TELIA COMPANY INTERIM REPORT JANUARY–JUNE 2017

CASH FLOW EXECUTION AND COST SIDE ADDRESSED

Second quarter summary

- As earlier announced former segment region Eurasia is reported as held for sale and discontinued operations.
- Net sales in local currencies, excluding acquisitions and disposals, fell 0.4 percent. In reported currency, net sales fell 6.3 percent to SEK 19,801 million (21,130). Service revenues in local currencies, excluding acquisitions and disposals, fell 0.6 percent.
- Adjusted EBITDA declined 3.3 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA, fell 4.6 percent to SEK 6,095 million (6,389). The adjusted EBITDA margin improved to 30.8 percent (30.2).
- Adjusted operating income declined 16.7 percent to SEK 3,702 million (4,446).
- Total net income attributable to the owners of the parent fell to SEK -397 million (1,439) and earnings per share to SEK -0.09 (0.33). Total net income fell to SEK -308 million (3,902).
- Free cash flow, in continuing and discontinued operations, improved to SEK 2,772 million (1,698).
- The operational free cash flow outlook for 2017 is improved from above SEK 7.0 billion to above SEK 7.5 billion.

First half summary

- Net sales in local currencies, excluding acquisitions and disposals, increased 1.2 percent. In reported currency, net sales fell 6.0 percent to SEK 39,053 million (41,524). Service revenues in local currencies, excluding acquisitions and disposals, increased 0.4 percent.
- Adjusted operating income declined 13.1 percent to SEK 7,507 million (8,644).
- Total net income attributable to owners of the parent improved 26.6 percent to SEK 6,587 million (5,205) and earnings per share to SEK 1.52 (1.20). Total net income fell 12.5 percent to SEK 6,834 million (7,812).

Highlights

SEK in millions, except key ratios, per share data and changes	Apr-Jun 2017	Apr-Jun 2016	Chg %	Jan-Jun 2017	Jan-Jun 2016	Chg %
Net sales	19,801	21,130	*-6.3*	39,053	41,524	*-6.0*
Change (%) local organic[1]	*-0.4*			*1.2*		
of which service revenues (external)	*17,077*	*18,075*	*-5.5*	*33,584*	*35,509*	*-5.4*
change (%) local organic	*-0.6*			*0.4*		
Adjusted[2] EBITDA[1]	6,095	6,389	*-4.6*	12,244	12,606	*-2.9*
Change (%) local organic	*-3.3*			*-2.1*		
Margin (%)	30.8	30.2		31.4	30.4	
Adjusted[2] operating income[1]	3,702	4,446	*-16.7*	7,507	8,644	*-13.1*
Operating income	2,268	4,100	*-44.7*	5,909	8,184	*-27.8*
Income after financial items	1,359	3,699	*-63.3*	4,473	7,219	*-38.0*
Net income from continuing operations	1,193	2,849	*-58.1*	3,739	5,754	*-35.0*
Net income from discontinued operations[3]	-1,501	1,052		3,095	2,058	*50.4*
Total net income	-308	3,902		6,834	7,812	*-12.5*
of which attributable to owners of the parent	*-397*	*1,439*		*6,587*	*5,205*	*26.6*
EPS total (SEK)	-0.09	0.33		1.52	1.20	*26.6*
EPS from continuing operations (SEK)	0.27	0.65	*-58.8*	0.85	1.31	*-35.4*
Free cash flow[1]	2,772	1,698	*63.2*	6,859	3,991	*71.9*
of which from continuing operations	*2,483*	*1,785*	*39.1*	*6,344*	*3,856*	*64.5*
CAPEX[1] excluding license and spectrum fees	4,718	3,773	*25.0*	7,706	6,837	*12.7*

1) See Note 15 for information on financial key ratios and/or page 46 for definitions. 2) Adjustment items; see Note 3. 3) Discontinued operations see Note 4.

COMMENTS BY JOHAN DENNELIND, PRESIDENT & CEO

"Dear shareholders and Telia followers, we are now half way through 2017 and have a better visibility on the full year results and our cash flow generation. Even if, frankly speaking, EBITDA in the quarter disappoints for Sweden, we reiterate our EBITDA outlook for the full year based on strong performance elsewhere, notably Norway, and the initiated cost activities that are coming through in second half of 2017. With our other operational free cash flow activities yielding well, we are now able to say that we will be above SEK 7.5 billion for the full year (previously above SEK 7.0 billion). Furthermore, I am very pleased that we managed to secure a dividend decision in Turkcell. Combined with MegaFon associated companies will contribute by around SEK 2.8 billion to our 2017 cash flow. All in all, this means that our free cash flow will be comfortably above SEK 10 billion 2017.

Let us talk more about costs. During the second quarter 2017 we have launched initiatives to reduce our cost base, just as we indicated in the first quarter. The main impact will be in Sweden where the operational expenses are still too high. We plan to reduce our total external and internal resources by roughly 850, around 3 percent of total resources. Of the resources reduced 650 are related to Sweden, equal to 8 percent of the Swedish resources. The initiatives are expected to impact costs already in the second half of 2017 by a reduction of approximately 5 percent in Sweden year on year. We have also initiated medium term structural initiatives that will drive further cost reductions supporting EBITDA in 2018 and 2019. This is expected to result in a reduction of the targeted cost base of at least 3 percent 2018. This is vital for a competitive Telia Company as we still see pressure on our legacy revenues and as anticipated falling one-off revenues from fiber. Our ambition is clear, we aim to grow our operational free cash flow every year in order to support a growing dividend over time.

It is becoming more difficult to deliver on the fiber demand still prevailing, even if our 1.9 million household target is intact for end 2018. We are still the leading and driving force in Sweden for this but we now start to reach the tail of the fiber roll out potential. We struggle with permit and intermediary related issues in connecting households to our fiber network. Some of the roll out challenge is also related to shifts in the market dynamics, which have led to longer delivery processes. Given that the second quarter is traditionally a quarter where many households are connected, these issues had a clear negative impact on revenues and profitability. This, combined with increased operational expenses, are the two main reasons why our EBITDA is declining 3 percent in the second quarter. The main risk on our EBITDA guidance is related to the timing of connecting households to fiber and the related revenues in the fourth quarter.

Norway, yet another proof of our commitment to bring the best quality to our customer by being rewarded the best mobile network for the second consecutive year. We are pleased with the performance in Norway for the second quarter, delivering a continuous strong EBITDA growth, won one of two 900 MHz spectrums, closed the Phonero acquisition adding 246,000 subscriptions and will bear fruit with at least SEK 400 million in synergies in 2018.

In Finland we feel good about the momentum building after the rebranding to Telia, acquisition of Nebula and through the opportunities in creating a great consumer offering with the acquired rights to the Finnish hockey league. We expect Telia Finland to step up to its potential the coming years.

The second quarter of 2017 we increased our execution of the Nordic & Baltic strategy, mainly through M&A. On top of Nebula in Finland we acquired a small but leading Artificial Intelligence company, Humany in Sweden. Further on M&A we have received the needed approvals and finalized the divestment of Sergel. We have reduced our direct ownership in Turkcell, as it has no impact on the overall solution for Turkcell Holding.

Regarding the divestment of the remaining operations in Eurasia there are progress being made in the process. We reiterate that our best estimate is that the assets will be disposed during 2017. We continue our discussions with the DoJ, SEC and the Dutch authorities about our resolution of their investigations and we are hopeful that we will be able to achieve it soon. We remain comfortable that our adjusted provision communicated in our first quarter report is our best estimate of the financial sanction we will be required to pay.

The strong cash flow and the divestments of and dividends from associated companies have strengthened the balance sheet. Our net debt to adjusted EBITDA is now at 1.36x. This is below our target of 2x (+/- 0.5x). If we add upcoming second tranche dividend of SEK 1 per share to be paid and associates' dividends to be received, known acquisitions as well as the provision for the fine related to Uzbekistan the pro forma number would be 1.8x.

We keep on shaping the new Telia in the Nordics and Baltics, while we work relentlessly to ensure a balanced exit from Eurasia in order to fully focus on the next phase of Telia Company."

Johan Dennelind
President and CEO

OUTLOOK FOR 2017 (CHANGED)

Free cash flow from continuing operations, excluding licenses and dividends from associated companies, is expected to be above SEK 7.5 billion. This operational free cash flow together with decided dividends from associated companies of SEK 2.8 billion should be above SEK 10 billion and should cover a dividend around the 2016 level.
(Changed from previously: Free cash flow from continuing operations, excluding licenses and dividends from associated companies, is expected to be above SEK 7.0 billion. This operational free cash flow together with dividends from associates should cover a dividend around the 2016 level.)

Adjusted EBITDA in continuing operations in local currencies, excluding acquisitions and disposals, is expected to be around the 2016 level. *(Unchanged)*

DIVIDEND POLICY

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

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

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

REVIEW OF THE GROUP, SECOND QUARTER 2017

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals, fell 0.4 percent. In reported currency, net sales fell 6.3 percent to SEK 19,801 million (21,130). The effect of exchange rate fluctuations was positive by 2.0 percent and the effect of acquisitions and disposals was negative by 7.9 percent. Service revenues in local currencies, excluding acquisitions and disposals, fell 0.6 percent.

The number of subscriptions decreased from 26.7 million from the end of the second quarter of 2016 to 23.4 million. During the quarter, the total number of subscriptions increased by 0.2 million to 23.4 million.

Adjusted EBITDA declined 3.3 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA fell 4.6 percent to SEK 6,095 million (6,389). The adjusted EBITDA margin improved to 30.8 percent (30.2).

Income from associated companies and joint ventures dropped to SEK -1,258 million (896), due to a capital loss related to the disposal of shares in Turkcell.

Adjusted operating income decreased 16.7 percent to SEK 3,702 million (4,446).

Adjustment items affecting operating income totaled SEK -1,434 million (-345) and was mainly related to a capital loss from divestment of shares in Turkcell and a write-down of plant and machinery and capitalized development expenses partly offset by a capital gain from the Sergel divestment. See Note 3 for further information.

Financial items totaled SEK -909 million (-402) of which SEK -880 million (-426) related to net interest expenses. The increase was related to bond buy-back transactions affecting net interest expenses of SEK -360 million.

Income taxes decreased to SEK -166 million (-849). The effective tax rate was 12.2 percent (23.0). The decrease is related to revaluation of the withholding tax provision as a consequence of the disposal of shares in Turkcell and non-taxable capital gain related to the disposal of Sergel. This decrease is partly offset by non-deductible losses from associated companies.

Net income from discontinued operations decreased to SEK -1,501 million (1,052) mainly due to an impairment loss related to Ucell, a write-down related to Rodnik and a capital loss of the divestment of Tcell. See Note 4 for further information.

Total net income fell to SEK -308 million (3,902), of which SEK 1,193 million (2,849) in continuing operations and SEK -1,501 million (1,052) in discontinued operations. Total earnings per share was SEK -0.09 (0.33).

Total net income attributable to non-controlling interests dropped to SEK 89 million (2,463) mainly affected by the divestment of Ncell in Nepal.

Other comprehensive income declined to SEK 2,432 million (2,729) mainly due to negative exchange rate effects partly offset by negative remeasurements on pension obligations in 2016.

Cash flow

Free cash flow, in continuing and discontinued operations increased to SEK 2,772 million (1,698) mainly due to received dividends from associated companies and lower paid taxes.

Operational free cash flow, in continuing operations increased to SEK 2,138 million (1,647) due to lower paid taxes and lower cash CAPEX.

Cash flow from investing activities, in continuing and discontinued operations decreased to SEK -2,826 million (4,726) mainly due to the acquisition of Phonero offset by the reduced ownership in Turkcell and divestment of Sergel. The comparative period was affected by the divestment of Ncell in Nepal.

Cash flow from financing activities, in continuing and discontinued operations increased to SEK 5,449 million (-9,298) mainly due to the issued hybrid capital, offset by buy-backs of outstanding Telia Company bonds.

Total cash flow, in continuing and discontinued operations increased to SEK 10,213 million (1,791).

Financial position

CAPEX increased to SEK 5,180 million (3,773) and the CAPEX-to-service revenue ratio to 30.3 percent (20.9). CAPEX excluding license and spectrum fees increased to SEK 4,718 million (3,773) and the CAPEX-to-service revenue ratio, excluding license and spectrum fees increased to 27.6 percent (20.9). CAPEX includes the acquired rights for the ice hockey league in Finland of SEK 1.1 billion, but the cash flow effect will not start until the second half of 2018. The agreement stretches over six years.

Net debt, in continuing and discontinued operations, was SEK 40,833 million at the end of the second quarter (47,890 at the end of the first quarter of 2017). The decrease is mainly related to the issue of hybrid capital. The net debt/adjusted EBITDA ratio was 1.36x (1.58x at the end of the first quarter of 2017).

REVIEW OF THE GROUP, FIRST HALF 2017

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals, increased 1.2 percent. In reported currency, net sales fell 6.0 percent to SEK 39,053 million (41,524). The effect of exchange rate fluctuations was positive by 1.8 percent and the effect of acquisitions and disposals was negative by 9.0 percent. Service revenues in local currencies, excluding acquisitions and disposals, increased 0.4 percent.

Adjusted EBITDA decreased 2.1 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA decreased 2.9 percent to SEK 12,244 million (12,606). The adjusted EBITDA margin improved to 31.4 percent (30.4).

Income from associated companies and joint ventures fell to SEK -697 million (1,642), mainly due to a capital loss related to the disposal of shares in Turkcell.

Adjusted operating income declined 13.1 percent to SEK 7,507 million (8,644).

Adjustment items affecting operating income totaled SEK -1,598 million (-459) and was mainly related to a capital loss from divestment of shares in Turkcell and a write-down of plant and machinery and capitalized development expenses partly offset by a capital gain from the Sergel divestment. See Note 3 for further information.

Financial items totaled SEK -1,436 million (-966) of which SEK -1,385 million (-999) related to net interest expenses. The increase is related to bond buy-back transactions affecting net interest expenses of SEK -360 million.

Income taxes decreased to SEK -734 million (-1,464). The effective tax rate was 16.4 percent (20.3). The decrease is related to revaluation of the withholding tax provision as a consequence of the disposal of shares in Turkcell and non-taxable capital gain related to the disposal of Sergel. This decrease is partly offset by non-deductible losses from associated companies.

Net income from discontinued operations increased to SEK 3,095 million (2,058) mainly impacted by the adjustment of the provision for the settlement amount proposed by the US and Dutch authorities in the first quarter offset by an impairment loss related to Ucell, a write-down related to Rodnik and a capital loss of the divestment of Tcell in the second quarter. See Note 4 for further information.

Total net income decreased to SEK 6,834 million (7,812), of which SEK 3,739 million (5,754) in continuing operations and SEK 3,095 million (2,058) in discontinued operations. Total earnings per share was SEK 1.52 (1.20).

Total net income attributable to non-controlling interests dropped to SEK 248 million (2,607). The comparison period was mainly affected by the divestment of Ncell in Nepal.

Other comprehensive income increased to SEK 1,008 million (668) mainly due to lower negative remeasurements on pension obligations in 2017 partly offset by negative exchange effects in 2017.

Cash flow

Free cash flow, in continuing and discontinued operations, increased to SEK 6,859 million (3,991) mainly due to received dividends from associated companies, positive change from working capital and lower paid taxes.

Operational free cash flow, in continuing operations increased to SEK 6,075 million (3,737) due to lower paid taxes, lower cash CAPEX as well as positive change in working capital.

Cash flow from investing activities, in continuing and discontinued operations decreased to SEK -6,239 million (1,568) mainly due to the acquisition of Phonero offset by the reduced ownership in Turkcell and divestment of Sergel. 2016 was affected by the divestment of Ncell in Nepal.

Cash flow from financing activities, in continuing and discontinued operations increased to SEK -4,306 million (-12,666) mainly due to the issued hybrid capital and lower dividend paid in 2017, offset by buy-back of outstanding Telia Company bonds.

Total cash flow, in continuing and discontinued operations increased to SEK 4,555 million (1,742).

Financial position

Investments in associates were mainly affected by the reduced ownership of Turkcell with positive impact on **Cash and cash equivalents**, which was offset, among other things, by the acquisition of Phonero also affecting **Goodwill and intangible assets**.

Long-term borrowings increased mainly due to the issue of hybrid capital. In connection with the issue buy-

backs of outstanding Telia Company bonds had an adverse effect giving a net increase in long-term borrowings.
Short-term borrowings were reduced by maturing short-term debt.

Short-term provisions decreased during the first quarter mainly due to the adjustment of the provision for the settlement amount proposed by the US and Dutch authorities. In the second quarter, the decrease was offset by increase in Other current liabilities due to dividend liability pay-out being split and distributed in two equal tranches.

CAPEX rose to SEK 8,168 million (6,970) and the CAPEX-to-service revenue ratio to 24.3 percent (22.3). CAPEX excluding license and spectrum fees rose to SEK 7,706 million (6,837) and the CAPEX-to-service revenue ratio, excluding license and spectrum fees was flat at 19.6 percent (19.6). CAPEX includes the acquired rights for the ice hockey league in Finland of SEK 1.1 billion, but the cash flow effect will not start until the second half of 2018. The agreement stretches over six years.

Significant events in the first quarter

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

Significant events in the second quarter

- On April 3, 2017, Telia Company announced that the Norwegian competition authority had approved Telia Company's acquisition of Phonero and the transaction closed on April 10, 2017. See Note 14.
- On April 3, 2017, Telia Company announced that the agreement for sale of Tcell in Tajikistan was no longer valid since the Anti-Monopoly Service in Tajikistan did not reply by the stipulated deadline. The carrying value of the operations in Tajikistan was adjusted to zero resulting in an impairment loss of SEK 222 million in the first quarter of 2017. In April 2017, Telia Company signed a new agreement with AKFED and finalized the 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.
- On May 4, 2017, Telia Company announced the result of placing of shares sale in Turkcell Iletism Hizmetleri A.S. (Turkcell) to institutional investors by way of an accelerated book building process. Telia Company sold an aggregate of 155 million ordinary shares in Turkcell at a price of TRY 11.45 per ordinary share, raising gross proceeds of TRY 1,775 million (equivalent to SEK 4,426 million).
- In June 2016, Telia Company announced the divestment of Sergel Group to Marginalen and has since then been reviewed by relevant regulatory authorities, with the final approval granted on June 14, 2017, and the transaction was closed on June 30, 2017. See Note 4.
- On May 22, 2017, Telia Company announced that it had signed an agreement to acquire the Finnish ICT service company Nebula. On June 8, 2017, it was approved by the authorities and the transaction was closed on July 3, 2017. See Note 14.

Significant events after the end of the second quarter

- On July 14, 2017, Telia Company announced that the Interim Report January-June will include significant items that in total will have a negative impact of SEK 1.3 billion on Operating income in continuing operations and a negative impact of SEK 2.0 billion on Net income in discontinued operations in the second quarter of 2017. The cash flow effect is SEK 6.3 billion for continuing operations while there is no cash flow effect within discontinued operation.

PRESSURE ON EBITDA IN SWEDEN

- The demand for fiber remained strong in the quarter but permit and other intermediary related issues continued to hamper the roll-out pace. In total 45,000 new fiber households were connected in the quarter of which 12,000 single home campaigns (22,000). The lower number of single home campaigns resulted in declining installation revenues of SEK 164 million compared to the corresponding quarter last year.
- Telia continued to work actively with strengthening the presence in the city networks and approximately 25,000 additional households got access to Telia's services via the city network of Jönköping in the quarter.

Highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2017	Apr-Jun 2016	*Chg (%)*	Jan-Jun 2017	Jan-Jun 2016	*Chg (%)*
Net sales	9,079	9,260	*-2.0*	18,153	18,095	*0.3*
Change (%) local organic	*-2.1*			*0.2*		
of which service revenues (external)	*7,826*	*8,028*	*-2.5*	*15,559*	*15,772*	*-1.4*
change (%) local organic	*-2.7*			*-1.5*		
Adjusted EBITDA	3,268	3,509	*-6.9*	6,628	7,098	*-6.6*
Margin (%)	36.0	37.9		36.5	39.2	
change (%) local organic	*-7.0*			*-6.7*		
Adjusted operating income	1,992	2,326	*-14.4*	4,086	4,752	*-14.0*
Operating income	1,990	2,143	*-7.1*	4,051	4,656	*-13.0*
CAPEX excluding license and spectrum fees	1,636	1,728	*-5.4*	3,022	3,055	*-1.1*
% of service revenues	20.9	21.5		19.4	19.4	
Adjusted EBITDA - CAPEX	1,632	1,781	*-8.3*	3,606	4,043	*-10.8*
Subscriptions, (thousands)						
Mobile	6,133	5,992	*2.4*	6,133	5,992	*2.4*
of which machine to machine (postpaid)	*893*	*787*	*13.5*	*893*	*787*	*13.5*
Fixed telephony	1,551	1,804	*-14.0*	1,551	1,804	*-14.0*
Broadband	1,293	1,303	*-0.8*	1,293	1,303	*-0.8*
TV	779	747	*4.3*	779	747	*4.3*
Employees	6,763	6,758	*0.1*	6,763	6,758	*0.1*

Net sales declined 2.0 percent to SEK 9,079 million (9,260) and excluding acquisitions and disposals net sales declined 2.1 percent due to lower fixed service revenues.

Service revenues declined 2.5 percent and excluding acquisitions and disposals, service revenues declined 2.7 percent as growth in broadband and TV revenues was more than offset by lower revenues from traditional fixed telephony and fiber installation revenues. The latter due to permit and other intermediary related issues. Mobile service revenue growth was fairly flat, as growth of 1.9 percent in the consumer segment was almost fully offset by mainly a drop in wholesale revenues.

Adjusted EBITDA fell 6.9 percent to SEK 3,268 million (3,509). The adjusted EBITDA margin deteriorated to 36.0 percent (37.9), from erosion of high margin legacy revenues, lower fiber installation revenues and increased operating expenses.

CAPEX decreased to SEK 1,636 million (1,728) and CAPEX, excluding licenses and spectrum fees decreased to SEK 1,636 million (1,728).

The number of mobile subscriptions grew by 77,000 of which 31,000 to be used for machine-to-machine services and fixed broadband subscriptions fell by 1,000 in the quarter. The number of TV subscriptions increased by 10,000 in the quarter, largely driven by the acquisition of C-Sam.

REVENUES GREW IN FINLAND

- Telia acquired the rights for the ice hockey league in Finland. The agreement stretches over a period of six years, starting at the 2018-2019 season.
- An agreement was signed to acquire the cloud service provider Nebula at an enterprise value of EUR 165 million on a cash and debt free basis. The transaction will strengthen Telia's proposition, ensure a competitive position in the SME and SoHo segments as well as generate synergies over time. The transaction closed in July 2017.

Highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2017	Apr-Jun 2016	*Chg (%)*	Jan-Jun 2017	Jan-Jun 2016	*Chg (%)*
Net sales	3,339	3,149	*6.0*	6,611	6,312	*4.7*
Change (%) local organic	*1.5*			1.5		
of which service revenues (external)	*2,913*	*2,739*	*6.4*	*5,750*	*5,479*	*4.9*
change (%) local organic	*1.8*			*1.7*		
Adjusted EBITDA	1,038	987	*5.1*	2,012	2,003	*0.4*
Margin (%)	31.1	31.4		30.4	31.7	
change (%) local organic	*0.8*			*-2.6*		
Adjusted operating income	512	512	*0.0*	980	1,045	*-6.2*
Operating income	501	517	*-3.1*	917	1,014	*-9.6*
CAPEX excluding license and spectrum fees	1,708	506		2,071	868	*138.6*
% of service revenues	58.6	18.5		36.0	15.8	
Adjusted EBITDA - CAPEX	-670	481		-59	1,135	
Subscriptions, (thousands)						
Mobile	3,233	3,297	*-1.9*	3,233	3,297	*-1.9*
of which machine to machine (postpaid)	*188*	*196*	*-3.9*	*188*	*196*	*-3.9*
Fixed telephony	57	72	*-20.8*	57	72	*-20.8*
Broadband	479	509	*-5.9*	479	509	*-5.9*
TV	483	485	*-0.4*	483	485	*-0.4*
Employees	3,152	3,195	*-1.3*	3,152	3,195	*-1.3*

Net sales in reported currency grew 6.0 percent to SEK 3,339 million (3,149) and in local currency excluding acquisitions and disposals net sales grew 1.5 percent. The effect of exchange rate fluctuations was 4.5 percent.

Service revenues in local currency, excluding acquisitions and disposals rose 1.8 percent as a 4.9 percent growth in mobile service revenues more than compensated for lower fixed service revenues from a continued pressure on traditional fixed telephony and fixed broadband service revenues.

Adjusted EBITDA in reported currency rose 5.1 percent to SEK 1,038 million (987). The adjusted EBITDA margin declined to 31.1 percent (31.4).

CAPEX increased to SEK 1,708 million (506) driven by the acquisition of ice hockey rights of SEK 1.1 billion and CAPEX excluding licenses and spectrum fees increased to SEK 1,708 million (506).

The number of mobile subscriptions declined by 23,000 and the number of TV and fixed broadband subscriptions declined by 3,000 and 8,000, respectively, in the quarter.

HIGHER PROFITABILITY IN NORWAY

- For the second consecutive year, an independent test of mobile coverage in Norway concluded that Telia still has the best mobile network which currently provides 4G coverage to almost 98 percent of the population.
- Telia won one of the two 900 MHz spectrums at the auction in the quarter at a price of SEK 0.4 billion. The spectrum will secure a continued high network quality as well as being an important part in the future build-out of 5G.

Highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2017	Apr-Jun 2016	Chg (%)	Jan-Jun 2017	Jan-Jun 2016	Chg (%)
Net sales	2,577	2,162	*19.2*	4,865	4,196	*16.0*
Change (%) local organic	*3.2*			*3.6*		
of which service revenues (external)	*2,186*	*1,807*	*21.0*	*4,151*	*3,530*	*17.6*
change (%) local organic	*3.1*			*4.2*		
Adjusted EBITDA	879	705	*24.8*	1,747	1,370	*27.6*
Margin (%)	34.1	32.6		35.9	32.6	
change (%) local organic	*12.9*			*16.7*		
Adjusted operating income	488	361	*35.1*	983	715	*37.4*
Operating income	416	352	*18.2*	894	687	*30.1*
CAPEX excluding license and spectrum fees	220	347	*-36.5*	464	651	*-28.7*
% of service revenues	10.1	19.2		11.2	18.4	
Adjusted EBITDA - CAPEX	247	358	*-31.0*	871	719	*21.2*
Subscriptions, (thousands)						
Mobile	2,441	2,272	*7.4*	2,441	2,272	*7.4*
of which machine to machine (postpaid)	*78*	*47*	*67.3*	*78*	*47*	*67.3*
Employees	1,179	1,071	*10.1*	1,179	1,071	*10.1*

Net sales in reported currency increased 19.2 percent to SEK 2,577 million (2,162) largely driven by consolidation of the acquired Phonero business. In local currency excluding acquisitions and disposals net sales increased 3.2 percent. The effect of exchange rate fluctuations was positive by 4.5 percent and the impact from acquisitions and disposals was positive by 11.5 percent.

Service revenues in local currency, excluding acquisitions and disposals rose 3.1 percent due to strong growth in wholesale revenues. Billed service revenues declined 0.8 percent following subscription base erosion that was not fully compensated for by higher ARPU.

Adjusted EBITDA in reported currency grew 24.8 percent to SEK 879 million (705) as organic EBITDA growth of 12.9 percent was amplified by the consolidation of the acquired Phonero business. The organic EBITDA growth was driven by revenue growth and good cost control. The adjusted EBITDA margin rose to 34.1 percent (32.6). In local currency, excluding acquisitions and disposals adjusted EBITDA rose 12.9 percent.

CAPEX increased to SEK 632 million (347) and CAPEX excluding licenses and spectrum fees, declined to SEK 220 million (347).

The number of mobile subscriptions increased by 263,000 in the quarter of which 246,000 subscriptions came from the Phonero acquisition.

LOWER EBITDA IN DENMARK

- The marketing functions of Telia enterprise, Telia consumer and Call Me were merged, forming a stronger unit that also will work with communication, digital as well as in social media.
- The smart car application Telia Sense was launched making Telia a proper part of the growing ecosystem of connected vehicles.

Highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2017	Apr-Jun 2016	*Chg (%)*	Jan-Jun 2017	Jan-Jun 2016	*Chg (%)*
Net sales	1,443	1,419	*1.7*	2,923	2,816	*3.8*
Change (%) local organic	*-2.7*			*0.4*		
of which service revenues (external)	*1,079*	*1,049*	*2.8*	*2,141*	*2,074*	*3.2*
change (%) local organic	*-1.5*			*-0.1*		
Adjusted EBITDA	153	159	*-3.7*	293	296	*-0.7*
Margin (%)	10.6	11.2		10.0	10.5	
change (%) local organic	*-7.7*			*-4.0*		
Adjusted operating income	-35	-23		-79	-62	
Operating income	-46	-27		-92	-91	
CAPEX excluding license and spectrum fees	84	91	*-7.0*	199	191	*3.8*
% of service revenues	7.8	8.6		9.3	9.2	
Adjusted EBITDA - CAPEX	69	68	*0.7*	95	104	*-9.1*
Subscriptions, (thousands)						
Mobile	1,482	1,640	*-9.6*	1,482	1,640	*-9.6*
of which machine to machine (postpaid)	*46*	*37*	*24.0*	*46*	*37*	*24.0*
Fixed telephony	96	109	*-11.9*	96	109	*-11.9*
Broadband	123	131	*-6.1*	123	131	*-6.1*
TV	33	28	*3.6*	33	28	*3.6*
Employees	1,074	1,069	*0.5*	1,074	1,069	*0.5*

Net sales in reported currency increased 1.7 percent to SEK 1,443 million (1,419). In local currency excluding acquisitions and disposals net sales fell 2.7 percent. The effect of exchange rate fluctuations was positive by 4.3 percent.

Service revenues in local currency, excluding acquisitions and disposals declined 1.5 percent due to a flat development in mobile revenues and a continued pressure on traditional fixed telephony revenues. Mobile billed service revenues decreased 1.2 percent mainly attributable to loss of subscriptions.

Adjusted EBITDA in reported currency fell 3.7 percent to SEK 153 million (159). The adjusted EBITDA margin, declined to 10.6 percent (11.2). In local currency, adjusted EBITDA declined 7.7 percent mainly driven by higher operating expenses.

CAPEX declined to SEK 84 million (91) and CAPEX excluding licenses and spectrum fees declined to SEK 84 million (91).

The number of mobile subscriptions declined by 96,000 in the quarter mainly due to the removal of all existing prepaid subscriptions following cancellation of the prepaid subscription service. The number of fixed broadband subscriptions declined by 3,000 and TV subscriptions grew by 5,000 in the quarter.

STRONG REVENUE GROWTH IN LITHUANIA

- Telia (formerly Omnitel) was the first company in the Baltics and one of the first companies in the world to implement 4.5G. Since the launch in the capital Vilnius in early 2016 4.5G has continued to be rolled-out and is now available in the five largest cities in Lithuania.

Highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2017	Apr-Jun 2016	Chg (%)	Jan-Jun 2017	Jan-Jun 2016	Chg (%)
Net sales	910	774	*17.6*	1,718	1,544	*11.3*
Change (%) local organic	*12.7*			*7.9*		
of which service revenues (external)	*765*	*646*	*18.4*	*1,435*	*1,299*	*10.5*
change (%) local organic	*13.5*			*7.0*		
Adjusted EBITDA	292	281	*4.2*	576	558	*3.3*
Margin (%)	32.1	36.3		33.5	36.1	
change (%) local organic	*-0.2*			*0.1*		
Adjusted operating income	171	149	*15.1*	298	294	*1.2*
Operating income	160	138	*15.7*	278	269	*3.2*
CAPEX excluding license and spectrum fees	119	106	*12.2*	235	181	*29.3*
% of service revenues	15.6	16.4		16.4	14.0	
Adjusted EBITDA - CAPEX	173	175	*-0.9*	341	243	*40.2*
Subscriptions, (thousands)						
Mobile	1,328	1,318	*0.7*	1,328	1,318	*0.7*
of which machine to machine (postpaid)	*129*	*82*	*57.9*	*129*	*82*	*57.9*
Fixed telephony	395	434	*-9.0*	395	434	*-9.0*
Broadband	405	396	*2.3*	405	396	*2.3*
TV	234	222	*5.4*	234	222	*5.4*
Employees	3,034	3,024	*0.3*	3,034	3,024	*0.3*

Net sales in reported currency rose 17.6 percent to SEK 910 million (774) and in local currency excluding acquisitions and disposals net sales grew 12.7 percent. The effect of exchange rate fluctuations was 4.9 percent.

Service revenues in local currency, excluding acquisitions and disposals grew 13.5 percent from significant increase in low-margin transit service revenues. Mobile service revenues grew by 4.8 percent following a positive subscription-base mix development and upsell generating a higher ARPU.

Adjusted EBITDA in reported currency increased 4.2 percent to SEK 292 million (281). The adjusted EBITDA margin fell to 32.1 percent (36.3) as a result of significant increased low margin transit revenues. In local currency, excluding acquisitions and disposals, adjusted EBITDA declined 0.2 percent.

CAPEX increased to SEK 119 million (106) and CAPEX excluding licenses and spectrum fees increased to SEK 119 million (106).

The number of mobile subscriptions declined by 19,000 whilst the number of fixed broadband and TV subscriptions grew by 2,000 and 3,000, respectively, in the quarter.

STABLE DEVELOPMENT IN ESTONIA

- A project of installing mobile connectivity in Estonia Mine, the largest underground oil shale mine in the world, was finalized in the quarter. Mobile coverage is now available in almost 40 km of the tunnels and connection will be available and remain active even when the mine will be expanded.

Highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2017	Apr-Jun 2016	*Chg (%)*	Jan-Jun 2017	Jan-Jun 2016	*Chg (%)*
Net sales	683	669	*2.2*	1,344	1,313	*2.3*
Change (%) local organic	*-2.1*			*-0.8*		
of which service revenues (external)	*539*	*514*	*4.8*	*1,072*	*1,026*	*4.5*
change (%) local organic	*0.4*			*1.3*		
Adjusted EBITDA	216	205	*5.4*	422	386	*9.2*
Margin (%)	31.6	30.6		31.4	29.4	
change (%) local organic	*1.0*			*5.9*		
Adjusted operating income	86	83	*4.1*	166	144	*15.6*
Operating income	85	75	*13.2*	163	131	*24.4*
CAPEX excluding license and spectrum fees	119	87	*37.4*	217	153	*41.7*
% of service revenues	22.0	16.8		20.2	14.9	
Adjusted EBITDA - CAPEX	47	118	*-60.2*	155	233	*-33.6*
Subscriptions, (thousands)						
Mobile	918	888	*3.4*	918	888	*3.4*
of which machine to machine (postpaid)	*212*	*177*	*19.9*	*212*	*177*	*19.9*
Fixed telephony	290	299	*-3.0*	290	299	*-3.0*
Broadband	233	231	*0.9*	233	231	*0.9*
TV	177	175	*1.1*	177	175	*1.1*
Employees	1,920	2,037	*-5.7*	1,920	2,037	*-5.7*

Net sales in reported currency increased 2.2 percent to SEK 683 million (669) and in local currency excluding acquisitions and disposals net sales declined 2.1 percent. The effect of exchange rate fluctuations was positive by 4.3 percent.

Service revenues in local currency, excluding acquisitions and disposals rose 0.4 percent as growth in mobile billed service revenues compensated for lower revenues from traditional fixed telephony as well as from the sales of travel products.

Adjusted EBITDA in reported currency increased 5.4 percent to SEK 216 million (205). The adjusted EBITDA margin grew to 31.6 percent (30.6) supported by higher mobile service revenues. In local currency, excluding acquisitions and disposals, adjusted EBITDA increased 1.0 percent.

CAPEX increased to SEK 169 million (87) and CAPEX excluding licenses and spectrum fees increased to SEK 119 million (87).

The number of mobile subscription increased by 17,000 and the number of fixed broadband subscriptions increased by 1,000 in the quarter. TV subscriptions remained unchanged in the quarter.

OTHER OPERATIONS

Highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2017	Apr-Jun 2016	*Chg (%)*	Jan-Jun 2017	Jan-Jun 2016	*Chg (%)*
Net sales	2,334	4,230	*-44.8*	4,569	8,365	*-45.4*
Change (%) local organic	*-1.6*			*1.1*		
of which Telia Carrier	*1,487*	*1,572*	*-5.4*	*2,921*	*2,988*	*-2.2*
of which Latvia	*480*	*418*	*15.0*	*928*	*830*	*11.8*
of which Spain	*0*	*1,951*		*0*	*3,986*	
Adjusted EBITDA	248	543	*-54.2*	566	896	*-36.8*
of which Telia Carrier	*120*	*125*	*-4.2*	*250*	*235*	*6.4*
of which Latvia	*151*	*135*	*11.7*	*294*	*270*	*8.7*
of which Spain	*0*	*262*		*0*	*381*	
Margin (%)	10.6	12.8		12.4	10.7	
Income from associated companies	-1,263	896		-699	1,639	
of which Russia	*152*	*269*	*-43.5*	*267*	*453*	*-41.1*
of which Turkey	*-1,451*	*603*		*-1,027*	*1,137*	
of which Latvia	*29*	*29*	*1.5*	*56*	*55*	*2.5*
Adjusted operating income	487	1,038	*-53.1*	1,073	1,755	*-38.9*
Operating income	-837	903		-301	1,518	
CAPEX	831	909	*-8.6*	1,499	1,737	*-13.7*
Subscriptions, (thousands)						
Mobile Latvia	1,224	1,123	*9.1*	1,224	1,123	*9.1*
of which machine to machine (postpaid)	*277*	*158*	*75.4*	*277*	*158*	*75.4*
Mobile Spain	–	3,261		–	3,261	
Employees	4,271	4,305	*-0.8*	4,271	4,305	*-0.8*

Net sales in reported currency fell 44.8 percent to SEK 2,334 million (4,230) mainly due to the divestment of Yoigo in Spain in the fourth quarter of 2016. In local currency excluding acquisitions and disposals net sales declined 1.6 percent. The effect of exchange rate fluctuations was positive by 1.7 percent and the effect from acquisitions and disposals was negative by 44.9 percent.

Adjusted EBITDA fell 54.2 percent to SEK 248 million (543) due to the divestment of Yoigo in Spain in the fourth quarter of 2016. The adjusted EBITDA margin declined to 10.6 percent (12.8).

In **Telia Carrier**, net sales in reported currency declined 5.4 percent to SEK 1,487 million (1,572) and adjusted EBITDA in reported currency, fell to SEK 120 million (125).

In **Latvia**, net sales in reported currency grew 15.0 percent to SEK 480 million (418) driven by both increased sales of mobile equipment and growth in mobile billed service revenues. The effect of exchange rate fluctuations was positive by 4.8 percent. Adjusted EBITDA in reported currency, increased to SEK 151 million (135) mainly as a result of growth in service revenues.

Income from associated companies was negative by SEK 1,263 million (896) driven by a capital loss of SEK 1.8 billion from the sales of shares in Turkcell in the quarter.

The decrease in **adjusted operating income** is related to lower EBITDA and lower contribution from associated companies. In addition to this **operating income** includes capital gain from Sergel divestment, capital loss from divestment of shares in Turkcell and write-down of plant and machinery and capitalized development expenses.

The number of mobile subscriptions in Latvia grew by 24,000 in the quarter mainly due to a 23,000 net addition of postpaid subscriptions used for machine-to-machine services.

DISCONTINUED OPERATIONS

- The operation in Tajikistan was divested in the quarter to the minority shareholder Aga Khan Fund for Economic Development.
- The improved operational trend in the former segment region Eurasia continued and adjusted EBITDA grew by 6.2 percent in local currencies.

Highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2017	Apr-Jun 2016	*Chg (%)*	Jan-Jun 2017	Jan-Jun 2016	*Chg (%)*
Net sales (external)	3,052	3,336	*-8.5*	6,138	7,133	*-13.9*
Adjusted EBITDA	1,133	1,393	*-18.7*	2,318	3,168	*-26.8*
Margin (%)	37.1	41.8		37.8	44.4	
CAPEX	725	820	*-11.6*	1,029	1,695	*-39.3*
CAPEX excluding license and spectrum fees	725	809	*-10.5*	1,029	1,067	*-3.6*

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 8.5 percent in reported currency to SEK 3,052 million (3,336), to some extent due to FX headwind, although mainly from the divestment of Ncell in Nepal in the second quarter of 2016 and the divestment of Tcell in Tajikistan from the second quarter of 2017.

Adjusted EBITDA fell to SEK 1,133 million (1,393). The adjusted EBITDA margin dropped to 37.1 percent (41.8), mainly due to the divestment of Ncell in Nepal in the second quarter of 2016.

CAPEX decreased to SEK 725 million (820). CAPEX, excluding license and spectrum fees decreased to SEK 725 million (809).

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK in millions, except per share data and number of shares	Note	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
Continuing operations					
Net sales	5	19,801	21,130	39,053	41,524
Cost of sales		-12,516	-12,666	-24,070	-24,813
Gross profit		**7,285**	**8,465**	**14,982**	**16,711**
Selling, administration and R&D expenses		-4,883	-5,012	-9,417	-9,876
Other operating income and expenses, net		1,124	-248	1,040	-292
Income from associated companies and joint ventures		-1,258	896	-697	1,642
Operating income	5	**2,268**	**4,100**	**5,909**	**8,184**
Financial items, net		-909	-402	-1,436	-966
Income after financial items		**1,359**	**3,699**	**4,473**	**7,219**
Income taxes		-166	-849	-734	-1,464
Net income from continuing operations		**1,193**	**2,849**	**3,739**	**5,754**
Discontinued operations					
Net income from discontinued operations	4	**-1,501**	**1,052**	**3,095**	**2,058**
Total net income		**-308**	**3,902**	**6,834**	**7,812**
Items that may be reclassified to net income:					
Foreign currency translation differences from continuing operations		3,308	1,756	2,487	1,738
Foreign currency translation differences from discontinued operations		-1,010	1,097	-1,334	281
Other comprehensive income from associated companies and joint ventures		-25	-73	173	-307
Cash flow hedges		-127	-228	-219	-174
Available-for-sale financial instruments		120	60	13	143
Income taxes relating to items that may be reclassified		136	280	59	492
Items that will not be reclassified to net income:					
Remeasurements of defined benefit pension plans		28	-217	-198	-1,907
Income taxes relating to items that will not be reclassified		0	54	52	420
Associates remeasurements of defined benefit pension plans		2	-1	-26	-19
Other comprehensive income		**2,432**	**2,729**	**1,008**	**668**
Total comprehensive income		**2,124**	**6,630**	**7,842**	**8,480**
Total net income attributable to:					
Owners of the parent		-397	1,439	6,587	5,205
Non-controlling interests		89	2,463	248	2,607
Total comprehensive income attributable to:					
Owners of the parent		2,680	3,666	7,928	5,472
Non-controlling interests		-556	2,965	-86	3,008
Earnings per share (SEK), basic and diluted		-0.09	0.33	1.52	1.20
of which continuing operations, basic and diluted		0.27	0.65	0.85	1.31
Number of shares (thousands)					
Outstanding at period-end		4,330,085	4,330,085	4,330,085	4,330,085
Weighted average, basic and diluted		4,330,085	4,330,083	4,330,085	4,330,082
EBITDA in continuing operations		7,134	6,043	13,119	12,148
Adjusted EBITDA in continuing operations		6,095	6,389	12,244	12,606
Depreciation, amortization and impairment losses from continuing operations		-3,608	-2,839	-6,513	-5,605
Adjusted operating income in continuing operations		3,702	4,446	7,507	8,644

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK in millions	Note	Jun 30, 2017	Dec 31, 2016
Assets			
Goodwill and other intangible assets	6, 14	74,321	70,947
Property, plant and equipment	6	58,369	58,107
Investments in associates and joint ventures, pension obligation assets and other non-current assets		22,409	27,934
Deferred tax assets		3,970	4,366
Long-term interest-bearing receivables	10	16,204	18,120
Total non-current assets		*175,273*	*179,475*
Inventories		1,733	1,792
Trade and other receivables and current tax receivables		17,826	17,468
Short-term interest-bearing receivables	10	10,307	11,143
Cash and cash equivalents	10	19,266	14,510
Assets classified as held for sale	4, 10	24,226	29,042
Total current assets		*73,358*	*73,955*
Total assets		**248,631**	**253,430**
Equity and liabilities			
Equity attributable to owners of the parent		88,683	89,833
Equity attributable to non-controlling interests		4,501	5,036
Total equity		*93,184*	*94,869*
Long-term borrowings	7, 10	90,920	83,161
Deferred tax liabilities		10,314	10,567
Provisions for pensions and other long-term provisions		6,115	7,282
Other long-term liabilities		1,934	725
Total non-current liabilities		*109,282*	*101,734*
Short-term borrowings	7, 10	3,180	11,307
Trade payables and other current liabilities, current tax payables and short-term provisions	4	30,732	31,892
Liabilities directly associated with assets classified as held for sale	4, 10	12,254	13,627
Total current liabilities		*46,166*	*56,826*
Total equity and liabilities		**248,631**	**253,430**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SEK in millions	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
Cash flow before change in working capital	7,276	6,252	14,273	12,474
Change in working capital	315	111	826	366
Cash flow from operating activities	**7,590**	**6,363**	**15,099**	**12,839**
of which from discontinued operations	*1,143*	*827*	*1,750*	*1,899*
Cash CAPEX	-4,818	-4,664	-8,240	-8,848
Free cash flow	**2,772**	**1,698**	**6,859**	**3,991**
of which from discontinued operations	*289*	*-86*	*515*	*136*
Cash flow from other investing activities	1,992	9,390	2,001	10,416
Total cash flow from investing activities	**-2,826**	**4,726**	**-6,239**	**1,568**
of which from discontinued operations	*-1,309*	*1,178*	*-1,637*	*171*
Cash flow before financing activities	**4,765**	**11,089**	**8,860**	**14,407**
Cash flow from financing activities	**5,449**	**-9,298**	**-4,306**	**-12,666**
of which from discontinued operations	*280*	*145*	*-359*	*145*
Cash flow for the period	**10,213**	**1,791**	**4,555**	**1,742**
of which from discontinued operations	*114*	*2,150*	*-246*	*2,215*
Cash and cash equivalents, opening balance	**16,902**	**25,045**	**22,907**	**25,334**
Cash flow for the period	10,213	1,791	4,555	1,742
Exchange rate differences in cash and cash equivalents	-756	806	-1,101	566
Cash and cash equivalents, closing balance	**26,360**	**27,642**	**26,360**	**27,642**
of which from continuing operations (incl. Sergel and Yoigo)	*19,266*	*17,228*	*19,266*	*17,228*
of which from discontinued operations (Eurasia)	*7,094*	*10,413*	*7,094*	*10,413*

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SEK in millions	Owners of the parent	Non-controlling interests	Total equity
Opening balance, January 1, 2016	**97,884**	**4,318**	**102,202**
Dividends	-12,990	-215	-13,205
Share-based payments	14	–	14
Repurchased treasury shares	-5	–	-5
Change in non-controlling interests	-41	41	–
Total transactions with owners	*-13,022*	*-174*	*-13,196*
Total comprehensive income	5,472	3,008	8,480
Closing balance, June 30, 2016	**90,334**	**7,151**	**97,485**
Dividends	–	-2,150	-2,150
Share-based payments	14	–	14
Change in non-controlling interests	83	-84	-1
Total transactions with owners	*97*	*-2,234*	*-2,137*
Total comprehensive income	-639	117	-522
Effect of equity transactions in associates	39	–	39
Closing balance, December 31, 2016	**89,833**	**5,036**	**94,869**
Opening balance, January 1, 2017	**89,833**	**5,036**	**94,869**
Dividends	-8,660	-835	-9,495
Share-based payments	15	–	15
Repurchased treasury shares	-4	–	-4
Change in non-controlling interests	-385	385	–
Total transactions with owners	*-9,034*	*-449*	*-9,483*
Total comprehensive income	7,928	-86	7,842
Effect of equity transactions in associates	-43	–	-43
Closing balance, June 30, 2017	**88,683**	**4,501**	**93,184**

NOTE 1. BASIS OF PREPARATION

General

As in the annual accounts for 2016, Telia Company's consolidated financial statements as of and for the six-month period ended June 30, 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 second 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 in the first quarter of 2017 of certain types of mobile subscriptions in Sweden the operational data for number of subscriptions 2016 has been restated for comparability.

Assets held for sale and discontinued operations

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. The Sergel companies (Sergel), divested as per June 30, 2017, 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 2. REFERENCES

For more information regarding;

- Sales and earnings, Cash flow and Financial position see pages 6-8.
- Significant events in the first and second quarter, see page 9.
- Significant events after the end of the second quarter, see page 9.
- Risks and uncertainties, see pages 37-42.

NOTE 3. ADJUSTMENT ITEMS

Adjustment items within operating income, continuing operations

SEK in millions	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
Within EBITDA	**1,039**	**-345**	**875**	**-459**
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.:				
Sweden	-2	-181	-35	-251
Finland	-11	5	-63	-31
Norway	-72	-10	-89	-28
Denmark	-11	-4	-14	-28
Lithuania	-11	-11	-20	-25
Estonia	-2	-8	-3	-12
Other operations	-65	-135	-114	-237
Capital gains/losses[1]	1,213	-2	1,213	155
Within Depreciation, amortization and impairment losses[2]	**-646**	**0**	**-646**	**0**
Within Income from associated companies and joint ventures	**-1,827**	**0**	**-1,827**	**-1**
Capital gains/losses[3]	-1,827	0	-1,827	-1
Total adjustment items within operating income, continuing operations	**-1,434**	**-345**	**-1,598**	**-459**

Adjustment items within EBITDA, discontinued operations (region Eurasia)

SEK in millions	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
Within EBITDA	**-431**	**1,138**	**3,658**	**1,110**
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.: [4]	-238	-121	3,852	-149
Impairment loss on remeasurement to fair value less costs to sell	–	–	–	–
Capital gains/losses	-193	1,258	-193	1,258
Total adjustment items within EBITDA, discontinued operations	**-431**	**1,138**	**3,658**	**1,110**

1) Second quarter 2017 relates to capital gain of the disposal of Sergel.
2) As a result of an assessment performed on IT and network assets a write-down of SEK 646 million, mainly related to plant and machinery and capitalized development expenses was recognized in the second quarter 2017.
3) Following the divestment of 7 percent of Turkcell shares a capital loss of SEK 1,828 million has been recognized in the second quarter.
4) First half 2017 include the total net income effect of the change in the provision for settlement amount proposed by the US and Dutch authorities.

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. Tcell in Tajikistan was divested in April 2017. The remaining Eurasian parts are available for immediate sale and divestments of these units are deemed highly probable within 2017.

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 for comparative figures) are classified as held for sale and the related assets and liabilities are therefore presented separately in two line items in the consolidated statement of financial position. The amounts for discontinued operations and assets and liabilities held for sale in the consolidated financial statements are presented after elimination of intra-group transactions and intra-group balances.

Measurement

In accordance with IFRS 5 discontinued operations and assets held for sale are measured at the lower of carrying value and estimated fair value less costs to sell. The valuation is based on an assessment of the input from the sales 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. Due to increased regulatory and currency risks in Uzbekistan as well as an updated view of the valuation ranges for Ucell, management's best estimate of the risk adjusted debt free value of Ucell has been reduced from SEK 3.3 billion to SEK 1.3 billion as of June 30, 2017. An impairment loss relating to Ucell of SEK 1,500 million (after changes in carrying values and foreign exchange rates) has been recognized in the second quarter 2017. Changes in any of the estimated risk adjustments made for Ucell would have a material impact on the estimated fair value. The most significant impact on fair value will be the buyer's ability to operate in the country and convert local currency. For more information on valuation of Ucell, see the Annual and Sustainability Report 2016.

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

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 had 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.

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

Tcell in Tajikistan

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

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

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 was approved by the Swedish Financial Supervisory Authority as well as Competition Authorities, and Sergel was divested on June 30, 2017. The divestment resulted in a capital gain of SEK 1,213 million. The sale had a positive net cash flow effect of SEK 1,908 million and reduced net debt by SEK 1,942 million.

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

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. As per March 31, 2017, a final resolution had not yet been reached, but in light of recent developments to that date in those discussions, the estimate of the most likely outcome was revised and the provision was adjusted to USD 1.0 billion (SEK 8.9 billion at that point in time). As per June 30, 2017, the provision remains unchanged at USD 1.0 billion corresponding to SEK 8.5 billion, the change is related to changed foreign exchange rate. 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 until the end of the first quarter 2017, the provision was partly hedged for changes in foreign currencies. From the second quarter 2017 the provision is fully hedged. 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. There was no effect on net income in the second quarter 2017.

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	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
Net sales	3,052	3,336	6,138	7,133
Expenses and other operating income, net [1]	-2,155	-2,054	35	-4,094
Operating income	**897**	**1,281**	**6,172**	**3,038**
Financial items, net	-89	-4	-141	-64
Income after financial items	**808**	**1,278**	**6,031**	**2,975**
Income taxes	-285	-484	-664	-975
Net income before remeasurement and gain/loss on disposal	**522**	**793**	**5,368**	**1,999**
Impairment loss on remeasurement to fair value less costs to sell [2]	-1,830	-1,000	-2,079	-1,200
Gain on disposal of Ncell in Nepal (including cumulative Ncell exchange loss in equity reclassified to net income of SEK -1,065 million) [3]	–	1,258	–	1,258
of which loss attributable to parent shareholders	–	*-888*	–	*-888*
of which gain attributable to non-controlling interests	–	*2,146*	–	*2,146*
Loss on disposal of Tcell in Tajikistan (including cumulative Tcell exchange loss in equity reclassified to net income of SEK -193 million) [3]	-193	–	-193	–
Net income from discontinued operations	**-1,501**	**1,052**	**3,095**	**2,058**
EPS from discontinued operations (SEK)	-0.36	-0.32	0.67	-0.11
Adjusted EBITDA	1,133	1,393	2,318	3,168

1) The first half 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/loss.

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

SEK in millions	Eurasia Jun 30, 2017[1]	Eurasia Dec 31, 2016[1]	Sergel, Dec 31, 2016	Total, Dec 31, 2016[1]
Goodwill and other intangible assets	5,925	7,562	38	7,601
Property, plant and equipment	7,379	7,551	6	7,557
Other non-current assets	8	448	251	699
Short-term interest-bearing receivables	2,009	1,889	1	1,890
Other current assets[1]	1,811	2,329	568	2,898
Cash and cash equivalents[1]	7,094	8,302	95	8,397
Assets classified as held for sale	**24,226**	**28,082**	**960**	**29,042**
Long-term borrowings	1,473	355	–	355
Long-term provisions	2,364	2,652	149	2,801
Other long-term liabilities	3,254	3,711	5	3,716
Short-term borrowings	579	1,612	–	1,612
Other current liabilities	4,584	4,932	211	5,144
Liabilities associated with assets classified as held for sale	**12,254**	**13,262**	**365**	**13,627**
Net assets classified as held for sale[2]	**11,972**	**14,819**	**596**	**15,415**

1) The minority owner Visor's share of the sales price for Ncell and Visor's share of the holding company Reynolds Holding 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	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
Net sales				
Sweden	9,079	9,260	18,153	18,095
of which external	*9,019*	*9,207*	*18,032*	*17,961*
Finland	3,339	3,149	6,611	6,312
of which external	*3,302*	*3,115*	*6,529*	*6,238*
Norway	2,577	2,162	4,865	4,196
of which external	*2,570*	*2,158*	*4,854*	*4,187*
Denmark	1,443	1,419	2,923	2,816
of which external	*1,419*	*1,389*	*2,873*	*2,757*
Lithuania	910	774	1,718	1,544
of which external	*903*	*758*	*1,694*	*1,510*
Estonia	683	669	1,344	1,313
of which external	*660*	*648*	*1,300*	*1,275*
Other operations	2,334	4,230	4,569	8,365
Total segments	**20,366**	**21,663**	**40,182**	**42,641**
Eliminations	-565	-533	-1,130	-1,116
Group	**19,801**	**21,130**	**39,053**	**41,524**
Adjusted EBITDA				
Sweden	3,268	3,509	6,628	7,098
Finland	1,038	987	2,012	2,003
Norway	879	705	1,747	1,370
Denmark	153	159	293	296
Lithuania	292	281	576	558
Estonia	216	205	422	386
Other operations	248	543	566	896
Total segments	**6,095**	**6,389**	**12,244**	**12,606**
Eliminations	0	0	0	0
Group	**6,095**	**6,389**	**12,244**	**12,606**
Operating income				
Sweden	1,990	2,143	4,051	4,656
Finland	501	517	917	1,014
Norway	416	352	894	687
Denmark	-46	-27	-92	-91
Lithuania	160	138	278	269
Estonia	85	75	163	131
Other operations	-837	903	-301	1,518
Total segments	**2,268**	**4,100**	**5,909**	**8,184**
Eliminations	0	0	0	0
Group	**2,268**	**4,100**	**5,909**	**8,184**
Financial items, net	-909	-402	-1,436	-966
Income after financial items	**1,359**	**3,699**	**4,473**	**7,219**

SEK in millions	Jun 30, 2017	Jun 30, 2017	Dec 31, 2016	Dec 31, 2016
	Segment assets	Segment liabilities	Segment assets	Segment liabilities
Sweden	44,718	10,821	46,157	11,304
Finland	45,845	4,264	44,798	3,462
Norway	28,840	2,085	27,583	2,207
Denmark	8,314	1,323	8,689	1,564
Lithuania	6,792	481	6,893	701
Estonia	5,038	356	5,090	442
Other operations	33,638	15,210	37,752	21,217
Total segments	**173,185**	**34,541**	**176,962**	**40,896**
Unallocated	51,220	108,653	47,425	104,037
Assets and liabilities held for sale	24,226	12,254	29,042	13,627
Total assets/liabilities, group	**248,631**	**155,448**	**253,430**	**158,561**

NOTE 6. INVESTMENTS

SEK in millions	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
CAPEX	**5,180**	**3,773**	**8,168**	**6,970**
Intangible assets	2,242	561	2,768	1,174
Property, plant and equipment	2,938	3,212	5,400	5,796
Acquisitions and other investments	**2,443**	**100**	**2,662**	**219**
Asset retirement obligations	-41	32	-15	115
Goodwill, intangible and tangible non-current assets acquired in business combinations	2,484	2	2,678	28
Equity holdings	0	65	0	76
Total continuing operations	**7,622**	**3,872**	**10,830**	**7,189**
Total discontinued operations	**725**	**820**	**1,029**	**1,706**
of which CAPEX	*725*	*820*	*1,029*	*1,695*
Total investments	**8,347**	**4,692**	**11,859**	**8,895**
of which CAPEX	*5,904*	*4,592*	*9,197*	*8,665*

NOTE 7. FINANCIAL INSTRUMENTS – FAIR VALUES

Long-term and short-term borrowings[1] SEK in millions	Jun 30, 2017 Carrying value	Jun 30, 2017 Fair value	Dec 31, 2016 Carrying value	Dec 31, 2016 Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	42,701	53,353	37,189	46,135
Interest rate swaps	315	315	37	37
Cross currency interest rate swaps	2,017	2,017	2,648	2,648
Subtotal	**45,032**	**55,685**	**39,873**	**48,819**
Open-market financing program borrowings	43,562	49,098	41,334	45,209
Other borrowings at amortized cost	2,118	2,118	1,733	1,733
Subtotal	**90,712**	**106,901**	**82,940**	**95,761**
Finance lease agreements	208	208	221	221
Total long-term borrowings	**90,920**	**107,109**	**83,161**	**95,982**
Short term borrowings				
Open-market financing program borrowings in fair value hedge relationships	–	–	7,486	7,551
Interest rate swaps	11	11	3	3
Cross currency interest rate swaps	176	176	191	191
Subtotal	**187**	**187**	**7,679**	**7,744**
Utilized bank overdraft and short-term credit facilities at amortized cost	1	1	0	0
Open-market financing program borrowings	2,081	2,088	2,258	2,265
Other borrowings at amortized cost	904	930	1,360	1,360
Subtotal	**3,174**	**3,206**	**11,297**	**11,368**
Finance lease agreements	6	6	10	10
Total short-term borrowings	**3,180**	**3,212**	**11,307**	**11,378**

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

Financial assets and liabilities by fair value hierarchy level[1] SEK in millions	Jun 30, 2017 Carry-ing value	Jun 30, 2017 of which Level 1	Jun 30, 2017 of which Level 2	Jun 30, 2017 of which Level 3	Dec 31, 2016 Carry-ing value	Dec 31, 2016 of which Level 1	Dec 31, 2016 of which Level 2	Dec 31, 2016 of which Level 3
Financial assets at fair value								
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	17,673	17,673	–	–	19,186	19,186	–	–
Derivatives designated as hedging instruments	1,571	–	1,571	–	2,637	–	2,637	–
Derivatives held-for-trading	1,279	–	1,279	–	3,058	–	3,058	0
Total financial assets at fair value by level	**21,711**	**17,673**	**2,850**	**1,188**	**26,069**	**19,186**	**5,695**	**1,188**
Financial liabilities at fair value								
Derivatives designated as hedging instruments	2,266	–	2,266	–	2,346	–	2,346	–
Derivatives held-for-trading	727	–	727	–	1,226	–	1,226	–
Total financial liabilities at fair value by level	**2,993**	**–**	**2,993**	**–**	**3,572**	**–**	**3,572**	**–**

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

Fair value measurement of level 3 financial instruments

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

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

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

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

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

The table below presents the movement in level 3 instruments for the six-month period ended June 30, 2017.

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

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

NOTE 8. TREASURY SHARES

No Telia Company shares were held by the company or by its subsidiaries as of June 30, 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 six-month period ended June 30, 2017, Telia Company purchased goods and services for SEK 29 million (28), and sold goods and services for SEK 6 million (31). Related parties in these transactions were mainly the associated companies MegaFon, Turkcell and Lattelecom. Related party transactions are based on commercial terms.

NOTE 10. NET DEBT, CONTINUING AND DISCONTINUED OPERATIONS

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

SEK in millions	Jun 30, 2017	Dec 31, 2016
Long-term borrowings	92,393	83,516
Less 50 percent of hybrid capital[1]	-7,590	–
Short-term borrowings	3,759	12,919
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA)	-2,474	-5,455
Less long-term bonds available for sale	-10,201	-10,185
Less short-term investments	-8,694	-7,132
Less cash and cash equivalents	-26,360	-22,907
Net debt, continuing and discontinued operations	**40,833**	**50,756**

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

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

NOTE 11. LOAN FINANCING AND CREDIT RATING

On April 4, 2017, the successfully issued hybrid capital in EUR and SEK of a total amount corresponding to approximately SEK 15 billion was settled. The main rationale for introducing an additional permanent capital layer in the balance sheet is to enable increased financial flexibility and to reinforce the commitment to a solid investment grade rating of A- to BBB+.

On April 5, 2017, Telia Company settled the tender of nominal EUR 545 million of outstanding EUR bonds announced in conjunction with the hybrid issuance. The hybrid proceeds were mainly used to refinance buy back of senior debt and replacing a redemption of EUR 750 million maturing on March 7, 2017. Both the hybrid and the settlement of the repurchased bonds were recognized in the beginning of April 2017. The Standard & Poor long-term rating is A- and short-term rating is A-2. On April 3, 2017, following the Telia Company hybrid capital transactions, Standard & Poor affirmed Telia Company's A-/A-2 rating and removed the CreditWatch with negative implications but added a negative outlook. Moody's rating for long-term borrowings is Baa1 and P-2 for short-term borrowings, both with a stable outlook.

NOTE 12. CONTINGENT LIABILITIES, COLLATERAL PLEDGED AND LITIGATIONS

As of June 30, 2017, the maximum potential future payments that Telia Company (continuing operations) could be required to make under issued financial guarantees totaled SEK 464 million (398 at the end of 2016), of which SEK 351 million (287 at the end of 2016) referred to guarantees for pension obligations. Collateral pledged (continuing and discontinued operations) totaled SEK 57 million (752 at the end of 2016), the decrease is mainly due to no pledged investment bonds in repurchase agreements in 2017. For ongoing legal proceedings see Note 29 in the Annual and Sustainability Report 2016. For updated info regarding the settlement amount proposed by the US and Dutch authorities see Note 4 and Section Risk and uncertainties in this report.

NOTE 13. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of June 30, 2017, contractual obligations (continuing operations) totaled SEK 3,700 million (2,897 at the end of 2016), of which SEK 1,367 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.

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

SEK in millions	Fältcom and C-Sam	Phonero	Total
Cost of combination	**244**	**2,316**	**2,560**
of which cash consideration	*236*		
Fair value of net assets acquired			
Property, plant and equipment, intangible assets and other non-current assets	40	814	854
Current assets	36	201	237
Total assets acquired	**76**	**1,015**	**1,091**
Non-current liabilities	-4	-177	-181
Current liabilities	-22	-355	-377
Total liabilities assumed	**-26**	**-531**	**-577**
Total fair value of net assets acquired	**50**	**484**	**534**
Goodwill	**193**	**1,832**	**2,025**

Fältcom and C-Sam

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.

Phonero

The net cash flow effect from the acquisition of Phonero was SEK 2,251 million in the second quarter 2017. Goodwill consists of the knowledge of transferred personnel and expected synergies of the merged operations. No part of goodwill is expected to be deductible for tax purposes. Acquisition-related costs of SEK 30 million have been recognized as other operating expenses. The total cost of the combination and fair values has been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustments. Compared to the preliminary fair values presented in the interim report for the first quarter of 2017, goodwill has been increased by SEK 61 million, mainly as a result of reduced values for intangible assets by SEK 104 million and related decrease of deferred tax liability of SEK 23 million and a purchase price adjustment of SEK -25 million. Other changes relate mainly to reclassifications. From the acquisition date, revenue of SEK 266 million and net income of SEK -22 million are included in the condensed consolidated statements of comprehensive income. If Phonero had been acquired at the beginning of 2017, revenues and net income for Telia Company for the first half year had been SEK 39,331 million and SEK 3,775 million, respectively.

Minor business combination

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.

Business combinations after the reporting period

On July 3, 2017, Telia Company acquired all shares in the Finnish company Nebula Top Oy, a company which provides cloud services. The acquisition will strengthen Telia Company's position in the Finnish SME and SoHo segments. 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	Nebula Top Oy
Cost of combination	**1,111**
Fair value of net assets acquired	
Goodwill, intangible, tangible and other non-current assets	1,600
Current assets	72
Total assets acquired including goodwill	**1,672**
Non-current liabilities	-448
Current liabilities	-113
Total liabilities assumed	**-561**
Total fair value of net assets acquired including goodwill	**1,111**

Minor business combinations after the reporting period

On July 3, 2017, Telia Company acquired 93.35 percent of the total shares in the Swedish company Humany AB, a company within self-learning knowledgebase systems. The cost of the acquisition was approximately SEK 64 million.

The total cost of the combinations and fair values for Nebula and Humany have been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to 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.

	Jun 30, 2017	Dec 31, 2016
Return on equity (%, rolling 12 months)[1, 2, 3]	6.4	4.5
Return on capital employed (%, rolling 12 months)[1, 2, 3]	6.8	7.7
Equity/assets ratio (%) [2, 3]	34.0	34.0
Net debt/adjusted EBITDA rate (multiple, rolling 12 months) [1]	1.36	1.69
Owners' equity per share (SEK) [2, 3]	20.48	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, Adjusted EBITDA, Adjusted operating income, continuing operations, CAPEX, Cash CAPEX, Free cash flow, Operational free cash flow and Net debt. (Adjustment items were previously named non-recurring items.) These alternative measures are considered to be important performance indicators for investors and other users of the Interim report. The alternative performance measures should be considered as a complement to, but not a substitute for, the information prepared in accordance with IFRS. Telia Company's definitions of these non-IFRS measures are described in this Note and in the Annual and Sustainability Report 2016. These terms may be defined differently by other companies and are therefore not always comparable to similar measures used by other companies.

EBITDA and adjusted EBITDA

Telia Company considers EBITDA as a relevant measure 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 adjusted EBITDA. Adjustment items within EBITDA are specified in Note 3.

Continuing operations

SEK in millions	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
Operating income	**2,268**	**4,100**	**5,909**	**8,184**
Income from associated companies and joint ventures	1,258	-896	697	-1,642
Total depreciation/amortization/write-down	3,608	2,839	6,513	5,605
EBITDA	**7,134**	**6,043**	**13,119**	**12,148**
Adjustment items within EBITDA (Note 3)	-1,039	345	-875	459
Adjusted EBITDA	**6,095**	**6,389**	**12,244**	**12,606**

Discontinued operations

SEK in millions	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
Operating income	**897**	**1,281**	**6,172**	**3,038**
Income from associated companies and joint ventures	-2	-9	-3	-19
Total depreciation/amortization/write-down	–	–	–	–
Gain/loss on disposals	-193	1,258	-193	1,258
EBITDA	**702**	**2,531**	**5,976**	**4,277**
Adjustment items within EBITDA (Note 3)	431	-1,138	-3,658	-1,110
Adjusted EBITDA	**1,133**	**1,393**	**2,318**	**3,168**

Adjusted operating income, continuing operations

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

SEK in millions	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
Operating income	**2,268**	**4,100**	**5,909**	**8,184**
Adjustment items within Operating income (Note 3)	1,434	345	1,598	459
Adjusted operating income, continuing operations	**3,702**	**4,446**	**7,507**	**8,644**

CAPEX and Cash 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	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
Continuing operations				
Intangible assets	2,242	561	2,768	1,174
Property, plant and equipment	2,938	3,212	5,400	5,796
CAPEX	**5,180**	**3,773**	**8,168**	**6,970**
Discontinued operations				
Intangible assets	39	48	57	698
Property, plant and equipment	685	772	972	997
CAPEX	**725**	**820**	**1,029**	**1,695**
Net of not paid investments and additional payments from previous periods	-1,086	72	-957	183
Cash CAPEX	**4,818**	**4,664**	**8,240**	**8,848**

Free cash flow

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

SEK in millions	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Dec 2016
Cash flow from operating activities	7 590	6,363	15 099	12,839
Cash CAPEX (paid Intangible and tangible assets)	-4 818	-4,664	-8 240	-8,848
Free cash flow from continuing and discontinued operations	**2 772**	**1,698**	**6 859**	**3,991**

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 boards and the annual general meetings of the associated companies. Licenses and spectrum payments are excluded as they generally refer to a longer period than just one year.

SEK in millions	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
Cash flow from operating activities from continuing operations	6,447	5,536	13 349	10,940
Deduct: Cash CAPEX from continuing operations	-3,964	-3,751	-7 005	-7,084
Free cash flow continuing operations	**2,483**	**1,785**	**6 344**	**3,856**
Add back: Cash CAPEX for licenses from continuing operations	475	0	554	27
Deduct: Dividends from associates from continuing operations	-933	-139	-937	-147
Add back: Taxes paid on dividends from associates from continuing operations	113	1	113	1
Operational free cash flow	**2,138**	**1,647**	**6,075**	**3,737**

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	Apr-Jun 2017	Apr-Jun 2016[1]	Jan-Jun 2017	Jan-Jun 2016[1]
Net sales	93	131	186	263
Gross income	**93**	**131**	**186**	**263**
Operating expenses and other operating income, net	-497	-388	3,378	-743
Operating income	**-404**	**-257**	**3,565**	**-480**
Financial income and expenses	8,309	10,111	6,778	8,640
Income after financial items	**7,905**	**9,854**	**10,343**	**8,160**
Appropriations	1,610	2,331	2,995	5,221
Income before taxes	**9,515**	**12,185**	**13,337**	**13,381**
Income taxes	-23	-164	-329	-403
Net income	**9,491**	**12,021**	**13,009**	**12,978**

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.

The first half of 2017 includes the adjustment of the provision for the settlement amount proposed by the US and Dutch authorities, the total net income effect of the change in the provision, foreign exchange differences and the hedge was SEK 4.1 billion. See Note 4 for further information.

Financial income and expenses in the second quarter and half year decreased mainly due to reduced earnings from subsidiaries offset by increased foreign exchange net.

Condensed balance sheets

SEK in millions	Jun 30, 2017	Dec 31, 2016
Assets		
Non-current assets	157,500	162,286
Current assets	60,539	52,898
Total assets	**218,038**	**215,184**
Equity and liabilities		
Restricted shareholders' equity	15,713	15,713
Non-restricted shareholders' equity	68,760	64,573
Total shareholders' equity	**84,474**	**80,286**
Untaxed reserves	8,500	8,786
Provisions	502	519
Long-term liabilities	88,627	81,216
Short-term liabilities and short-term provisions	35,935	44,377
Total equity and liabilities	**218,038**	**215,184**

Non-current assets decreased mainly due to settlement of intra-group receivables and changes in market value of interest rate and foreign exchange rate swaps.

Long-term liabilities increased mainly due to the issue of hybrid capital. In connection with the issue buy-backs of outstanding Telia Company bonds had an adverse effect giving a net increase in long-term liabilities also affecting current assets.

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

Financial investments first half 2017 were SEK 2,731 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 safe working environment may lead to increasing sick leave, low employee engagement and a higher number of accidents and injuries, incurring increased costs and potential loss of critical competence.

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

Ability to recruit and retain skilled employees

People 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 be great at attract, recruit, and retain highly skilled employee to ensure the demand and supply.

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

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

Environment

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

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

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

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 in April 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. As per March 31, 2017 a final resolution had not yet been reached, but in light of recent developments to that date in those discussions, the estimate of the most likely outcome was revised and the provision was adjusted to USD 1.0 billion (SEK 8.9 billion at that point in time). As per June 30, 2017 the provision remains unchanged at USD 1.0 billion corresponding to SEK 8.5 billion. The change is related to changed foreign exchange rate. See note 4 for further information.
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

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BOARD OF DIRECTORS' AND PRESIDENT'S CERTIFICATION

The Board of Directors and the President and CEO certify that the Interim Report gives a true and fair overview of the Parent Company's and Group's operations, their financial position and results of operations, and describes significant risks and uncertainties facing the Parent Company and other companies in the Group.

Stockholm, July 20, 2017

Marie Ehrling
Chair of the Board

Olli-Pekka Kallasvuo
Vice-Chair of the Board

Agneta Ahlström
Board member,
employee representative

Susanna Campbell
Board member

Stefan Carlsson
Board member,
employee representative

Mikko Kosonen
Board member

Nina Linander
Board member

Martin Lorentzon
Board member

Anna Settman
Board member

Olaf Swantee
Board member

Peter Wiklund
Board member,
employee representative

Johan Dennelind
President and CEO

REVIEW REPORT

Introduction

We have reviewed the interim report for Telia Company AB (publ) for the period January 1 - June 30, 2017. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, July 20, 2017

Deloitte AB

Jan Nilsson
Authorized Public Accountant

FORWARD-LOOKING STATEMENTS

Statements made in the press release relating to future status or circumstances, including future performance and other trend projections are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements due to many factors, many of which are outside the control of Telia Company.

TELIA COMPANY IN BRIEF

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

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

DEFINITIONS

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

Billed revenues: Voice, messaging, data and content.

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

Change local organic (%): The change in Net sales/External service revenues/Adjusted EBITDA, excluding effects from changes in currency rates compared to the group's reporting currency (SEK) and acquisitions/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 50 percent of hybrid capital (which, consistent with market practice for the type of instrument, is treated as equity), less short-term investments, long-term bonds available for sale and cash/cash equivalents.

Net debt/adjusted EBITDA ratio (multiple): Net debt divided by adjusted EBITDA rolling 12 months and excluding 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-October 2017
October 19, 2017

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

QUESTIONS REGARDING THE REPORTS

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This information is information that Telia Company AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 07:00 CET on July 20,

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