited to:

Customer privacy

Vast amounts of data are generated in and through Telia Company's services and networks. New ways of connecting and data-driven business models increase the complexity of understanding and retaining control over how data is collected and used. It is challenging to establish and maintain unassailable privacy protection in increasingly sophisticated data environments and in ever-changing legal, technical and threat landscapes.

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

Mitigating activities
- Implementation of the EU General Data Protection Regulation
- Mitigation activities based on roadmaps driven by local and group level privacy officers
- Efforts ongoing to strengthen information asset and vendor management

Freedom of expression and privacy

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

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

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

Children online

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

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

Mitigating activities
- Blocking child sexual abuse material (CSAM) in customer networks and detecting and reporting CSAM in internal IT-system

- Regular follow up our performance against a number of industry self-regulatory initiatives in the area of protection of children online
- Understanding children's perspectives on online life through a Children's Advisory Panel
- Assessing impact on children's rights in all relevant business activities

Occupational health and safety (OHS)

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

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

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

Ability to recruit and retain skilled employees

People is at the core of everything that we do and it is the people with all their talents that will enable us to execute on our strategy. There is an increase demand for talents in the area of ICT and the competition is getting tougher. In order to win the battle of talent Telia Company needs be great at attract, recruit, and retain highly skilled employee to ensure the demand and supply.

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

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

Environment

Climate change is increasingly driving regulation and taxation related to reduction of greenhouse gas emissions and the use of fossil fuels.

Potential impact
Increasing scarcity of natural resources, particularly rare minerals used in network and consumer technology hardware, may lead to increased hardware costs. Increasing energy costs, greenhouse gas emissions taxation and price increases caused by natural resource scarcity may incur additional costs. As a consequence of climate change, extreme weather conditions might be more common which may negatively impact network performance and customer satisfaction.

Mitigating activities
- Continuous work to increase energy efficiency and improve waste management
- Purchasing "green electricity" in regions Sweden and Europe
- Expanding buy-back and recycling programs for mobile devices
- Implementation of ISO 14001 environmental management system in regions Sweden and Europe

Customer service and network quality

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

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

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

Corruption and unethical business practices

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

Potential impact

Actual or perceived corruption or unethical business practices may damage the perception of Telia Company and result in financial penalties and debarment from procurement and institutional investment processes. Related fraud may significantly impact financial results. Ongoing divestment processes may in themselves pose risks of corruption, fraud and unethical business practices.

Mitigating activities

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

Responsible procurement

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

Potential impact

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

Mitigating activities

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

Global financial markets unrest

Changes in the global financial markets are difficult to predict but are affected by macroeconomics as well as political and geopolitical developments. Telia Company operates in a relatively non-cyclical or late cyclical industry and strongly favor having a strong balance sheet, which is very important through difficult times.

Potential impact

A severe or long-term financial crisis may have an impact on customers' purchasing power and spending on ICT investments and services, which may negatively affect growth and results of operations. Unfavorable changes in the global financial markets could limit the access to capital market funding and may increase Telia Company's cost of funding. Unusually high volatility in the foreign exchange market with fluctuations of the currency rates have effects on the balance sheet and the income statement.

Mitigating activities

- Maintaining a strong Investment grade rating is key to ensure a good access to diversified debt investor's and bank funding
- Important to forecast and manage liquidity carefully to avoid any liquidity shortage. By ensuring a smooth and reasonably sized maturity profile of the debt portfolio the refinancing risk is limited
- The main sources of funding is the free cash flow from operations and issuance in the capital markets. By constantly monitoring the capital markets and take the opportunity to fund in advance when market conditions are favorable, the cost of funding can be managed in an efficient and risk adverse way
- Telia Company has a committed revolving credit facility supported by 13 core banks as a back-up for any unexpected liquidity needs
- The Group Financial Management Policy instruct all entities to hedge any known currency flow within the coming 12 month. The ambition is also to establish natural net asset value hedges through some matching of the currency mix of assets and liabilities on the balance sheet

Competition and price pressure

Telia Company is subject to substantial and historically increasing competition and price pressure. Competition has from time to time led to increasing customer churn, decreasing customer bases and to declines in the prices, Telia Company charges for its products and services, and may have similar effects in the future. Transition to new business models in the ICT industry may lead to structural changes and different competitive dynamics.

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

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

Emerging markets

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

Through its associated company MegaFon and the Telia Carrier operations, Telia Company has material investments in the Russian Federation, which is under EU and US sanctions.

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

The sanctions against the Russian Federation may negatively affect the Russian ruble and the Russian economy, which in turn may impact countries whose economies are closely linked to the Russian economy, such as a number of region Eurasia countries.

Mitigating activities
- A decision has been made to divest our operations in Eurasia. The divestment process is ongoing
- The divestment of Ncell in Nepal was completed on April 11, 2016
- An agreement to sell Tcell in Tajikistan has been signed and closing activities are ongoing
- Focus on management of foreign exchange and counterparty risk exposure, combined with continued development financial policies and risk management processes
- Efforts to ensure tax, legal and regulatory compliance at local level, with compliance oversight at regional and group level

Investments in business transformation and future growth

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

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

Mitigating activities
- Savings and business transformation programs ensuring competitive cost levels as well as ensuring capabilities for future growth
- Focused execution on Telia Company's business strategy with the aim of becoming a New Generation Telco

Business combinations, acquisitions and strategic alliances

Telia Company is constantly reviewing its asset portfolio in line with the strategy to increase ownership in core holdings. Over the years, Telia Company has made a number of targeted acquisitions and may continue to expand and grow its business through business combinations, acquisitions and strategic alliances. Efficient integration of these acquisitions and the realization of related cost and revenue synergies, as well as the positive development of the acquired operations, have a significant impact on Telia Company's short- and long-term results.

Potential impact

Failing to integrate or manage any acquired company or strategic alliance may require unplanned organizational attention and resources diverted from other business activities. Acquisitions may, through cost of acquisition or poor integration, negatively affect Telia Company's financial position.

Mitigating activities

- When evaluating potential targets, a risk evaluation is carried out to identify current and future risks
- Prior to enter into a transaction, integration planning is an important part of the analysis in order to control and drive the integration process
- Following completion of an acquisition, a review of achievements during the first years is made, which increases knowledge and reduces risks in future acquisitions

Associated companies and joint operations

Telia Company conducts some of its activities through associated companies, the major ones being MegaFon in Russia and Turkcell in Turkey, in which Telia Company does not have full ownership or controlling interest and as a result has limited influence over the conduct of these businesses. In turn, these associated companies own stakes in numerous other companies. Under the governing documents for certain of these associated companies, Telia Company's partners have control over or share control of key matters such as the approval of business plans and budgets, and decisions as to the timing and amount of cash, as well as protective rights in matters such as approval of dividends, changes in the ownership structure and other shareholder-related matters. The risk of actions outside Telia Company's or its associated companies' control and adverse to their interests is inherent in associated companies and jointly controlled entities.

In the Nordics, Telia Company has 50 percent ownership joint ventures with Tele2 in Sweden to operate the UMTS network through Svenska UMTS-nät AB, and with Telenor in Denmark to operate a common radio access network through TT-Netværket P/S. Telia Company has made significant financial investments in these operations.

Potential impact

The financial performance of these associated companies may have a significant impact on Telia Company's short- and long-term results. As part of its strategy, Telia Company may want to increase or decrease its shareholdings in some of its associated companies. This may be complicated due to a variety of factors, including factors beyond Telia Company's control, such as willingness on the part of other existing shareholders to dispose or accept dilution of their shareholdings and, in the event Telia Company gains greater control, its ability to successfully manage the relevant businesses. As they are jointly controlled, there is a risk that the partners may disagree on important matters, including funding of the operations which may affect Telia Company's position to act as planned. A disagreement or deadlock or a breach by one of the parties of the material provisions of the co-operation arrangements may have a negative effect on Telia Company. This risk may be increased in the case of Svenska UMTS-nät AB and TT-Netværket P/S as Tele2 and Telenor are significant competitors.

Mitigating activities

- Continuous monitoring of the associates' performance and development
- Active board work in MegaFon, driving issues of key importance to Telia Company
- Continuous work to solve the deadlock between the main shareholders of Turkcell

Impairment losses and restructuring charges

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

Potential impact

Significant adverse changes in the economic, regulatory, business or political environment, as well as in Telia Company's business plans, may result in Telia Company not being able to use these tax assets in full to reduce its future tax obligations, consequently leading to an additional tax charge when such tax asset is derecognized. In addition to affecting Telia Company's financial position and results of operations, impairment losses and restructuring charges may adversely affect Telia Company's ability to pay dividends.

Mitigating activities

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

streamlining charges. Similar initiatives may be undertaken in the future

Volatility in share price

Telia Company's share price may be affected by many factors in addition to financial results, operations and direct business environment, such as: expectations of financial analysts and investors compared to actual financial results; expectations or speculations regarding acquisitions, disposals or potential participation in the industry consolidation; and speculation of financial analysts and investors regarding future dividend policy.

As of the date of this Report, the Swedish State holds 37.3 percent of Telia Company's outstanding shares. Accordingly, the Swedish State, acting alone, may have the power to influence any matters submitted for a shareholders' vote. The interest of the Swedish State in deciding these matters could be different from the interests of other shareholders.

Any sale by the Swedish State of a significant number of Telia Company shares, or the public perception that such a sale could occur, may cause the market price of Telia Company shares to significantly fluctuate.

Mitigating activities

- Transparent and timely communications on financial and operational performance

Regulation and licenses

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

Potential impact

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

Mitigating activities

- Proactive work in shaping the new EU Telecom Framework, by sharing detailed solutions with relevant stakeholders within the EU

Review of Eurasian transactions

In late 2012, the then Board of Directors appointed Swedish law firm Mannheimer Swartling (MSA) to investigate allegations of corruption related to Telia Company's investments in Uzbekistan. MSA's report was made public on February 1, 2013. In April 2013, the Board of Directors assigned the international law firm Norton Rose Fulbright (NRF) to review transactions and agreements made in Eurasia by Telia Company in the past years with the intention to give the Board a clear picture of the transactions and a risk assessment from a business ethics perspective. For advice on implications under Swedish legislation, the Board assigned two Swedish law firms. In consultation with the law firms, Telia Company has promptly taken steps, and will continue to take steps, in its business operations as well as in its governance structure and with its personnel which reflect concerns arising from the review. The Swedish Prosecution Authority's investigation with respect to Uzbekistan is still ongoing and Telia Company continues to cooperate with and provide assistance to the Prosecutor. If continued assessments and investigations would lead to new observations and results of operations and financial position in Telia Company's operations in the Eurasian jurisdictions are adversely impacted.
Another risk is presented by the Swedish Prosecution Authority's notification in the beginning of 2013
within the investigation of Telia Company's transactions in Uzbekistan, that the Authority is separately investigating the possibility of seeking a corporate fine against Telia Company, which under the Swedish Criminal Act can be levied up to a maximum amount of SEK 10 million per instance, and forfeiture of any proceeds to Telia Company resulting from the alleged crimes.

The Swedish Prosecution Authority may take similar actions with respect to transactions made or agreements entered into by Telia Company relating to operations in its other Eurasian markets, but it could be noted that the Swedish prosecutor made a public statement in May 2016, that it had decided not to investigate any other of Telia Company's operations in Eurasia. Further, actions taken, or to be taken, by the police, prosecution or regulatory authorities in other jurisdictions against Telia Company's operations or transactions, or against third parties, whether they be Swedish or non-Swedish individuals or legal entities, might directly or indirectly harm Telia Company's business, results of operations, financial position, cash flows or brand reputation. As examples, investigations concerning bribery and money laundering in connection with the transactions in Uzbekistan are conducted by the Dutch prosecutor and police authorities, and by the U.S. Department of Justice and the U.S. Securities and Exchange Commission. As requested by the Dutch authorities, Telia Company has provided a bank guarantee of EUR 10 million as collateral for any financial claims which may be decided against one of its Dutch subsidiaries. Telia Company is cooperating fully with the Dutch and U.S. authorities and has done so since it was informed of the investigations in March 2014 and has engaged leading US and

Dutch law firms as legal counsel for advice and support. On September 14, 2016, Telia Company received a proposal from the US and the Dutch authorities for financial sanctions amounting to a total of approximately USD 1.45 billion, see Note 4. It is not at present possible to assess when the investigations will be finally resolved. Telia Company has received requests to make public the reviews made by NRF and other law firms. However, despite risking criticism, it is not possible to publish the reviews with respect to people, companies, business agreements, privacy and thus the risk of Telia Company incurring lawsuits as the law firms' views are not necessarily shared by those implicated.

Mitigating activities

- Telia Company will continue its negotiations with the authorities
- Telia Company with and continuously hand over information to law enforcement agencies, who are better equipped to assess whether any criminal acts have occurred

Stockholm, January 27, 2017

Johan Dennelind
President and CEO

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

FORWARD-LOOKING STATEMENTS

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

TELIA COMPANY IN BRIEF

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

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

DEFINITIONS

Billed revenues: Voice, messaging, data and content.

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

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

EBITDA: 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.

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 short-term investments, long-term bonds available for sale and cash/cash equivalents.

Net debt/assets ratio: Net debt expressed as a percentage of total assets.

Non-recurring 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.

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

Net debt/EBITDA ratio (multiple): Net debt divided by EBITDA excluding non-recurring items rolling 12 months and excluding divested operations.

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

For definitions of other alternative performance measures, see the Annual and Sustainability Report 2015.

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

FINANCIAL CALENDAR

Annual and Sustainability Report 2016
Will be publishes on March 15, 2017, and available at www.teliacompany.com

Annual General Meeting 2017
April 5, 2017

Interim Report January-March 2017
April 26, 2017

Interim Report January-June 2017
July 20, 2017

Interim Report January-October 2017
October 19, 2017

QUESTIONS REGARDING THE REPORTS

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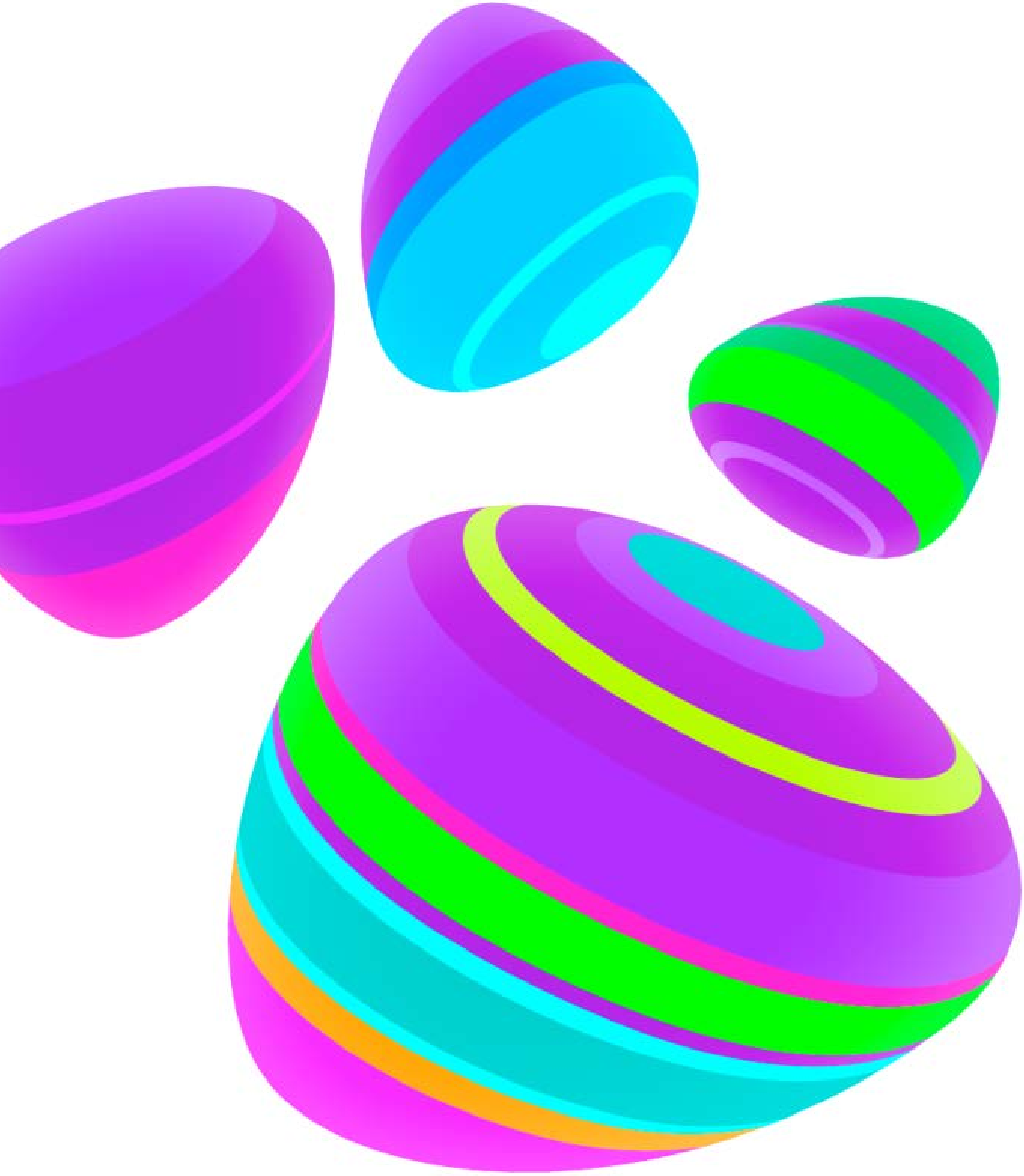
Telia Company AB discloses the information provided herein pursuant to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication at 07:00 CET on January 27, 2017.



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