

**TELIA COMPANY  
INTERIM REPORT  
JANUARY-MARCH 2017**



## REVENUE AND CASH FLOW GROWTH

### First 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.
- Net sales in local currencies, excluding acquisitions and disposals, increased 3.0 percent. In reported currency, net sales fell 5.6 percent to SEK 19,252 million (20,394). Service revenues in local currencies, excluding acquisitions and disposals, increased 1.4 percent.
- EBITDA, excluding non-recurring items, declined 0.9 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, declined 1.1 percent to SEK 6,149 million (6,217). The EBITDA margin, excluding non-recurring items, rose to 31.9 percent (30.5).
- Operating income, excluding non-recurring items, declined 9.4 percent to SEK 3,805 million (4,198) mainly due to lower contribution from associated companies.
- Total net income attributable to the owners of the parent increased to SEK 6,984 million (3,766) and earnings per share to SEK 1.61 (0.87). Total net income increased to SEK 7,143 million (3,911). The provision for settlement amount proposed by the US and Dutch authorities has been adjusted to USD 1.0 billion (SEK 8.9 billion) from USD 1.45 billion (SEK 13.2 billion) per December 31, 2016. The total net income effect in the first quarter 2017 of the change in the provision, foreign exchange differences and the hedge was SEK 4.1 billion.
- Free cash flow, in continuing and discontinued operations, increased to SEK 4,087 million (2,293) mainly due to lower CAPEX and repayment of taxes.
- Outlook for 2017 is reiterated.

### Highlights

SEK in millions, except key ratios, per share data and changes	Jan-Mar 2017	Jan-Mar 2016	Chg %	Jan-Dec 2016
Net sales	19,252	20,394	-5.6	84,178
<i>Change (%) local organic<sup>1</sup></i>	3.0			
<i>of which service revenues (external)</i>	16,506	17,434	-5.3	71,516
<i>change (%) local organic</i>	1.4			
EBITDA <sup>1</sup> excluding non-recurring items <sup>2</sup>	6,149	6,217	-1.1	25,836
<i>Change (%) local organic</i>	-0.9			
<i>Margin (%)</i>	31.9	30.5		30.7
Operating income excluding non-recurring items	3,805	4,198	-9.4	17,123
Operating income	3,641	4,084	-10.8	21,090
Income after financial items	3,114	3,520	-11.5	19,249
Net income from continuing operations	2,546	2,905	-12.3	16,433
Net income from discontinued operations <sup>3</sup>	4,596	1,006	357.0	-9,937
Total net income	7,143	3,911	82.6	6,496
<i>of which attributable to owners of the parent</i>	6,984	3,766	85.4	3,732
EPS total (SEK)	1.61	0.87	85.4	0.86
EPS from continuing operations (SEK)	0.58	0.66	-12.5	3.76
Free cash flow	4,087	2,293	78.2	7,267
<i>of which from continuing operations</i>	3,861	2,071	86.4	7,152
CAPEX <sup>1</sup> excluding license and spectrum fees <sup>4</sup>	2,988	3,064	-2.5	15,016

1) See Note 15 for information on financial key ratios and/or page 41 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

“Overall, we performed as expected in the first quarter with solid development on service revenues, proven by the accelerating growth of 1.4 percent. This was mainly driven by mobile revenue growth in all our markets. The pressure from the legacy decline was slightly higher compared to previous quarters. Costs in Sweden and Finland were elevated in the quarter, due to short term efforts within customer support, IT and rebranding. We do see cost levels to normalize ahead, especially in the second half of 2017. Operational free cash flow for the quarter was very strong at SEK 3.9 billion, driven by lower taxes, financial expenses and capex as well as contribution from working capital. Part of the positive effects will not recur coming quarters. The development goes hand in hand with the key priorities during 2017, namely operational cash flow, future revenue growth and capital allocation. It is furthermore a proof point that our strategy of focusing on core services and on products and services close to the core, is yielding revenue growth, compensating for the legacy pressure.

We took an important step in the first quarter of 2017 as Finland and Lithuania rebranded which means that all our six wholly owned subsidiaries now operate under one common brand – Telia. We will now fully leverage the Telia brand across our footprint.

Internally we launched Younite, where we encourage our employees to engage in activities and societal contributions connected to digitalization in our communities. The ambition is clear – we must take our role in society even more seriously to create positive impact and to help UN Sustainability Development Goals by 2030 through our own products and services. Our industry and our company can do much more, and we will.

In Sweden we see the main pressure from the legacy decline, but in the first quarter we also saw less burden from the B2B segment, which is comforting although it is too early to call it a turnaround. In Finland, the mobile pricing environment was more stable in the quarter. Our Norwegian business continues to show impressive performance despite intense competition. Denmark continues to be tough, especially on fixed legacy products. The Baltic region continues to be encouraging with service revenue growth in all three countries.

We were pleased to receive the final approval from the Norwegian Competition Authority regarding our acquisition of Phonero. The transaction strengthens our position in the Norwegian market, especially on the enterprise segment and we are convinced that we will deliver on the NOK 400 million synergies. When it comes to Tcell we have sold our shares to AKFED. Importantly we have no risks, such as claims or any obligations, left in Tajikistan. On Sergel, we have still not received the needed



approval for the deal but we notice progress in the process.

The dialogue we have with the US, Dutch and Swedish authorities regarding their investigations into Telia Company's entry into Uzbekistan is progressing. We now see a likely settlement to be USD 1.0 billion rather than the previous assumption of USD 1.45 billion.

We successfully issued hybrid bonds with a total amount of SEK 15 billion. The issuance is a strong commitment to our credit rating noting that S&P a few days after the issuance confirmed our A-rating and removed us from its creditwatch negative. In addition, we maintain a flexibility in our balance sheet to execute on our strategy as well as it strengthens our ambition of an attractive shareholder remuneration.

We reiterate and are comfortable in reaching the outlook set for 2017.”

**Johan Dennelind**  
President and CEO

## 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

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, FIRST QUARTER 2017

(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 3.0 percent. In reported currency, net sales fell 5.6 percent to SEK 19,252 million (20,394). The effect of exchange rate fluctuations was positive by 1.6 percent and the effect of acquisitions and disposals was negative by 10.2 percent. Service revenues in local currencies, excluding acquisitions and disposals, increased 1.4 percent.

**The number of subscriptions** declined from 26.8 million from the end of the first quarter of 2016 to 23.3 million. During the quarter, the total number of subscriptions declined by 0.1 million.

**EBITDA**, excluding non-recurring items, declined 0.9 percent in local currencies, excluding acquisitions and disposals. In reported currency, EBITDA, excluding non-recurring items, declined 1.1 percent to SEK 6,149 million (6,217). The EBITDA margin, excluding non-recurring items, rose to 31.9 percent (30.5).

**Income from associated companies and joint ventures** fell to SEK 561 million (746) mainly due to lower contribution from Russian MegaFon and Turkish Turkcell.

**Operating income**, excluding non-recurring items, declined 9.4 percent to SEK 3,805 million (4,198) mainly due to lower contribution from associated companies.

**Non-recurring items** affecting operating income totaled SEK -164 million (-114).

**Financial items** totaled SEK -527 million (-564) of which -504 million (-573) related to net interest expenses.

**Income taxes** totaled SEK -568 million (-615). The effective tax rate was 18.2 percent (17.5). Last year was influenced by a non-taxable capital gain related to disposal of shares in Sweden.

**Total net income** increased to SEK 7,143 million (3,911), of which SEK 2,546 million (2,905) from continuing operations and SEK 4,596 million (1,006) from discontinued operations. Net income from discontinued operations increased mainly due to the adjustment of the

provision for the settlement amount proposed by the US and Dutch authorities. The total net income effect in the first quarter of 2017 of the change in the provision, foreign exchange differences and the hedge was SEK 4.1 billion. See Note 4 for further information. Total earnings per share was SEK 1.61 (0.87).

**Total net income attributable to non-controlling interests** rose to SEK 159 million (145).

**Other comprehensive income improved to SEK -1,425 million (-2,060)**, mainly due to lower remeasurement on defined benefit pension plans.

## Cash flow and financial position

**Free cash flow**, in continuing and discontinued operations, increased to SEK 4,087 million (2,293) mainly due to lower CAPEX and repayment of taxes.

**Total cash flow** decreased to SEK -5,659 million (-49), additionally affected, mainly by maturity of bonds.

**Long- and short-term borrowings** decreased mainly due to maturity of bonds and repayment of other borrowings also affecting Short-term interest-bearing receivables and Cash and cash equivalents.

**Short-term provisions** decreased mainly due to the adjustment of the provision for the settlement amount proposed by the US and Dutch authorities. The provision has been adjusted to USD 1.0 billion (SEK 8.9 billion) from USD 1.45 billion (SEK 13.2 billion) as of December 31, 2016. See Note 4 for further information.

**CAPEX** declined to SEK 2,988 million (3,197) and the CAPEX-to-service revenue ratio to 18.1 percent (18.3). CAPEX excluding license and spectrum fees declined to SEK 2,988 million (3,064) and the CAPEX-to-service revenue ratio, excluding license and spectrum fees, rose to 18.1 percent (17.6).

**Net debt**, in continuing and discontinued operations, was SEK 47,890 million at the end of the first quarter (50,756 at the end of the fourth quarter of 2016). The decrease is mainly due to strong Free cash flow generation. The net debt/EBITDA ratio was 1.58x (1.69x at the end of the fourth quarter of 2016).

## Significant events in the first quarter

- On March 29, 2017, Telia Company announced that it had issued hybrid bonds in three separate tranches in EUR and SEK with a total amount of around SEK 15 billion. The hybrid was recognized at the beginning of April 2017.

## Significant events after the end of the first quarter

- On April 3, 2017, Telia Company announced that the Norwegian competition authority had approved Telia Company's acquisition of Phonerio and the transaction closed on April 10.
- On April 3, 2017, Telia Company announced that the agreement for sale of Tcell in Tajikistan was no longer valid since the Anti-Monopoly Service in Tajikistan did not reply by the stipulated deadline. The carrying value of the operations in Tajikistan has been adjusted to zero resulting in an impairment loss of SEK 222 million in the first quarter of 2017. In April 2017, Telia Company signed a new agreement with AKFED and finalized the divestment of the Tajik operations. The capital loss before reclassification of accumulated negative foreign exchange differences to net income was SEK 0.0 billion. The transaction had no material cash flow effect. See Note 4.
- On April 5, 2017, Telia Company held its Annual General Meeting and announced that the ordinary members of the Board Susanna Campbell, Marie Ehrling, Olli-Pekka Kallasvuo, Mikko Kosonen, Nina Linander, Martin Lorentzon, Anna Settman and Olaf Swantee were re-elected members to the Board. Marie Ehrling was elected Chair of the Board and Olli-Pekka Kallasvuo was elected Vice-Chair of the Board. The Annual General Meeting also decided upon a dividend to shareholders of SEK 2.00 per share and that the payment should be distributed in two equal tranches of SEK 1.00 each to be paid in April and October, respectively.
- Resolution of the various investigations relating to Telia Company's entry into Uzbekistan 2007 is complex, but constructive discussions with the government agencies involved in the investigations have continued with good progress during 2017. A final resolution has not yet been reached, but in light of recent developments to date in those discussions, the estimate of the most likely outcome has been revised and the provision for settlement amount proposed by the US and Dutch authorities has been adjusted to USD 1.0 billion (SEK 8.9 billion) per March 31, 2017. See Note 4.

## SHORT TERM COST UPLIFT IN SWEDEN

- In Sweden price adjustments and portfolio modifications on mobile, fiber broadband and TV were announced. Furthermore, a new convergent offering was launched comprising mobile broadband to customers becoming both mobile and fixed broadband customers.
- The 1,250 km digital highway “Backbone North” that was started to be built in 2014, was inaugurated in February. The backbone has capacity up to 1 million times higher compared to a regular fiber to the home and has implied SEK 400 million in total investments.

### Highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2017	Jan-Mar 2016	Chg (%)	Jan-Dec 2016
Net sales	9,074	8,835	2.7	37,251
Change (%) local organic	2.6			
of which service revenues (external)	7,733	7,745	-0.2	32,128
change (%) local organic	-0.3			
EBITDA excluding non-recurring items	3,360	3,589	-6.4	14,455
Margin (%)	37.0	40.6		38.8
change (%) local organic	-6.4			
Operating income excluding non-recurring items	2,094	2,426	-13.7	9,569
Operating income	2,061	2,513	-18.0	9,360
CAPEX excluding license and spectrum fees	1,386	1,327	4.4	7,119
% of service revenues	17.9	17.1		22.2
EBITDA excluding non-recurring items - CAPEX	1,974	2,262	-12.7	7,337
Subscriptions, (thousands)				
Mobile	6,056	5,953	1.7	6,071
of which machine to machine (postpaid)	862	752	14.6	835
Fixed telephony	1,610	1,858	-13.3	1,675
Broadband	1,294	1,307	-1.0	1,299
TV	769	739	4.1	765
Employees	6,744	6,725	0.3	6,720

**Net sales** grew 2.7 percent to SEK 9,074 million (8,835) and excluding acquisitions and disposals net sales grew 2.6 percent. The main reason for the growth was increased sales of fixed and mobile equipment in the enterprise segment.

**Service revenues** declined 0.2 percent and excluding acquisitions and disposals, service revenues declined 0.3 percent as a positive development in the consumer segment was more than offset by pressure in the enterprise segment. From a product point of view mobile revenues grew 1.5 percent whilst fixed service revenues declined 1.7 percent as growth in TV and fixed broadband was more than offset by mainly lower revenues from traditional fixed telephony.

**EBITDA**, excluding non-recurring items, declined 6.4 percent to SEK 3,360 million (3,589). The EBITDA margin fell to 37.0 percent (40.6), primarily due to increased sales of low margin equipment, erosion of high margin fixed telephony revenues and a higher operating expense level. The latter mainly driven by the ongoing business transformation as well as various other IT related projects in the quarter.

**CAPEX** increased to SEK 1,386 million (1,327) and CAPEX, excluding licenses and spectrum fees increased to SEK 1,386 million (1,327).

The number of mobile subscriptions declined by 15,000 in the quarter due to a net loss of 70,000 prepaid subscriptions. The number of fixed broadband subscriptions declined by 5,000 whereas TV subscriptions increased by 4,000 in the quarter.

## MOBILE REVENUE GROWTH IN FINLAND

- In March, Sonera was rebranded to Telia and in connection to that EU roaming was added to Telia's mobile product portfolio.

### Highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2017	Jan-Mar 2016	Chg (%)	Jan-Dec 2016
Net sales	3,272	3,162	3.5	13,042
<i>Change (%) local organic</i>	1.5			
<i>of which service revenues (external)</i>	2,837	2,740	3.5	11,197
<i>change (%) local organic</i>	1.5			
EBITDA excluding non-recurring items	974	1,016	-4.1	4,059
Margin (%)	29.8	32.1		31.1
<i>change (%) local organic</i>	-5.9			
Operating income excluding non-recurring items	468	533	-12.2	2,086
Operating income	416	497	-16.3	2,039
CAPEX excluding license and spectrum fees	363	362	0.3	1,832
% of service revenues	12.8	13.2		16.4
EBITDA excluding non-recurring items - CAPEX	611	654	-6.6	2,024
Subscriptions, (thousands)				
Mobile	3,256	3,287	-0.9	3,253
<i>of which machine to machine (postpaid)</i>	192	204	-5.8	180
Fixed telephony	61	76	-19.7	65
Broadband	487	519	-6.2	497
TV	486	488	-0.4	489
Employees	3,021	2,988	1.1	3,066

**Net sales** in reported currency rose 3.5 percent to SEK 3,272 million (3,162) and in local currency excluding acquisitions and disposals net sales grew 1.5 percent. The effect of exchange rate fluctuations was positive by 2.0 percent.

**Service revenues** in local currency, excluding acquisitions and disposals increased 1.5 percent. The increase was primarily driven by a continued positive development in mobile service revenues that more than offset the pressure on fixed revenues, primarily from fixed broadband.

**EBITDA** in reported currency excluding non-recurring items declined 4.1 percent to SEK 974 million (1,016). The EBITDA margin, excluding non-recurring items fell to 29.8 percent (32.1), due to higher operating expenses partly driven by rebranding costs. EBITDA excluding non-recurring items declined 5.9 percent in local currency, excluding acquisitions and disposals.

**CAPEX** increased to SEK 363 million (362) and CAPEX excluding licenses and spectrum fees increased to SEK 363 million (362).

The number of mobile subscriptions grew by 3,000 whilst the number of fixed broadband and TV subscriptions declined by 10,000 and 3,000, respectively, in the quarter.



## PROFITABILITY GROWTH IN NORWAY

- On April 3, the Norwegian competition authority approved Telia Company's acquisition of Phonero in Norway and the transaction closed on April 10. The transaction will significantly strengthen Telia's position in the Norwegian enterprise segment and is expected to generate annual synergies of approximately NOK 400 million, once fully implemented.
- Data rollover was introduced for Telia's, One Call's and Chess' mobile consumer customers.

### Highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2017	Jan-Mar 2016	Chg (%)	Jan-Dec 2016
Net sales	2,288	2,034	12.5	9,057
<i>Change (%) local organic</i>	4.0			
<i>of which service revenues (external)</i>	1,964	1,724	13.9	7,516
<i>change (%) local organic</i>	5.4			
EBITDA excluding non-recurring items	868	665	30.6	3,125
Margin (%)	37.9	32.7		34.5
<i>change (%) local organic</i>	20.7			
Operating income excluding non-recurring items	495	354	39.8	1,611
Operating income	478	335	42.6	1,562
CAPEX excluding license and spectrum fees	244	304	-19.8	1,334
% of service revenues	12.4	17.7		17.7
EBITDA excluding non-recurring items - CAPEX	624	360	73.1	1,781
Subscriptions, (thousands)				
Mobile	2,178	2,273	-4.2	2,211
<i>of which machine to machine (postpaid)</i>	49	47	4.1	45
Employees	1,033	1,075	-3.9	1,033

**Net sales** in reported currency rose by 12.5 percent to SEK 2,288 million (2,034) and in local currency excluding acquisitions and disposals net sales grew 4.0 percent. The effect of exchange rate fluctuations was positive by 8.5 percent.

**Service revenues** in local currency, excluding acquisitions and disposals increased 5.4 percent. The growth was driven by higher wholesale revenues as well as increased mobile billed service revenues following a rise in ARPU.

**EBITDA** in reported currency excluding non-recurring items, rose 30.6 percent to SEK 868 million (665). The EBITDA margin, excluding non-recurring items rose to 37.9 percent (32.7), as a result of revenue growth and solid cost control. EBITDA excluding non-recurring items grew 20.7 percent in local currency, excluding acquisitions and disposals.

**CAPEX** declined to SEK 244 million (304) and CAPEX excluding licenses and spectrum fees declined to SEK 244 million (304).

The number of mobile subscriptions fell by 33,000 in the quarter.

## POSITIVE REVENUE GROWTH IN DENMARK

- The Danish consumer mobile market remained fairly stable from a pricing perspective in the quarter but competition remained fierce. Also in the enterprise segment competition and price pressure remained on a high level.
- Telia continued its “volume to value” strategy and hence terminated some legacy products, offering instead the customers more value based products.

### Highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2017	Jan-Mar 2016	Chg (%)	Jan-Dec 2016
Net sales	1,479	1,397	5.9	5,880
Change (%) local organic	3.5			
of which service revenues (external)	1,063	1,025	3.6	4,270
change (%) local organic	1.3			
EBITDA excluding non-recurring items	140	137	2.7	692
Margin (%)	9.5	9.8		11.8
change (%) local organic	0.4			
Operating income excluding non-recurring items	-44	-39		-58
Operating income	-47	-63		-89
CAPEX excluding license and spectrum fees	114	101	13.5	437
% of service revenues	10.8	9.8		10.2
EBITDA excluding non-recurring items - CAPEX	26	36	-27.6	-5
Subscriptions, (thousands)				
Mobile	1,578	1,640	-3.8	1,606
of which machine to machine (postpaid)	44	36	22.7	42
Fixed telephony	98	110	-10.9	101
Broadband	126	134	-6.0	128
TV	28	29	-3.4	28
Employees	1,075	1,035	3.9	1,070

**Net sales** in reported currency rose 5.9 percent to SEK 1,479 million (1,397) and in local currency excluding acquisitions and disposals net sales grew 3.5 percent mainly from increased equipment sales. The effect of exchange rate fluctuations was positive by 2.4 percent.

**Service revenues** in local currency, excluding acquisitions and disposals increased 1.3 percent driven by higher interconnect and wholesale revenues. Mobile billed service revenues increased 0.1 percent as growth in the consumer segment was almost fully offset by pressure in the enterprise segment.

**EBITDA** in reported currency excluding non-recurring items, increased 2.7 percent to SEK 140 million (137). The EBITDA margin, excluding non-recurring items fell to 9.5 percent (9.8). EBITDA excluding non-recurring items increased 0.4 percent in local currency, excluding acquisitions and disposals.

**CAPEX** increased to SEK 114 million (101) and CAPEX excluding licenses and spectrum fees increased to SEK 114 million (101).

The number of mobile subscriptions declined by 28,000 and the number of fixed broadband subscriptions declined by 2,000 in the quarter. TV subscriptions remained unchanged in the quarter.

## STABLE DEVELOPMENT IN LITHUANIA

- In February, Teo and Omnitel finalized their merger and were rebranded to Telia. Consequently, Telia became the only telecommunications operator in Lithuania with a full-scale offering of fixed and mobile telephony, fixed broadband and TV services.

### Highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2017	Jan-Mar 2016	Chg (%)	Jan-Dec 2016
Net sales	808	770	4.9	3,268
Change (%) local organic	2.9			
of which service revenues (external)	670	653	2.6	2,662
change (%) local organic	0.7			
EBITDA excluding non-recurring items	283	277	2.3	1,139
Margin (%)	35.1	36.0		34.9
change (%) local organic	0.3			
Operating income excluding non-recurring items	127	146	-12.9	583
Operating income	118	131	-10.0	531
CAPEX excluding license and spectrum fees	115	75	53.5	495
% of service revenues	17.2	11.5		18.6
EBITDA excluding non-recurring items - CAPEX	168	69	144.9	509
Subscriptions, (thousands)				
Mobile	1,347	1,317	2.2	1,318
of which machine to machine (postpaid)	127	80	58.0	89
Fixed telephony	406	440	-7.7	417
Broadband	403	393	2.5	402
TV	231	217	6.5	229
Employees	3,105	3,055	1.6	3,081

**Net sales** in reported currency rose by 4.9 percent to SEK 808 million (770) and in local currency excluding acquisitions and disposals net sales grew 2.9 percent. The effect of exchange rate fluctuations was positive by 2.0 percent.

**Service revenues** in local currency, excluding acquisitions and disposals increased 0.7 percent as mobile, TV and fixed broadband revenues grew as a result of both higher ARPU and subscription base expansion.

**EBITDA** in reported currency excluding non-recurring items, increased 2.3 percent to SEK 283 million (277). The EBITDA margin, excluding non-recurring items fell to 35.1 percent (36.0) due to increased equipment sales and somewhat higher operating expenses mainly driven by the rebranding. EBITDA excluding non-recurring items increased 0.3 percent in local currency, excluding acquisitions and disposals.

**CAPEX** declined to SEK 115 million (208) and CAPEX excluding licenses and spectrum fees increased to SEK 115 million (75).

The number of mobile subscriptions rose by 29,000 driven by a net addition of 38,000 postpaid subscriptions used for machine-to-machine services. The number of fixed broadband subscriptions increased by 1,000 and TV subscriptions by 2,000 in the quarter.

## STRONG EBITDA GROWTH IN ESTONIA

- In Estonia the strong growth in the TV business continued in the quarter and prices on Telia's IPTV and OTT services were adjusted. Furthermore, Telia was rated the highest in a survey regarding service quality in the Estonian large enterprise segment.

### Highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2017	Jan-Mar 2016	Chg (%)	Jan-Dec 2016
Net sales	660	644	2.5	2,733
<i>Change (%) local organic</i>	0.5			
<i>of which service revenues (external)</i>	533	512	4.2	2,080
<i>change (%) local organic</i>	2.2			
EBITDA excluding non-recurring items	206	181	13.6	811
Margin (%)	31.1	28.1		29.7
<i>change (%) local organic</i>	11.5			
Operating income excluding non-recurring items	79	61	31.3	309
Operating income	78	56	39.1	288
CAPEX excluding license and spectrum fees	98	67	47.4	358
% of service revenues	18.4	13.0		17.2
EBITDA excluding non-recurring items - CAPEX	107	114	-6.0	452
Subscriptions, (thousands)				
Mobile	901	863	4.3	901
<i>of which machine to machine (postpaid)</i>	202	157	28.9	202
Fixed telephony	304	297	2.4	307
Broadband	232	230	0.9	233
TV	177	175	1.1	177
Employees	1,913	2,086	-8.3	1,916

**Net sales** in reported currency grew 2.5 percent to SEK 660 million (644) and in local currency excluding acquisitions and disposals net sales grew 0.5 percent. The effect of exchange rate fluctuations was positive by 2.0 percent.

**Service revenues** in local currency, excluding acquisitions and disposals increased 2.2 percent driven by growth in both mobile and fixed revenues.

**EBITDA** in reported currency excluding non-recurring items, increased 13.6 percent to SEK 206 million (181). The EBITDA margin, excluding non-recurring items increased to 31.1 percent (28.1) due to revenue growth coupled with lower operating expenses. EBITDA excluding non-recurring items increased 11.5 percent in local currency, excluding acquisitions and disposals.

**CAPEX** increased to SEK 98 million (67) and CAPEX excluding licenses and spectrum fees increased to SEK 98 million (67).

The number of mobile and TV subscriptions remained unchanged, and the number of fixed broadband subscriptions declined by 1,000 in the quarter.

## OTHER OPERATIONS

### Highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2017	Jan-Mar 2016	Chg (%)	Jan-Dec 2016
Net sales	2,235	4,135	-46.0	15,299
<i>Change (%) local organic</i>	4.0			
<i>of which Telia Carrier</i>	1,434	1,415	1.3	6,227
<i>of which Latvia</i>	448	412	8.6	1,788
<i>of which Spain</i>	0	2,035		6,073
EBITDA excluding non-recurring items	317	353	-10.1	1,555
<i>of which Telia Carrier</i>	130	110	18.4	498
<i>of which Latvia</i>	143	135	5.7	580
<i>of which Spain</i>	0	119		630
Margin (%)	14.2	8.5		10.2
Income from associated companies	564	742	-24.0	2,815
<i>of which Russia</i>	114	183	-37.6	899
<i>of which Turkey</i>	424	534	-20.6	1,805
<i>of which Latvia</i>	27	26	3.7	121
Operating income excluding non-recurring items	586	717	-18.3	3,022
Operating income	536	615	-12.8	7,398
CAPEX	668	828	-19.3	3,442
Subscriptions, (thousands)				
Mobile Latvia	1,200	1,114	7.7	1,200
<i>of which machine to machine (postpaid)</i>	253	145	75.1	242
Mobile Spain	–	3,296		–
Employees	4,168	4,315	-3.4	4,144

**Net sales** in reported currency declined by 46.0 percent to SEK 2,235 million (4,135) due to the divestment of Yoigo in Spain in the fourth quarter of 2016. In local currency excluding acquisitions and disposals net sales grew 4.0 percent. The effect of exchange rate fluctuations was positive by 0.9 percent and the effect from acquisitions and disposals was negative by 50.8 percent.

**EBITDA**, excluding non-recurring items fell 10.1 percent to SEK 317 million (353) due to the divestment of Yoigo in Spain in the fourth quarter of 2016. The EBITDA margin, excluding non-recurring items, increased to 14.2 percent (8.5) due to the divestment of the low margin operation Yoigo in Spain in the fourth quarter of 2016.

In **Telia Carrier**, net sales in reported currency grew 1.3 percent to SEK 1,434 million (1,415) and EBITDA in reported currency excluding non-recurring items, increased to SEK 130 million (110).

In **Latvia**, net sales in reported currency grew 8.6 percent to SEK 448 million (412) from increased sales of equipment and higher mobile billed service revenues due to ARPU growth. The effect of exchange rate fluctuations was positive by 2.1 percent. EBITDA in reported currency excluding non-recurring items, increased to SEK 143 million (135), as a result of growth in revenues.

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

Income from associated companies fell to SEK 564 million (742) driven by lower income from MegaFon in Russia and Turkcell in Turkey.

In the second quarter of 2016, 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

- The 2016 numbers include Nepal. The underlying trend continues to develop positively on both sales and EBITDA.

### Highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2017	Jan-Mar 2016	Chg (%)	Jan-Dec 2016
Net sales (external)	3,086	3,797	-18.7	13,653
EBITDA excluding non-recurring items	1,185	1,775	-33.3	5,880
Margin (%)	38.4	46.7		43.1
CAPEX	304	875	-65.2	5,813
CAPEX excluding license and spectrum fees	304	258	18.2	2,432

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 18.7 percent in reported currency to SEK 3,086 million (3,797), mainly due to the deconsolidation of Ncell in Nepal in the second quarter of 2016.

**EBITDA**, excluding non-recurring items, fell to SEK 1,185 million (1,775). The EBITDA margin, excluding non-recurring items dropped to 38.4 percent (46.7), mainly due to the deconsolidation of Ncell in Nepal in the second quarter of 2016.

**CAPEX** decreased to SEK 304 million (875). CAPEX, excluding license and spectrum fee increased to SEK 304 million (258).

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK in millions, except per share data and number of shares	Note	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
<b>Continuing operations</b>				
Net sales	5	19,252	20,394	84,178
Cost of sales		-11,555	-12,147	-50,691
<b>Gross profit</b>		<b>7,697</b>	<b>8,247</b>	<b>33,487</b>
Selling, administration and R&D expenses		-4,533	-4,864	-19,300
Other operating income and expenses, net		-84	-44	4,092
Income from associated companies and joint ventures		561	746	2,810
<b>Operating income</b>	5	<b>3,641</b>	<b>4,084</b>	<b>21,090</b>
Financial items, net		-527	-564	-1,841
<b>Income after financial items</b>		<b>3,114</b>	<b>3,520</b>	<b>19,249</b>
Income taxes		-568	-615	-2,816
<b>Net income from continuing operations</b>		<b>2,546</b>	<b>2,905</b>	<b>16,433</b>
<b>Discontinued operations</b>				
<b>Net income from discontinued operations<sup>1</sup></b>	4	<b>4,596</b>	<b>1,006</b>	<b>-9,937</b>
<b>Total net income</b>		<b>7,143</b>	<b>3,911</b>	<b>6,496</b>
<b>Items that may be reclassified to net income:</b>				
Foreign currency translation differences from continuing operations		-821	-19	1,303
Foreign currency translation differences from discontinued operations		-324	-817	868
Income from associated companies and joint ventures		199	-234	-340
Cash flow hedges		-92	54	-128
Available-for-sale financial instruments		-107	84	134
Income tax relating to items that may be reclassified		-78	213	668
<b>Items that will not be reclassified to net income:</b>				
Remeasurements of defined benefit pension plans		-226	-1,690	-1,297
Income tax relating to items that will not be reclassified		52	367	276
Associates' remeasurements of defined benefit pension plans		-28	-18	-20
<b>Other comprehensive income</b>		<b>-1,425</b>	<b>-2,060</b>	<b>1,463</b>
<b>Total comprehensive income</b>		<b>5,718</b>	<b>1,850</b>	<b>7,959</b>
Total net income attributable to:				
Owners of the parent		6,984	3,766	3,732
Non-controlling interests		159	145	2,764
Total comprehensive income attributable to:				
Owners of the parent		5,248	1,807	4,833
Non-controlling interests		470	43	3,125
Earnings per share (SEK), basic and diluted		1.61	0.87	0.86
<i>of which continuing operations, basic and diluted</i>		0.58	0.66	3.76
Number of shares (thousands)				
Outstanding at period-end		4,330,085	4,330,080	4,330,085
Weighted average, basic and diluted		4,330,085	4,330,080	4,330,083
EBITDA from continuing operations		5,985	6,104	29,813
EBITDA excluding non-recurring items from continuing operations		6,149	6,217	25,836
Depreciation, amortization and impairment losses from continuing operations		-2,905	-2,766	-11,534
Operating income excluding non-recurring items from continuing operations		3,805	4,198	17,123

1) Full year 2016 includes expenses for the provision for the settlement amount proposed by the US and Dutch authorities. The first quarter 2017 includes the adjustment of the provision for the settlement amount proposed by the US and Dutch authorities. The total net income effect in the first quarter 2017 of the change in the provision, foreign exchange differences and the hedge was SEK 4.1 billion. See Note 4.

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK in millions	Note	Mar 31, 2017	Dec 31, 2016
<b>Assets</b>			
Goodwill and other intangible assets	6, 14	70,530	70,947
Property, plant and equipment	6	58,112	58,107
Investments in associates and joint ventures, pension obligation assets and other non-current assets		27,852	27,934
Deferred tax assets		4,127	4,366
Long-term interest-bearing receivables	10	16,229	18,120
<i>Total non-current assets</i>		<i>176,850</i>	<i>179,475</i>
Inventories		1,714	1,792
Trade and other receivables and current tax receivables		14,835	17,468
Short-term interest-bearing receivables	10	9,093	11,143
Cash and cash equivalents	10	9,284	14,510
Assets classified as held for sale <sup>2, 4</sup>	4, 10	27,876	29,042
<i>Total current assets</i>		<i>62,803</i>	<i>73,955</i>
<b>Total assets<sup>1</sup></b>		<b>239,653</b>	<b>253,430</b>
<b>Equity and liabilities</b>			
Equity attributable to owners of the parent		95,048	89,833
Equity attributable to non-controlling interests		4,864	5,036
<i>Total equity</i>		<i>99,912</i>	<i>94,869</i>
Long-term borrowings	7, 10	80,682	83,161
Deferred tax liabilities		10,541	10,567
Provisions for pensions and other long-term provisions <sup>3, 4</sup>		6,385	7,282
Other long-term liabilities		796	725
<i>Total non-current liabilities</i>		<i>98,403</i>	<i>101,734</i>
Short-term borrowings	7, 10	2,889	11,307
Trade payables and other current liabilities, current tax payables and short-term provisions <sup>5</sup>	4	25,603	31,892
Liabilities directly associated with assets classified as held for sale <sup>4</sup>	4, 10	12,847	13,627
<i>Total current liabilities</i>		<i>41,338</i>	<i>56,826</i>
<b>Total equity and liabilities</b>		<b>239,653</b>	<b>253,430</b>

- 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 sales price has been distributed to Visor during 2016 and the first quarter of 2017. As of December 31, 2016, SEK 0.3 billion remained within cash and cash equivalents of discontinued operations.
- 3) Includes provisions for transaction warranties related 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 include the provision for the settlement amount proposed by the US and Dutch authorities USD 1.0 billion (SEK 8.9 billion) per March 31, 2017 and USD 1.45 billion (SEK 13.2 billion) per December 31, 2016, see Note 4.



## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SEK in millions	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Cash flow before change in working capital	6,998	6,222	25,964
Change in working capital	511	255	6
<b>Cash flow from operating activities</b>	<b>7,509</b>	<b>6,476</b>	<b>25,970</b>
<i>of which from discontinued operations</i>	607	1,072	3,460
Cash CAPEX	-3,422	-4,184	-18,703
<b>Free cash flow</b>	<b>4,087</b>	<b>2,293</b>	<b>7,267</b>
<i>of which from discontinued operations</i>	226	222	116
Cash flow from other investing activities	9	1,026	11,275
<b>Total cash flow from investing activities<sup>1, 2</sup></b>	<b>-3,413</b>	<b>-3,158</b>	<b>-7,428</b>
<i>of which from discontinued operations<sup>2</sup></i>	-328	-1,007	-1,508
<b>Cash flow before financing activities</b>	<b>4,096</b>	<b>3,319</b>	<b>18,542</b>
<b>Cash flow from financing activities</b>	<b>-9,754</b>	<b>-3,368</b>	<b>-22,491</b>
<i>of which from discontinued operations</i>	-639	0	-1,976
<b>Cash flow for the period</b>	<b>-5,659</b>	<b>-49</b>	<b>-3,949</b>
<i>of which from discontinued operations</i>	-360	65	-24
<b>Cash and cash equivalents, opening balance</b>	<b>22,907</b>	<b>25,334</b>	<b>25,334</b>
Cash flow for the period	-5,659	-49	-3,949
Exchange rate differences	-346	-240	1,523
<b>Cash and cash equivalents, closing balance</b>	<b>16,902</b>	<b>25,045</b>	<b>22,907</b>
<i>of which from continuing operations (incl. Sergel and Yoigo)<sup>1</sup></i>	9,399	14,505	14,605
<i>of which from discontinued operations (Eurasia)<sup>2</sup></i>	7,503	10,540	8,302

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 sales price has been distributed to Visor during 2016 and in the first quarter of 2017. As of December 31, 2016, SEK 0.3 billion remained within cash and cash equivalents of discontinued operations. 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
<b>Opening balance, January 1, 2016</b>	<b>97,884</b>	<b>4,318</b>	<b>102,202</b>
Share-based payments	5	–	5
Acquisition of non-controlling interests	–	-7	-7
<i>Total transactions with owners</i>	5	-7	-3
Total comprehensive income	1,807	43	1,850
<b>Closing balance, March 31, 2016</b>	<b>99,695</b>	<b>4,353</b>	<b>104,049</b>
Dividends	-12,990	-2,365	-15,355
Share-based payments	23	–	23
Repurchased treasury shares	-5	–	-5
Change in non-controlling interests	42	-36	6
<i>Total transactions with owners</i>	-12,930	-2,401	-15,331
Total comprehensive income	3,026	3,082	6,108
Effect of equity transactions in associates	39	–	39
<b>Closing balance, December 31, 2016</b>	<b>89,833</b>	<b>5,036</b>	<b>94,869</b>
<b>Opening balance, January 1, 2017</b>	<b>89,833</b>	<b>5,036</b>	<b>94,869</b>
Dividends	–	-642	-642
Share-based payments	7	–	7
<i>Total transactions with owners</i>	7	-642	-634
Total comprehensive income	5,248	470	5,718
Effect of equity transactions in associates	-40	–	-40
<b>Closing balance, March 31, 2017</b>	<b>95,048</b>	<b>4,864</b>	<b>99,912</b>

## NOTE 1. BASIS OF PREPARATION

### General

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

### New accounting standards

Telia Company's projects for the new accounting standards IFRS 15 "Revenue from contracts with customers", IFRS 9 "Financial instruments" and IFRS 16 "Leases" continued during the first quarter 2017 and are proceeding according to plan. Telia Company continues to assess the impact of the new standards on the consolidated financial statements. For more information, see the Annual and Sustainability Report 2016.

### Restatement of operational data

As a result of a review 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 page 5.
- Cash flow and financial position, see page 5.
- Significant events in the first quarter, see page 6.
- Significant events after the end of the first quarter, see page 6.
- Risks and uncertainties, see pages 34-39.

### 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

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

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

### Correction of prior period classification errors

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

## NOTE 3. NON-RECURRING ITEMS

### Non-recurring items within operating income, continuing operations

SEK in millions	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
<b>Within EBITDA</b>	<b>-164</b>	<b>-113</b>	<b>3,977</b>
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.:			
Sweden	-33	-70	-362
Finland	-52	-36	-52
Norway	-17	-19	-42
Denmark	-3	-24	-29
Lithuania	-9	-15	-52
Estonia	-1	-4	-20
Other operations	-49	-102	-128
Capital gains/losses	0	156	4,662
<b>Within Depreciation, amortization and impairment losses</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Within Income from associated companies and joint ventures</b>	<b>–</b>	<b>-1</b>	<b>-10</b>
Capital gains/losses	–	-1	-10
<b>Total non-recurring items within operating income, continuing operations</b>	<b>-164</b>	<b>-114</b>	<b>3,967</b>

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

SEK in millions	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
<b>Within EBITDA</b>	<b>4,090</b>	<b>-28</b>	<b>-11,952</b>
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.: <sup>2</sup>	4,090	-28	-13,693
Impairment loss on remeasurement to fair value less costs to sell	–	–	-52
Capital gains/losses	–	–	1,793
<b>Total non-recurring items within EBITDA, discontinued operations<sup>1</sup></b>	<b>4,090</b>	<b>-28</b>	<b>-11,952</b>

1) For total impairment loss on remeasurement to fair value less cost to sell, see Note 4.

2) Full year 2016 include expenses related to the provision for settlement amount proposed by the US and Dutch authorities. The first quarter 2017 includes the adjustment of the provision for the settlement amount proposed by the US and Dutch authorities. The total net income effect in the first quarter 2017 of the change in the provision, foreign exchange differences and the hedge was SEK 4.1 billion.

## 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. Ncell in Nepal was sold during 2016. 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. 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 2017. Tcell in Tajikistan was divested in April 2017.

#### 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. 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. 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. The remeasurement of the net assets in region Eurasia per December 31, 2015, resulted in an impairment charge in the fourth quarter of 2015 of SEK 5.3 billion related to goodwill and other fixed assets in Uzbekistan. In 2016 Ucell was impaired by SEK 1,950 million due to increased carrying values. Management's best estimate is that the risk adjusted debt free value of Ucell of SEK 3.3 billion as of December 31, 2016, remains unchanged as of March 31, 2017. Changes in any of the estimated risk adjustments made for Ucell would have a material impact on the estimated fair value. The most significant impact on fair value will be the buyer's ability to operate in the country and convert local currency. For information on the valuation of Ucell, see the Annual and Sustainability Report 2016. No impairment charge has been recognized in the first quarter of 2017.

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

### 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 divestment, all transactions included, resulted in a total capital gain of SEK 1,035 million for the group in 2016, whereof a loss of SEK -927 million was attributable to owners of the parent and a gain of SEK 1,962 million was attributable to non-controlling interests. The sale resulted in a

loss for the parent shareholders mainly due to the carrying value of goodwill in Ncell (not attributable to minority) and provisions for parent shareholder's transaction warranties.

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

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

### Tcell in Tajikistan

In April 2017, Telia Company signed a new agreement with AKFED and finalized the divestment of the Tajik operations. The capital loss before reclassification of accumulated negative foreign exchange differences to net income was SEK 0.0 billion. The transaction had no material cash flow effect. After the divestment Telia Company has no risks, such as claims or any obligations, left in Tajikistan.

### 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 proposed a global resolution that included a

total financial sanction of USD 1.45 billion. Without certainty as to the timing and amount that would be paid at the time of a final resolution, Telia Company recorded a USD 1.45 billion provision (SEK 13.2 billion per December 31, 2016). Resolution of the various investigations is complex, but constructive discussions with the government agencies involved in the investigations have continued with good progress during 2017. A final resolution has not yet been reached, but in light of recent developments to date in those discussions, the estimate of the most likely outcome has been revised and the provision has been adjusted to USD 1.0 billion (SEK 8.9 billion) per March 31, 2017. However, as no final resolution has yet been reached, there can be no assurance that the final amount will not differ from the provision. Since the discussions with the authorities are still ongoing, 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 in the first quarter 2017 of the change in the provision, foreign exchange differences and the hedge was SEK 4.1 billion.

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 "Expenses and other operating income, net" 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	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Net sales	3,086	3,797	13,653
Expenses and other operating income, net <sup>1</sup>	2,190	-2,040	-20,701
<b>Operating income</b>	<b>5,275</b>	<b>1,757</b>	<b>-7,048</b>
Financial items, net	-52	-60	-315
<b>Income after financial items</b>	<b>5,223</b>	<b>1,697</b>	<b>-7,364</b>
Income taxes	-378	-491	-1,208
<b>Net income before remeasurement and gain on disposal</b>	<b>4,845</b>	<b>1,206</b>	<b>-8,572</b>
Impairment loss on remeasurement to fair value less costs to sell <sup>2</sup>	-249	-200	-2,400
Gain on disposal of Ncell in Nepal (including cumulative Ncell exchange loss in equity reclassified to net income of SEK -1,065 million) <sup>3</sup>	–	–	1,035
<i>of which loss attributable to parent shareholders</i>	–	–	-927
<i>of which gain attributable to non-controlling interests</i>	–	–	1,962
<b>Net income from discontinued operations</b>	<b>4,596</b>	<b>1,006</b>	<b>-9,937</b>
EPS from discontinued operations (SEK)	1.03	0.21	-2.90
EBITDA excluding non-recurring items	1,185	1,775	5,880

1) Operating expenses for the full year 2016 include expenses related to the provision for settlement amount proposed by the US and Dutch authorities. The first quarter 2017 includes the adjustment of the provision for the 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 Mar 31, 2017 <sup>1</sup>	Sergel, Mar 31, 2017	Total, Mar 31, 2017 <sup>1</sup>	Eurasia Dec 31, 2016 <sup>1</sup>	Sergel, Dec 31, 2016	Total, Dec 31, 2016 <sup>1</sup>
Goodwill and other intangible assets	7,366	39	7,405	7,562	38	7,601
Property, plant and equipment	7,695	6	7,701	7,551	6	7,557
Other non-current assets	335	277	612	448	251	699
Short-term interest-bearing receivables	1,840	1	1,840	1,889	1	1,890
Other current assets <sup>1</sup>	2,120	580	2,700	2,329	568	2,898
Cash and cash equivalents <sup>1</sup>	7,503	115	7,618	8,302	95	8,397
<b>Assets classified as held for sale</b>	<b>26,859</b>	<b>1,018</b>	<b>27,876</b>	<b>28,082</b>	<b>960</b>	<b>29,042</b>
Long-term borrowings	964	–	964	355	–	355
Long-term provisions	2,480	151	2,632	2,652	149	2,801
Other long-term liabilities	3,519	5	3,524	3,711	5	3,716
Short-term borrowings	879	–	879	1,612	–	1,612
Other current liabilities	4,660	188	4,848	4,932	211	5,144
<b>Liabilities associated with assets classified as held for sale</b>	<b>12,503</b>	<b>344</b>	<b>12,847</b>	<b>13,262</b>	<b>365</b>	<b>13,627</b>
<b>Net assets classified as held for sale<sup>2</sup></b>	<b>14,356</b>	<b>674</b>	<b>15,030</b>	<b>14,819</b>	<b>596</b>	<b>15,415</b>

1) 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 2016 and the first quarter 2017. As of December 31, 2016, SEK 0.3 billion remained within cash and cash equivalents. The provisions for transaction warranties and the sales price for Telia Company's 60.4 percent ownership in Ncell and Telia Company's share in the holding company Reynolds Holding, as well as sales price for Telia Company's economic interest in the 20 percent local shares in Ncell are included in continuing operations.

2) Represents 100 percent of external assets and liabilities, i.e. non-controlling interests' share of net assets are included.

## NOTE 5. SEGMENT INFORMATION

SEK in millions	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
<b>Net sales</b>			
Sweden	9,074	8,835	37,251
<i>of which external</i>	9,012	8,755	36,938
Finland	3,272	3,162	13,042
<i>of which external</i>	3,227	3,123	12,869
Norway	2,288	2,034	9,057
<i>of which external</i>	2,284	2,030	9,037
Denmark	1,479	1,397	5,880
<i>of which external</i>	1,454	1,368	5,755
Lithuania	808	770	3,268
<i>of which external</i>	790	752	3,203
Estonia	660	644	2,733
<i>of which external</i>	640	627	2,655
Other operations	2,235	4,135	15,299
<b>Total segments</b>	<b>19,816</b>	<b>20,977</b>	<b>86,530</b>
Eliminations	-564	-583	-2,352
<b>Group</b>	<b>19,252</b>	<b>20,394</b>	<b>84,178</b>
<b>EBITDA excluding non-recurring items</b>			
Sweden	3,360	3,589	14,455
Finland	974	1,016	4,059
Norway	868	665	3,125
Denmark	140	137	692
Lithuania	283	277	1,139
Estonia	206	181	811
Other operations	317	353	1,555
<b>Total segments</b>	<b>6,149</b>	<b>6,217</b>	<b>25,836</b>
Eliminations	0	0	0
<b>Group</b>	<b>6,149</b>	<b>6,217</b>	<b>25,836</b>
<b>Operating income</b>			
Sweden	2,061	2,513	9,360
Finland	416	497	2,039
Norway	478	335	1,562
Denmark	-47	-63	-89
Lithuania	118	131	531
Estonia	78	56	288
Other operations	536	615	7,398
<b>Total segments</b>	<b>3,641</b>	<b>4,084</b>	<b>21,090</b>
Eliminations	0	0	0
<b>Group</b>	<b>3,641</b>	<b>4,084</b>	<b>21,090</b>
Financial items, net	-527	-564	-1,841
<b>Income after financial items</b>	<b>3,114</b>	<b>3,520</b>	<b>19,249</b>



SEK in millions	Mar 31, 2017	Mar 31, 2017	Dec 31, 2016	Dec 31, 2016
	Segment assets	Segment liabilities	Segment assets	Segment liabilities
Sweden	44,037	10,404	46,157	11,304
Finland	44,074	2,986	44,798	3,462
Norway	26,730	2,068	27,583	2,207
Denmark	8,303	1,426	8,689	1,564
Lithuania	6,735	496	6,893	701
Estonia	4,957	361	5,090	442
Other operations	38,308	15,468	37,752	21,217
<b>Total segments</b>	<b>173,143</b>	<b>33,210</b>	<b>176,962</b>	<b>40,896</b>
Unallocated	38,634	93,685	47,425	104,037
Assets and liabilities held for sale	27,876	12,847	29,042	13,627
<b>Total assets/liabilities, group</b>	<b>239,653</b>	<b>139,742</b>	<b>253,430</b>	<b>158,561</b>

## NOTE 6. INVESTMENTS

SEK in millions	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
<b>CAPEX</b>	<b>2,988</b>	<b>3,197</b>	<b>15,625</b>
Intangible assets	526	613	2,787
Property, plant and equipment	2,462	2,584	12,838
<b>Acquisitions and other investments</b>	<b>220</b>	<b>119</b>	<b>483</b>
Asset retirement obligations	26	83	337
Goodwill and fair value adjustments	194	26	34
Equity holdings	0	11	112
<b>Total continuing operations</b>	<b>3,208</b>	<b>3,317</b>	<b>16,108</b>
<b>Total discontinued operations</b>	<b>304</b>	<b>886</b>	<b>5,829</b>
<i>of which CAPEX</i>	<i>304</i>	<i>875</i>	<i>5,813</i>
<b>Total investments</b>	<b>3,512</b>	<b>4,203</b>	<b>21,936</b>
<i>of which CAPEX</i>	<i>3,292</i>	<i>4,073</i>	<i>21,439</i>

## NOTE 7. FINANCIAL INSTRUMENTS – FAIR VALUES

Long-term and short-term borrowings <sup>1</sup> SEK in millions	Mar 31, 2017		Dec 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value
<b>Long-term borrowings</b>				
Open-market financing program borrowings in fair value hedge relationships	38,807	49,080	37,189	46,135
Interest rate swaps	38	38	37	37
Cross currency interest-rate swaps	1,861	1,861	2,648	2,648
<b>Subtotal</b>	<b>40,706</b>	<b>50,978</b>	<b>39,873</b>	<b>48,819</b>
Open-market financing program borrowings	38,069	43,162	41,334	45,209
Other borrowings at amortized cost	1,690	1,690	1,733	1,733
<b>Subtotal</b>	<b>80,465</b>	<b>95,830</b>	<b>82,940</b>	<b>95,761</b>
Finance lease agreements	217	217	221	221
<b>Total long-term borrowings</b>	<b>80,682</b>	<b>96,047</b>	<b>83,161</b>	<b>95,982</b>
<b>Short term borrowings</b>				
Open-market financing program borrowings in fair value hedge relationships	–	–	7,486	7,551
Interest-rate swaps	15	15	3	3
Cross currency interest-rate swaps	285	285	191	191
<b>Subtotal</b>	<b>299</b>	<b>299</b>	<b>7,679</b>	<b>7,744</b>
Utilized bank overdraft and short-term credit facilities at amortized cost	0	0	0	0
Open-market financing program borrowings	2,150	2,159	2,258	2,265
Other borrowings at amortized cost	431	431	1,360	1,360
<b>Subtotal</b>	<b>2,881</b>	<b>2,889</b>	<b>11,297</b>	<b>11,368</b>
Finance lease agreements	9	9	10	10
<b>Total short-term borrowings</b>	<b>2,889</b>	<b>2,898</b>	<b>11,307</b>	<b>11,378</b>

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

Financial assets and liabilities by fair value hierarchy level <sup>1</sup> SEK in millions	Mar 31, 2017				Dec 31, 2016			
	Carrying value	of which			Carrying value	of which		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Financial assets at fair value</b>								
Equity instruments available-for-sale	1,162	–	–	1,162	1,162	–	–	1,162
Equity instruments held-for-trading	26	–	–	26	26	–	–	26
Long- and short-term bonds available-for-sale	15,494	15,494	–	–	19,186	19,186	–	–
Derivatives designated as hedging instruments	1,893	–	1,893	–	2,637	–	2,637	–
Derivatives held-for-trading	1,285	–	1,285	0	3,058	–	3,058	0
<b>Total financial assets at fair value by level</b>	<b>19,860</b>	<b>15,494</b>	<b>3,178</b>	<b>1,188</b>	<b>26,069</b>	<b>19,186</b>	<b>5,695</b>	<b>1,188</b>
<b>Financial liabilities at fair value</b>								
Derivatives designated as hedging instruments	1,749	–	1,749	–	2,346	–	2,346	–
Derivatives held-for-trading	603	–	603	–	1,226	–	1,226	–
<b>Total financial liabilities at fair value by level</b>	<b>2,351</b>	<b>–</b>	<b>2,351</b>	<b>–</b>	<b>3,572</b>	<b>–</b>	<b>3,572</b>	<b>–</b>

1) For information on fair value hierarchy levels and fair value estimation, see the Annual and Sustainability Report 2016, Note C3 to the consolidated financial statements and the section below.

## 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 three-month period ended March 31, 2017.

SEK in millions	Jan-Mar 2017					Total
	Equity instruments available-for-sale	Equity instruments held-for-trading	Long- and short-term bonds available-for-sale	Derivatives held-for-trading		
Level 3, opening balance	1,162	26	–	0		1,188
Changes in fair value	–	–	–	–		–
<i>of which recognized in net income</i>	–	–	–	–		–
<i>of which recognized in other comprehensive income</i>	–	–	–	–		–
Purchases/capital contributions	–	–	–	–		–
Exercise of warrants	–	–	–	–		–
Transfer into/out of level 3	–	–	–	–		–
Exchange rate differences	–	0	0	–		0
<b>Level 3, closing balance</b>	<b>1,162</b>	<b>26</b>	<b>0</b>	<b>–</b>		<b>1,188</b>

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

## NOTE 8. TREASURY SHARES

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

## NOTE 9. RELATED PARTY TRANSACTIONS

In the three-month period ended March 31, 2017, Telia Company purchased goods and services for SEK 11 million (18), and sold goods and services for SEK 5 million (12). 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	Mar 31, 2017	Dec 31, 2016
Long-term borrowings	81,646	83,516
Short-term borrowings	3,768	12,919
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA)	-2,945	-5,455
Less long-term bonds available for sale	-10,012	-10,185
Less short-term investments	-7,665	-7,132
Less cash and cash equivalents <sup>1</sup>	-16,902	-22,907
<b>Net debt, continuing and discontinued operations</b>	<b>47,890</b>	<b>50,756</b>

1) The minority owner Visor's share of the sales price for Ncell and the holding company Reynolds Holding has been distributed to Visor during 2016 and the first quarter 2017. As of December 31, 2016 SEK 0.3 billion remained within cash and cash equivalents of discontinued operations. See Note 4 for further information.

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.

mained unchanged during the first quarter. Moody's rating for long-term borrowings is Baa1 and P-2 for short-term borrowings, both with a stable outlook. The Standard & Poor long-term rating is A- and short-term rating is A-2, however the long term rating having been on CreditWatch negative. On April 3, following the Telia hybrid capital transactions, Standard & Poor affirmed Telias A-/A-2 rating and removed the CreditWatch with negative implications but added a negative outlook.

## NOTE 11. LOAN FINANCING AND CREDIT RATING

On March 28, after a week of roadshow, Telia Company successfully issued a hybrid capital in EUR and SEK of a total amount corresponding to around SEK 15 billion. The rationale for introducing an additional permanent capital layer is to enable financial flexibility and to reinforce the commitment to a solid investment grade rating of A- to BBB+. A tender offer for buying back outstanding Telia bonds in EUR was also announced on March 20, and the result was communicated on April 2, announcing a decision to tender a total nominal amount of EUR 545 million. Hence the main amount from the hybrid was used for refinancing of senior debt replacing also a redemption of EUR 750 million maturing on March 7. Both the hybrid and the settlement of the EUR 545 million repurchased bonds were recognized in the beginning of April 2017. The credit rating of Telia Company re-

## NOTE 12. GUARANTEES AND COLLATERAL PLEDGED

As of March 31, 2017, the maximum potential future payments that Telia Company (continuing operations) could be required to make under issued financial guarantees totaled SEK 399 million (398 at the end of 2016), of which SEK 288 million (287 at the end of 2016) referred to guarantees for pension obligations. Collateral pledged (continuing and discontinued operations) totaled SEK 190 million (752 at the end of 2016). 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 March 31, 2017, contractual obligations (continuing operations) totaled SEK 3,385 million (2,897 at the end of 2016), of which SEK 1,511 million (1,215 at the end of 2016) referred to contracted build-out of Telia Company's fixed networks in Sweden. Total contractual obligations includes a lease agreement relating to future data center in Finland.

## NOTE 14. BUSINESS COMBINATIONS

### Business combinations

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

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

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

SEK in millions	Fältcom and C-Sam
<b>Cost of combination</b>	<b>244</b>
<i>of which cash consideration</i>	236
<b>Fair value of net assets acquired</b>	
Property, plant and equipment and intangible assets	34
Other non-current assets	6
Current assets	36
<b>Total assets acquired</b>	<b>76</b>
Non-current liabilities	-4
Current liabilities	-22
<b>Total liabilities assumed</b>	<b>-26</b>
<b>Total fair value of net assets acquired</b>	<b>50</b>
<b>Goodwill</b>	<b>193</b>

The net cash flow effect of the business combinations was SEK 230 million (cash consideration SEK 236 million less cash and cash equivalents in Fältcom and C-Sam SEK 6 million). Transaction costs amounted to SEK 4 million and have been recognized as other operating expenses. Goodwill consists of the knowledge of transferred personnel and expected synergies from the assets merged to the network and operations of Telia Company. No part of goodwill is expected to be deductible for tax purposes. The total cost of combinations and fair values has been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment.

### Business combinations after the reporting period

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

On April 10, 2017, Telia Company acquired all shares in Phonero in Norway a company that offers telecommunication services to small and medium sized corporate customers as well as public companies. The acquisition will strengthen Telia Company's position in the Norwegian enterprise segment. The preliminary cost of the combination, preliminary fair values of net assets acquired and goodwill for the combination is presented in the table below.

SEK in millions	Phonero
<b>Cost of combination</b>	<b>2,341</b>
<b>Fair value of net assets acquired</b>	
Intangible and tangible assets	918
Current assets	282
<b>Total assets acquired</b>	<b>1,201</b>
Non-current liabilities	-200
Current liabilities	-430
<b>Total liabilities assumed</b>	<b>-630</b>
<b>Total fair value of net assets acquired</b>	<b>571</b>
<b>Goodwill</b>	<b>1,771</b>

The total cost of the combination and fair values has been determined provisionally, as they are based on preliminary appraisals

and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment.

## 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.

	Mar 31, 2017	Dec 31, 2016
Return on equity (% , rolling 12 months) <sup>1, 2, 3</sup>	8.0	4.5
Return on capital employed (% , rolling 12 months) <sup>1, 2, 3</sup>	9.6	7.7
Equity/assets ratio (%) <sup>2, 3</sup>	37.2	34.0
Net debt/equity ratio (%) <sup>2, 3</sup>	53.8	58.9
Net debt/EBITDA rate excluding non-recurring items (multiple, rolling 12 months) <sup>1</sup>	1.58	1.69
Net debt/assets ratio (%)	20.0	20.0
Owners' equity per share (SEK) <sup>2, 3</sup>	21.95	20.75

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.

3) Equity is adjusted with weighted dividend in line with previous year for comparability, see the Annual and Sustainability Report 2016 section Definitions for key ratio definitions.

### Alternative performance measurements

In addition to financial performance measures prepared in accordance with IFRS, Telia Company presents non-IFRS financial performance measures, for example EBITDA, 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

2016. These terms may be defined differently by other companies and are therefore not always comparable to similar measures used by other companies.

### EBITDA and 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. Non-recurring items within EBITDA are specified in Note 3.

## Continuing operations

SEK in millions	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
<b>Operating income</b>	<b>3,641</b>	<b>4,084</b>	<b>21,090</b>
Income from associated companies and joint ventures	-561	-746	-2,810
Total depreciation/amortization/write-down	2,905	2,766	11,534
<b>EBITDA</b>	<b>5,985</b>	<b>6,104</b>	<b>29,813</b>
Non-recurring within EBITDA (Note 3)	164	113	-3,977
<b>EBITDA excluding non-recurring items</b>	<b>6,149</b>	<b>6,217</b>	<b>25,836</b>

## Discontinued operations

SEK in millions	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
<b>Operating income</b>	<b>5,275</b>	<b>1,757</b>	<b>-7,048</b>
Income from associated companies and joint ventures	-1	-10	-7
Total depreciation/amortization/write-down	–	–	-52
Gain on disposals	–	–	1,035
<b>EBITDA</b>	<b>5,274</b>	<b>1,747</b>	<b>-6,072</b>
Non-recurring within EBITDA (Note 3)	-4,090	28	11,952
<b>EBITDA excluding non-recurring items</b>	<b>1,185</b>	<b>1,775</b>	<b>5,880</b>

## CAPEX

Telia Company considers CAPEX and Cash CAPEX as relevant measures 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).

SEK in millions	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
<b>Continuing operations</b>			
Intangible assets	526	613	2,787
Property, plant and equipment	2,462	2,584	12,838
<b>CAPEX</b>	<b>2,988</b>	<b>3,197</b>	<b>15,625</b>
<b>Discontinued operations</b>			
Intangible assets	18	650	3,657
Property, plant and equipment	287	225	2,156
<b>CAPEX</b>	<b>304</b>	<b>875</b>	<b>5,813</b>
Net of not paid investments and additional payments from previous periods	129	111	-2,735 <sup>1)</sup>
<b>Cash CAPEX</b>	<b>3,422</b>	<b>4,184</b>	<b>18,703</b>

1) Mainly attributable to a prolonged unpaid license in Uzbekistan.

## Free cash flow

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

SEK in millions	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Cash flow from operating activities	7,509	6,476	25,970
Cash CAPEX (paid Intangible and tangible assets)	-3,422	-4,184	-18,703
<b>Free cash flow from continuing and discontinued operations</b>	<b>4,087</b>	<b>2,293</b>	<b>7,267</b>

### 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 is in control of. From the reported free cash flow from continuing operations dividends from associated companies are deducted

as these are dependent on the approval of 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	Jan-Mar 2017	Jan-Mar 2016	Jan-Dec 2016
Cash flow from operating activities from continuing operations	6,902	5,404	22,510
Deduct: Cash CAPEX from continuing operations	-3,041	-3,334	-15,358
<b>Free cash flow continuing operations</b>	<b>3,861</b>	<b>2,071</b>	<b>7,152</b>
Add back: Cash CAPEX for licenses from continuing operations	80	27	376
Deduct: Dividends from associates from continuing operations	-4	-8	-2,122
Add back: Taxes paid on dividends from associates from continuing operations	0	1	91
<b>Operational free cash flow</b>	<b>3,937</b>	<b>2,091</b>	<b>5,497</b>

### 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	Jan-Mar 2017	Jan-Mar 2016 <sup>1)</sup>	Jan-Dec 2016 <sup>1)</sup>
Net sales	93	134	469
<b>Gross income</b>	<b>93</b>	<b>134</b>	<b>469</b>
Operating expenses and other operating income, net	3,876	-356	-14,769
<b>Operating income</b>	<b>3,968</b>	<b>-222</b>	<b>-14,300</b>
Financial income and expenses	-1,530	-1,472	14,212
<b>Income after financial items</b>	<b>2,438</b>	<b>-1,694</b>	<b>-88</b>
Appropriations	1,385	2,890	11,567
<b>Income before taxes</b>	<b>3,822</b>	<b>1,196</b>	<b>11,479</b>
Income taxes	-305	-239	-1,113
<b>Net income</b>	<b>3,517</b>	<b>957</b>	<b>10,367</b>

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

Operating expenses and other operating income, net for the full year 2016 include expenses related to the provision for settlement amount proposed by the US and Dutch authorities. The first quarter of 2017 includes the adjustment of the provision for the settlement amount proposed by the US and Dutch authorities. The total net income effect in the first quarter 2017 of the change in the provision, foreign exchange differences and the hedge was SEK 4.1 billion. See Note 4 for further information.

### Condensed balance sheets

SEK in millions	Mar 31, 2017	Dec 31, 2016
<b>Assets</b>		
Non-current assets	158,251	162,286
Current assets	47,388	52,898
<b>Total assets</b>	<b>205,639</b>	<b>215,184</b>
<b>Equity and liabilities</b>		
Restricted shareholders' equity	15,713	15,713
Non-restricted shareholders' equity	67,937	64,573
<b>Total shareholders' equity</b>	<b>83,649</b>	<b>80,286</b>
Untaxed reserves	8,818	8,786
Provisions	495	519
Long-term liabilities	78,807	81,216
Short-term liabilities and short-term provisions	33,869	44,377
<b>Total equity and liabilities</b>	<b>205,639</b>	<b>215,184</b>

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. Short-term provisions was also affected by the adjustment of

the provision for the settlement amount proposed by the US and Dutch authorities.

Financial investments 2017 were SEK 308 million (1,498 at the end of 2016).

## 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 2016 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 (GDPR)
- Mitigation activities based on roadmaps driven by countries and group
- Privacy officers appointed throughout the organization
- Efforts ongoing to strengthen information asset and vendor management landscapes

### 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 (CAP)
- Assessing impact on children's rights in all relevant business activities

## Occupational health and safety (OHS)

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

### Potential impact

Failure to maintain a healthy and 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 KPIs 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 increased 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 to be great at attract, recruit, and retain highly skilled employees 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

- Work to increase energy efficiency and improve waste management
- Purchasing "green electricity" in Europe
- Buy-back and recycling programs for mobile devices
- Implementation of ISO 14001 environmental management system in 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 contract
- Supplier code of conduct, which stipulates our expectations on sustainable business practices, is included in new supplier contracts
- Security directives are included in contracts where supplier handle customer data

#### 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 favourable, 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

#### 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 Eurasia (Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal), Russia, Turkey and Afghanistan. In September 2015, Telia Company announced its decision to reduce the presence in, and over time leave, region Eurasia. Historically, the political, economic, legal and regulatory systems in these countries have been less predictable than in developed markets. The nature of these markets, including potential government intervention, combined with the fact that 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.

### 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
- The divestment of Tcell in Tajikistan was closed in April 2017.
- 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 spectrum permits or to renew or maintain existing ones.

### Potential impact

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

### Mitigating activities

- 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

## 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 are due to that not in full control but still have significant 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.

### 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.

#### Mitigating activities

- Monitoring of the associates' performance and development
- Active board work in our associated companies (e.g. 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 affect Telia Company's financial position, and results of operations, impairment losses, restructuring charges which may adversely affect Telia Company's ability to pay dividends. In addition, these effects may limit us to use tax assets in full to reduce its future tax obligations, consequently leading to an additional tax charge when such tax asset is derecognized.

#### 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

#### Regulation and licenses

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

Effects from regulatory intervention may be both retroactive and prospective.

#### Potential impact

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

#### Mitigating activities

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

#### Review of Eurasian transactions

In late 2012, the then Board of Directors appointed Swedish law firm Mannheimer Swartling (MSA) to investigate allegations of corruption related to Telia Company's investments in Uzbekistan. MSA's report was made public on February 1, 2013. In April 2013, the Board of Directors assigned the international law firm Norton Rose Fulbright (NRF) to review transactions and agreements made in Eurasia by Telia Company in the past years with the intention to give the Board a clear picture of the transactions and a risk assessment from a business ethics perspective. For advice on implications under Swedish legislation, the Board assigned two Swedish law firms. In consultation with the law firms, Telia Company has promptly taken steps, and will continue to take steps, in its business operations as well as in its governance structure and with its personnel which reflect concerns arising from the review. 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 findings, it cannot be excluded that the consequences of such findings would be that the 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 US Department of Justice and the US 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 US 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 or approximately SEK 12.5 billion at that point in time. A final resolution has not yet been reached, but in light of recent developments to date in those discussions, the estimate of the most likely outcome has been revised and the provision has been adjusted to USD 1.0 billion (SEK 8.9 billion) per March 31, 2017. 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 cooperate with and continuously hand over information to law enforcement agencies, who are better equipped to assess whether any criminal acts have occurred

Stockholm, April 26, 2017

**Johan Dannelind**  
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](http://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:** An abbreviation of "Earnings before Interest, Tax, Depreciation and Amortization." Equals operating income before depreciation, amortization and impairment losses and before income from associated companies and joint ventures.

**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.

**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.

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

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

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

## FINANCIAL CALENDAR

**Interim Report January-June 2017**  
July 20, 2017

**Interim Report January-October 2017**  
October 19, 2017

**Year-end Report January-December 2017**  
January 26, 2018

## QUESTIONS REGARDING THE REPORTS

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