TELIA COMPANY INTERIM REPORT JANUARY–MARCH 2018

STRONG EBITDA AND CASH FLOW GROWTH

First quarter summary

- Net sales in local currencies, excluding acquisitions and disposals, increased 0.2 percent. In reported currency, net sales rose 3.2 percent to SEK 19,852 million (19,227). Service revenues in local currencies, excluding acquisitions and disposals, decreased 0.9 percent.
- Adjusted EBITDA rose 4.2 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA rose 7.4 percent to SEK 6,495 million (6,049) due to organic growth, positive net impact from acquisitions and disposals and foreign exchange rate impact. The adjusted EBITDA margin improved to 32.7 percent (31.5).
- Adjusted operating income fell 3.2 percent to SEK 3,588 million (3,706).
- Total net income fell to SEK -600 million (7,054) mainly due to the disposals of Azercell and Geocell (resulting in capital losses and lower net income contribution), and an impairment charge related to Ucell. The devaluation in Uzbekistan in the third quarter of 2017 had also a negative impact in the first quarter of 2018, while the first quarter of 2017 included a positive effect from the adjustment of the provision regarding the Uzbekistan investigations. These also affected Total net income attributable to the owners of the parent that fell to SEK -710 million (6,894).
- Free cash flow in continuing and discontinued operations rose to SEK 4,383 million (4,087). Operational free cash flow in continuing operations increased to SEK 4,256 million (3,937).
- The Board of Directors has decided to initiate a share buyback program. The ambition is to buy back shares for an annual amount of SEK 5 billion over the coming three year period. The reason is to return excess cash to shareholders and is a continued effort to optimize the capital structure of the company.
- Outlook for 2018 is revised.

Highlights

SEK in millions, except key ratios, per share data and changes	Jan-Mar 2018	Jan-Mar 2017[4]	Chg %	Jan-Dec 2017[4]
Net sales	19,852	19,227	3.2	79,790
Change (%) local organic[1]	*0.2*			
of which service revenues (external)	*16,795*	*16,477*	*1.9*	*67,657*
change (%) local organic	*-0.9*			
Adjusted[2] EBITDA[1]	6,495	6,049	7.4	25,151
Change (%) local organic	*4.2*			
Margin (%)	32.7	31.5		31.5
Adjusted[2] operating income[1]	3,588	3,706	-3.2	14,781
Operating income	3,398	3,542	-4.0	13,768
Income after financial items	2,940	3,019	-2.6	9,554
Net income from continuing operations	2,346	2,456	-4.5	8,492
Net income from discontinued operations[3]	-2,946	4,598		1,751
Total net income	-600	7,054		10,243
of which attributable to owners of the parent	-710	*6,894*		*9,705*
EPS total (SEK)	-0.16	1.59		2.24
EPS from continuing operations (SEK)	0.53	0.56	-4.7	1.92
Free cash flow[1]	4,383	4,087	7.2	7,164
of which operational free cash flow[1]	*4,256*	*3,937*	*8.1*	*9,687*
CAPEX[1] excluding license and spectrum fees	2,785	2,898	-3.9	14,849

1) See Note 16 for information on financial key ratios and/or page 44 for definitions. 2) Adjustment items, see Note 3. 3) Discontinued operations, see Note 4. 4) Restated for comparability, see Note 1.

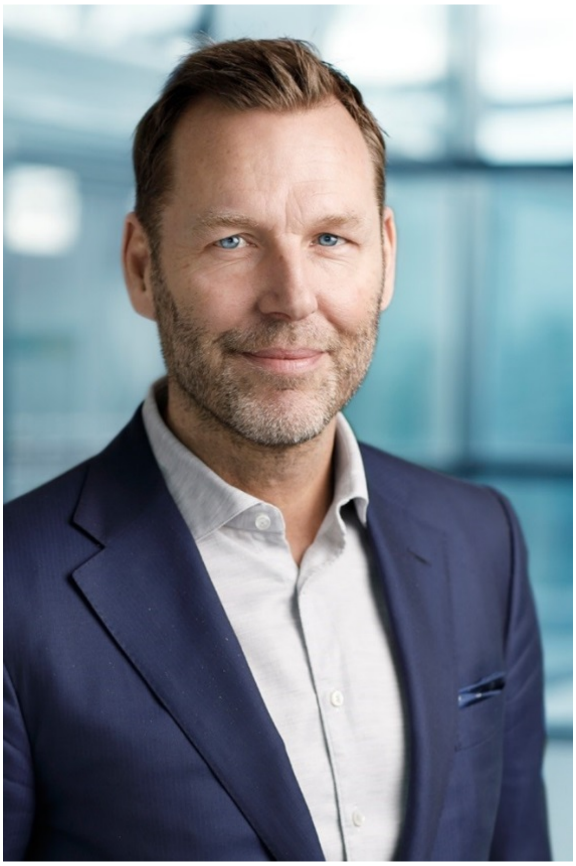
COMMENTS BY JOHAN DENNELIND, PRESIDENT & CEO

"Dear shareholders and Telia followers, I am pleased to report that the start of 2018 has been encouraging with strong operational free cash flow generation of SEK 4.3 billion and a 7 percent reported EBITDA growth versus last year. Together with the recent Turkcell dividend decision and Spotify divestment, this is strengthening our balance sheet even further.

The Board of Directors has decided to utilize its repurchase mandate given at the recent annual general meeting with the aim to buy back shares equivalent to SEK 5 billion per annum over the coming three year period i.e. in total SEK 15 billion. The rationale is to return excess cash to shareholders and to optimize the capital structure of the company. Combining this with the ordinary dividend policy we believe that we will be offering an attractive total return to our shareholders. In addition, we will still have room to execute disciplined value creative M&A within our Nordic and Baltic strategy.

The financial performance in the first quarter of 2018 is strong with further cash flow growth, driven by EBITDA, working capital and cash CAPEX reductions. The service revenue development in Sweden improved, mainly from the mobile consumer segment and a slower deterioration in the enterprise segment. In Finland, service revenues saw a continuous positive contribution from mobile, especially the enterprise segment that has turned the corner. During the summer, our Helsinki data center will open adding further services to our customers and we will start to see the effects of the recently acquired ice hockey rights early autumn. In Norway, the Phonero customers have been successfully migrated and we are leveraging on the synergies, in the quarter approximately SEK 100 million, resulting in a double-digit EBITDA growth. The development in the Baltics continues to be encouraging and a reshaped mobile portfolio in Denmark shows early positive signs. On the 2018 ambition to reduce costs we have completed savings of around SEK 0.2 billion during the first quarter, equivalent to around 20 percent of the total program ambition. This is well in line with our plans and the target of SEK 1.1 billion in net cost reduction for 2018 stands firm.

The reshaping of Telia Company continues with further, responsible I want to add, disposals of our Eurasian assets Azercell and Geocell. We have also divested our holding in Spotify, which generated a return of 2.4 times the original investment. We have together with our co-owners in Turkcell Holding agreed on a Turkcell dividend that will bring around SEK 0.9 billion to Telia Company during 2018. In addition, we now also have a seat at the Turkcell board, which is a step forward in restoring ordinary corporate governance.



In our annual and sustainability report, we have published our responsible business goals, the progress of the work we do to address the UN Sustainability Development Goals and describe Younite, our employee engagement program.

Looking at the remainder of 2018 we have a lot to look forward to and deliver upon. We continue to execute the transformation in Sweden and other markets, which is still holding back our full potential of our customer experience and efficiency agenda. We are tracking our plans and not faltering from our dedication to complete the transformation journey. This journey will be completed to deliver a future proof digital leader – a New Generation Telco. We are also reiterating our EBITDA guidance whilst we slightly change our cash flow guidance, where we now see that we will be above last year's level (previously "around")."

Johan Dennelind
President & CEO

OUTLOOK FOR 2018 (REVISED)

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

Adjusted EBITDA in continuing operations, based on current structure, in local currencies, excluding future acquisitions and disposals, is expected to be in line with or slightly above the 2017 level (SEK 25.2 billion)
Unchanged

DIVIDEND POLICY

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

The company 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+).

SHARE BUYBACK PROGRAM

The Board of Directors has decided to initiate a share buyback program. The intention is to buy back shares for an annual amount of SEK 5 billion over the coming three-year period, totaling SEK 15 billion. Based on current share price (SEK 37.6) this would equal 9.2 percent of the number of outstanding shares. The reason is to return excess cash to shareholders and is a continued effort to optimize the capital structure of the company.

The intention of the program is to cancel the shares bought back. The Board of Directors intends to seek such approval at the Annual General Meetings in 2019, 2020 and 2021, respectively.

The buy-back program is being carried out in accordance with the Market Abuse Regulation (EU) No 596/2014 ("MAR") and the Commission Delegated Regulation (EU) No 2016/1052 (the "Safe Harbour Regulation"). The buyback program will be managed by an investment firm or credit institution that makes its trading decisions regarding the timing of the buybacks of Telia Company's shares independently of Telia Company.

REVIEW OF THE GROUP, FIRST QUARTER 2018

Sales and earnings

Net sales in local currencies, excluding acquisitions and disposals, increased 0.2 percent. In reported currency, net sales rose 3.2 percent to SEK 19,852 million (19,227). Service revenues in local currencies, excluding acquisitions and disposals, decreased 0.9 percent.

The number of subscriptions decreased from 23.3 million from the end of the first quarter of 2017 to 23.0 million. During the quarter, the total number of subscriptions decreased from 23.2 million to 23.0 million.

Adjusted EBITDA rose 4.2 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA rose 7.4 percent to SEK 6,495 million (6,049) due to organic growth, positive net impact from acquisitions and disposals and foreign exchange rate impact. The adjusted EBITDA margin improved to 32.7 percent (31.5).

Income from associated companies and joint ventures declined to SEK 145 million (561), following lower contribution from Turkcell and the divestment of MegaFon in 2017.

Adjusted operating income fell 3.2 percent to SEK 3,588 million (3,706).

Adjustment items affecting operating income amounted to SEK -189 million (-164), see Note 3.

Financial items totaled SEK -459 million (-522) of which SEK -464 million (-499) related to net interest expenses.

Income taxes amounted to SEK -594 million (-563). The effective tax rate was 20.2 percent (18.2). The increase is related to lower income from associated companies compared to the corresponding period previous year.

Net income from discontinued operations fell to SEK -2,946 million (4,598), mainly due to the disposals of Azercell and Geocell (resulting in capital losses and lower net income contribution) and an impairment charge related to Ucell. The devaluation in Uzbekistan in the third quarter 2017 had also a negative impact on the first quarter 2018, while the first quarter 2017 included a positive effect from the adjustment of the provision regarding the Uzbekistan investigations. These also affected **Total net income attributable to the owners of the parent** that fell to SEK -710 million (6,894) See Note 4 for further information.

Total net income fell to SEK -600 million (7,054) of which SEK 2,346 million (2,456) in continuing operations and SEK -2,946 million (4,598) in discontinued operations. Total earnings per share was SEK -0.16 (1.59).

Total net income attributable to non-controlling interests amounted to SEK 110 million (160).

Other comprehensive income increased to SEK 7,688 million (-1,425) mainly affected by reclassified exchange effects from the disposals of Azercell and Geocell, positive exchange effects from continuing operations and revaluation gain related to the disposal of the Spotify holding.

Cash flow

Operational free cash flow in continuing operations rose to SEK 4,256 million (3,937).

Cash flow from investing activities increased to SEK 3,422 million (-3,323) mainly due to maturity of short-term bonds and deposits as well as the divestments of Telia Company's holding in Spotify, Geocell and Azercell, partly offset by the acquisition of Inmics Oy.

Cash flow from financing activities improved to SEK -1,955 million (-9,754) as 2017 was mainly impacted by repayment of loans related to matured debt.

Financial position

CAPEX decreased to SEK 2,785 million (2,898). CAPEX excluding license and spectrum fees decreased to SEK 2,785 million (2,898). Cash CAPEX was SEK 2,844 million (2,951).

Net debt, in continuing and discontinued operations, was SEK 28,513 million at the end of the first quarter (33,823 at the end of the fourth quarter of 2017). The net debt/adjusted EBITDA ratio was 1.01x.

Goodwill and other intangible assets increased to SEK 81,171 million (76,652) mainly due to the acquisitions of Inmics and Cloud Solutions CS as well as foreign exchange rate effects.

Investments in associated companies and joint ventures, pension obligation assets and other non-current assets decreased to SEK 16,533 million (17,650) mainly due to of the divestment of the holding in Spotify offset by increase in investments in associates as a result of cross ownership effects from the disposals of Azercell and Geocell.

Short-term interest bearing receivables decreased to SEK 14,184 million (17,335) mainly due to maturity of short-term bonds and deposits.

Cash and cash equivalents increased to SEK 26,036 million (15,616) mainly due to the divestment the holding in Spotify and the disposals of Azercell and Geocell.

Long-term borrowings remained flat but was underlying negatively affected by foreign exchange rate effects offset by reclassification between long and short-term debt also affecting **Short-term borrowings**, which were further offset by expiration of bonds.

Significant events in the first quarter

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

Significant events after the end of the first quarter

- On April 9, 2018, Telia Company announced that Hélène Barnekow, Head of Telia Sweden had resigned and left her position.
- On April 10, 2018, Telia Company held its Annual General Meeting and announced that the ordinary members of the Board Susanna Campbell, Marie Ehrling, Olli-Pekka Kallasvuo, Nina Linander, Anna Settman and Olaf Swantee were re-elected members to the Board. As new members of the board Jimmy Maymann and Martin Tivéus were elected. Marie Ehrling was elected Chair of the Board and Olli-Pekka Kallasvuo was elected Vice-Chair of the Board. The Annual General Meeting also decided upon a dividend to shareholders of SEK 2.30 per share and that the payment should be distributed in two equal tranches of SEK 1.15 each to be paid in April and October, respectively.
- On April 20, 2018, Telia Company announced that the Board of Directors decided to initiate a buyback program. The ambition is to buy back shares for an annual amount of SEK 5 billion over the coming three year period, totaling SEK 15 billion.

EBITDA UPLIFT IN SWEDEN

- In the quarter the TV subscription base grew by 10,000. Also a new offering for Telia's OTT TV application was launched, targeting Telia customers that currently do not have Telia's TV services. The offering includes 15 channels, live TV and movie on demand and form a seamless TV experience, allowing customers to stream TV on any device anywhere within the EU.
- In the internet of things technology area, Telia together with the tap manufacturer FM Mattsson performed an innovation project to test connected water taps for public buildings such as hospitals and indoor swimming pools. The tests show that the benefits with smart taps are many. In particular, it optimizes water-efficiency and energy consumption as well as it improves maintenance. The project is a good example of how Telia can execute on new revenue opportunities from being in the centre of the ongoing digitalization.

Highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2018	Jan-Mar 2017[1]	Chg %	Jan-Dec 2017[1]
Net sales	8,997	9,074	-0.8	36,825
Change (%) local organic	*-1.0*			
of which service revenues (external)	*7,622*	*7,733*	*-1.4*	*31,317*
change (%) local organic	*-1.6*			
Adjusted EBITDA	3,421	3,316	3.2	13,627
Margin (%)	38.0	36.5		37.0
change (%) local organic	*3.0*			
Adjusted operating income	2,124	2,050	3.6	8,576
Operating income	2,003	2,017	-0.7	8,204
CAPEX excluding license and spectrum fees	1,213	1,356	-10.5	6,264
Adjusted EBITDA - CAPEX	2,208	1,960	12.6	7,363
Subscriptions, (thousands)				
Mobile	6,068	6,056	0.2	6,118
of which machine to machine (postpaid)	*951*	*862*	*10.3*	*944*
Fixed telephony	1,302	1,610	-19.1	1,381
Broadband	1,281	1,294	-1.0	1,286
TV	807	782	3.2	797
Employees	6,439	6,744	-4.5	6,619

1) Restated for comparability, see Note 1.

Net sales fell 0.8 percent to SEK 8,997 million (9,074) and excluding acquisitions and disposals net sales fell 1.0 percent as somewhat higher equipment sales was more than offset by lower service revenues. The effect from acquisitions and disposals was positive by 0.2 percent.

Service revenues decreased 1.4 percent and excluding acquisitions and disposals, service revenues decreased 1.6 percent as a 1.2 percent uplift in mobile service revenues driven by a 5.4 percent growth in B2C mobile revenues, was more than offset by a 4.0 percent decline in fixed service revenues. The fixed service revenue pressure continued to be a combination of lower fiber installation revenues and pressure on legacy revenues.

Adjusted EBITDA increased 3.2 percent to SEK 3,421 million (3,316). The adjusted EBITDA margin rose to 38.0 percent (36.5). In local currency, excluding acquisitions and disposals, adjusted EBITDA grew 3.0 percent as pressure from revenues was more than compensated for by lower resource costs as well as a SEK 165 million reduction of pension related expenses from lower special employer contribution tax. The impact from pension compensation is expected to be an annual recurring event, although the amount will vary.

CAPEX fell 10.5 percent to SEK 1,213 million (1,356) and CAPEX, excluding licenses and spectrum fees fell to SEK 1,213 million (1,356).

TV subscriptions grew by 10,000 and fixed broadband subscriptions fell by 5,000 in the quarter. Mobile subscriptions fell by 50,000 in the quarter driven by the loss of 59,000 pre-paid subscriptions.

SIGNIFICANT EBITDA GROWTH IN FINLAND

- The strategic focus on B2B convergence continued and the ICT company Cloud Solutions was acquired. The company targets mainly large B2B customers and will be a good fit to the product portfolio together with the cloud company Nebula which is more focused on the SME part of the B2B segment.

- Telia and the Finnish postal service have developed and run a pilot project for a new type of smart mailbox that is first in the world to utilize the new narrowband internet of things technology. The smart mailbox will be able to provide information in real time on items like level of mailbox saturation, if it has been opened or vandalized etc. In short it will be better for the environment as well as improve efficiency, and in the end save costs.

- In March, Telia reached agreements with DNA and Elisa in Finland on new rates for mobile interconnection. The symmetric rate will be Euro cent 0.93 /minute from December 1, 2018. The current rate is Euro cent 1.25 /minute.

Highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2018	Jan-Mar 2017[1]	Chg %	Jan-Dec 2017[1]
Net sales	3,657	3,272	*11.8*	13,742
Change (%) local organic	*0.6*			
of which service revenues (external)	*3,084*	*2,837*	*8.7*	*11,748*
change (%) local organic	*-0.7*			
Adjusted EBITDA	1,151	964	*19.3*	4,218
Margin (%)	31.5	29.5		30.7
change (%) local organic	*8.7*			
Adjusted operating income	567	458	*23.6*	2,073
Operating income	527	406	*29.8*	1,926
CAPEX excluding license and spectrum fees	317	350	*-9.5*	3,066
Adjusted EBITDA - CAPEX	834	614	*35.8*	1,152
Subscriptions, (thousands)				
Mobile	3,257	3,288	*-0.9*	3,278
of which machine to machine (postpaid)	*248*	*223*	*11.2*	*243*
Fixed telephony	47	61	*-23.0*	50
Broadband	458	487	*-6.0*	464
TV	509	510	*-0.3*	508
Employees	3,067	3,021	*1.5*	3,107

1) Restated for comparability, see Note 1.

Net sales grew 11.8 percent in reported currency to SEK 3,657 million (3,272) and in local currency excluding acquisitions and disposals net sales grew 0.6 percent driven by increased equipment sales. The effect of exchange rate fluctuations was positive by 5.2 percent and the impact from acquisitions and disposals was positive by 6.0 percent.

Service revenues in local currency, excluding acquisitions and disposals declined 0.7 percent as a mobile service revenue growth of 2.4 percent could not compensate for lower fixed service revenues largely due to pressure on fixed broadband revenues.

Adjusted EBITDA in reported currency increased 19.3 percent to SEK 1,151 million (964). The adjusted EBITDA margin rose to 31.5 percent (29.5). In local currency, excluding acquisitions and disposals, adjusted EBITDA increased 8.7 percent driven by cost measures taken resulting in lower resource costs, and also to some extent from lower spend on marketing compared to last year, when marketing costs were higher following the rebranding from Sonera to Telia.

CAPEX decreased 9.5 percent to SEK 317 million (350) and CAPEX excluding licenses and spectrum fees decreased to SEK 317 million (350).

The number of mobile subscriptions fell by 21,000 and fixed broadband subscriptions fell by 6,000, in the quarter. TV subscriptions grew by 1,000 in the quarter.

SOLID DEVELOPMENT IN NORWAY

- In Norway the last batches of Phonero customers were migrated and when summarizing the huge migration work performed there are three key items to highlight. The churn level during the migration was in line with the business case assumptions, customer satisfaction has not been materially impacted and the yearly synergy run-rate target of NOK 400 million is now realized.

Highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2018	Jan-Mar 2017[1]	*Chg (%)*	Jan-Dec 2017[1]
Net sales	2,595	2,272	*14.2*	10,087
Change (%) local organic	*7.2*			
of which service revenues (external)	*2,129*	*1,943*	*9.6*	*8,415*
change (%) local organic	*1.1*			
Adjusted EBITDA	1,008	862	*16.8*	3,531
Margin (%)	38.8	38.0		35.0
change (%) local organic	*5.0*			
Adjusted operating income	598	489	*22.2*	2,003
Operating income	588	472	*24.5*	1,851
CAPEX excluding license and spectrum fees	288	236	*22.2*	1,041
Adjusted EBITDA - CAPEX	720	627	*14.8*	2,083
Subscriptions, (thousands)				
Mobile	2,342	2,178	*7.5*	2,345
of which machine to machine (postpaid)	*63*	*49*	*29.8*	*65*
Employees	1,208	1,033	*16.9*	1,201

1) Restated for comparability, see Note 1.

Net sales increased 14.2 percent in reported currency to SEK 2,595 million (2,272). In local currency excluding acquisitions and disposals net sales increased 7.2 percent mainly driven by higher equipment sales. The effect of exchange rate fluctuations was negative by 2.6 percent and the impact from acquisitions and disposals was positive by 9.6 percent.

Service revenues in local currency, excluding acquisitions and disposals increased 1.1 percent as growth in wholesale revenues more than compensated for lower mobile subscription revenues and interconnect revenues.

Adjusted EBITDA in reported currency grew by 16.8 percent to SEK 1,008 million (862). The adjusted EBITDA margin rose to 38.8 percent (38.0). In local currency, excluding acquisitions and disposals, adjusted EBITDA increased 5.0 percent driven by a combination of higher service revenues, lower marketing costs as well as lower other operational expenses.

CAPEX increased by 22.2 percent to SEK 288 million (236) and CAPEX excluding licenses and spectrum fees, increased to SEK 288 million (236).

The number of mobile subscriptions decreased by 4,000 in the quarter as the acquisition of a B2C customer base from NextGenTel of approximately 30,000 was not enough to fully compensate for the loss of post-paid as well as pre-paid subscriptions.

COST SAVINGS IN DENMARK

- Late in the quarter a new mobile portfolio including an unlimited data offering was launched for the Danish B2C segment.
- From the combination of an improved “My Telia” technical platform and increased efforts to steer customer towards digitalization, the customer experience was further enhanced in the quarter and the number of calls to customer service declined.

Highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2018	Jan-Mar 2017[1]	Chg (%)	Jan-Dec 2017[1]
Net sales	1,415	1,479	*-4.4*	5,945
Change (%) local organic	*-8.7*			
of which service revenues (external)	*1,065*	*1,062*	*0.3*	*4,335*
change (%) local organic	*-4.2*			
Adjusted EBITDA	141	145	*-2.5*	704
Margin (%)	10.0	9.8		11.8
change (%) local organic	*-6.9*			
Adjusted operating income	-62	-40		-52
Operating income	-47	-42		-145
CAPEX excluding license and spectrum fees	90	110	*-18.1*	412
Adjusted EBITDA - CAPEX	51	35	*46.9*	292
Subscriptions, (thousands)				
Mobile	1,455	1,578	*-7.8*	1,479
of which machine to machine (postpaid)	*50*	*44*	*14.3*	*49*
Fixed telephony	89	98	*-9.2*	90
Broadband	105	126	*-16.7*	114
TV	30	28	*7.1*	31
Employees	961	1,075	*-10.6*	1,026

1) Restated for comparability, see Note 1.

Net sales declined 4.4 percent in reported currency to SEK 1,415 million (1,479). In local currency excluding acquisitions and disposals net sales declined 8.7 percent. The effect from exchange rate fluctuations was positive by 4.3 percent.

Service revenues in local currency, excluding acquisitions and disposals declined 4.2 percent equally driven by lower mobile and fixed service revenues. For mobile the decline was driven by subscription base erosion that was only partly mitigated by higher ARPU. Fixed service revenues declined due to fixed telephony and fixed broadband subscription base erosion.

Adjusted EBITDA in reported currency fell 2.5 percent to SEK 141 million (145). The adjusted EBITDA margin grew slightly to 10.0 percent (9.8). In local currency, excluding acquisitions and disposals, adjusted EBITDA fell 6.9 percent as lower costs were not enough to offset the impact from service revenue erosion.

CAPEX decreased 18.1 percent to SEK 90 million (110) and CAPEX excluding licenses and spectrum fees decreased to SEK 90 million (110).

The number of mobile subscriptions declined by 24,000 in the quarter. The number of fixed broadband subscriptions fell by 9,000 and TV subscriptions fell by 1,000 in the quarter.

STRONG DEVELOPMENT IN LITHUANIA

- Telia continued to promote the Telia One convergence offering in the quarter with focus on less tech-savvy and more rural customers. Since the launch in the fourth quarter of 2017 approximately 14,000 customers have signed up for the Telia One offering which has supported both the mobile and fixed subscription base.

Highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2018	Jan-Mar 2017[1]	Chg (%)	Jan-Dec 2017[1]
Net sales	901	804	*12.1*	3,543
Change (%) local organic	*6.9*			
of which service revenues (external)	*727*	*662*	*9.8*	*2,820*
change (%) local organic	*4.7*			
Adjusted EBITDA	318	277	*14.9*	1,207
Margin (%)	35.3	34.5		34.1
change (%) local organic	*9.5*			
Adjusted operating income	141	121	*16.8*	644
Operating income	140	112	*25.3*	615
CAPEX excluding license and spectrum fees	116	115	*0.2*	552
Adjusted EBITDA - CAPEX	203	162	*25.3*	655
Subscriptions, (thousands)				
Mobile	1,363	1,347	*1.2*	1,352
of which machine to machine (postpaid)	*146*	*127*	*15.3*	*141*
Fixed telephony	361	406	*-11.1*	371
Broadband	413	403	*2.5*	410
TV	246	231	*6.5*	242
Employees	2,399	2,639	*-9.1*	2,440

1) Restated for comparability, see Note 1.

Net sales in reported currency increased 12.1 percent to SEK 901 million (804). In local currency excluding acquisitions and disposals net sales increased 6.9 percent. The effect of exchange rate fluctuations was positive by 5.2 percent.

Service revenues in local currency, excluding acquisitions and disposals grew 4.7 percent mainly as mobile service revenues increased 12.0 percent driven by a combination of ARPU and customer base expansion. Fixed service revenues remained rather flat as pressure on fixed telephony was offset by an increase in low margin transit revenues.

Adjusted EBITDA in reported currency rose 14.9 percent to SEK 318 million (277). The adjusted EBITDA margin rose to 35.3 percent (34.5). In local currency, excluding acquisitions and disposals, adjusted EBITDA grew 9.5 percent supported by both revenue growth and lower operating expenses.

CAPEX increased marginally to SEK 116 million (115) and CAPEX excluding licenses and spectrum fees increased marginally to SEK 116 million (115).

The number of mobile subscriptions and TV subscriptions grew by 11,000 and 4,000, respectively, in the quarter. The number of fixed broadband subscriptions grew by 3,000 in the quarter.

REVENUE AND EBITDA UPLIFT IN ESTONIA

- After having passed almost 50,000 homes in the last three years with fiber, of which approximately 30,000 were connected, the fiber roll-out continued in the quarter and 4,000 additional households were passed.

Highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2018	Jan-Mar 2017	*Chg (%)*	Jan-Dec 2017
Net sales	712	660	*7.9*	2,824
Change (%) local organic	*3.2*			
of which service revenues (external)	*571*	*533*	*7.0*	*2,182*
change (%) local organic	*2.5*			
Adjusted EBITDA	234	206	*13.9*	871
Margin (%)	32.9	31.1		30.9
change (%) local organic	*8.8*			
Adjusted operating income	92	79	*16.2*	360
Operating income	96	78	*22.3*	326
CAPEX excluding license and spectrum fees	68	98	*-30.7*	452
Adjusted EBITDA - CAPEX	166	107	*54.6*	369
Subscriptions, (thousands)				
Mobile	934	901	*3.8*	925
of which machine to machine (postpaid)	*223*	*202*	*10.0*	*214*
Fixed telephony	275	304	*-9.5*	279
Broadband	238	232	*2.6*	238
TV	202	188	*7.7*	200
Employees	1,835	1,913	*-4.1*	1,871

Net sales in reported currency increased 7.9 percent to SEK 712 million (660). In local currency excluding acquisitions and disposals net sales grew 3.2 percent. The effect of exchange rate fluctuations was positive by 5.0 percent and the impact from acquisitions and disposals was negative by 0.3 percent.

Service revenues in local currency, excluding acquisitions and disposals increased 2.5 percent mainly as fixed service revenues grew 4.4 percent. Main drivers behind the increase were growth in TV revenues following ARPU uplift and subscription base expansion, and higher business solution revenues. Mobile service revenues increased 0.9 percent as growth in mobile subscription revenues was partly offset by pressure on interconnect revenues.

Adjusted EBITDA in reported currency increased 13.9 percent to SEK 234 million (206). The adjusted EBITDA margin increased to 32.9 percent (31.1). In local currency, excluding acquisitions and disposals, adjusted EBITDA grew 8.8 percent following higher service revenues and lower operational expenses.

CAPEX fell 30.7 percent to SEK 68 million (98) and CAPEX excluding licenses and spectrum fees fell to SEK 68 million (98).

The number of mobile subscription grew by 9,000 and TV subscriptions grew by 2,000 in the quarter. The number of fixed broadband subscriptions remained unchanged in the quarter.

OTHER OPERATIONS

Highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2018	Jan-Mar 2017[1]	*Chg (%)*	Jan-Dec 2017[1]
Net sales	2,141	2,230	*-4.0*	9,025
Change (%) local organic	*2.4*			
of which Telia Carrier	*1,401*	*1,434*	*-2.3*	*5,956*
of which Latvia	*493*	*443*	*11.2*	*1,931*
Adjusted EBITDA	222	279	*-20.6*	992
of which Telia Carrier	*109*	*130*	*-15.7*	*491*
of which Latvia	*160*	*139*	*15.1*	*592*
Margin (%)	10.3	12.5		11.0
Income from associated companies	150	564	*-73.5*	769
of which Russia	*–*	*114*	*-100.0*	*2,700*
of which Turkey	*114*	*424*	*-73.0*	*-2,070*
of which Latvia	*35*	*27*	*30.2*	*137*
Adjusted operating income	128	547	*-76.5*	1,176
Operating income	92	498	*-81.6*	990
CAPEX	692	634	*9.3*	3,063
Subscriptions, (thousands)				
Mobile Latvia	1,251	1,200	*4.3*	1,237
of which machine to machine (postpaid)	*298*	*253*	*17.9*	*285*
Employees	4,091	4,168	*-1.8*	4,012

1) Restated for comparability, see Note 1.

Net sales in reported currency declined 4.0 percent to SEK 2,141 million (2,230) mainly due to the disposal of Sergel in 2017. In local currency, excluding acquisitions and disposals net sales grew 2.4 percent. The effect of exchange rate fluctuations was positive by 1.2 percent and the effect from acquisitions and disposals was negative by 7.6 percent.

Adjusted EBITDA in reported currency fell 20.6 percent to SEK 222 million (279) mainly due to the disposal of Sergel in 2017 and lower adjusted EBITDA in Telia Carrier. The adjusted EBITDA margin fell to 10.3 percent (12.5).

In **Telia Carrier**, net sales in reported currency fell 2.3 percent to SEK 1,401 million (1,434) and adjusted EBITDA, fell 15.7 percent to SEK 109 million (130) in reported currency, partly driven by negative foreign exchange rate effects.

In **Latvia**, net sales in reported currency increased 11.2 percent to SEK 493 million (443). Adjusted EBITDA rose 15.1 percent to SEK 160 million (139) in reported currency.

The number of mobile subscriptions in Latvia grew by 14,000 in the quarter.

Income from associated companies fell to SEK 150 million (564) following lower contribution from Turkcell and the divestment of MegaFon in 2017.

DISCONTINUED OPERATIONS

- In March 2018, Fintur Holdings B.V. divested its holding in Azercell to Azintelecom, a company wholly-owned by the Republic of Azerbaijan. The transaction was not subject to any conditions, such as regulatory or competition approvals, and was therefore signed and closed on the same day.
- In January 2018, Fintur Holdings B.V. signed an agreement to divest its holding in Geocell to the Georgian telecommunications company JSC Silknet. The transaction was closed in March 2018.

Highlights

SEK in millions, except margins, operational data and changes	Jan-Mar 2018	Jan-Mar 2017[1]	Chg (%)	Jan-Dec 2017[1]
Net sales (external)	1,974	3,089	*-36.1*	11,275
Adjusted EBITDA	687	1,187	*-42.2*	4,262
Margin (%)	34.8	38.4		37.8
CAPEX	173	304	*-43.2*	1,787
CAPEX excluding license and spectrum fees	173	304	*-43.3*	1,782

1) Restated for comparability, see Note 1.

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

Net sales fell 36.1 percent in reported currency to SEK 1,974 million (3,089) mainly due to devaluation in Uzbekistan in the third quarter of 2017, the disposal of Tcell in Tajikistan in the second quarter of 2017, the disposal of Azercell in Azerbaijan and the disposal of Geocell in Georgia in the first quarter of 2018.

Adjusted EBITDA fell 42.2 percent to SEK 687 million (1,187) mainly due to devaluation in Uzbekistan in the third quarter of 2017 and the disposals of Azercell, Tcell and Geocell, respectively. The adjusted EBITDA margin fell to 34.8 percent (38.4).

CAPEX decreased 43.2 percent to SEK 173 million (304). CAPEX, excluding license and spectrum fees decreased to SEK 173 million (304).

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK in millions, except per share data and number of shares	Note	Jan-Mar 2018	Jan-Mar 2017[1]	Jan-Dec 2017[1]
Continuing operations				
Net sales	5, 6	19,852	19,227	79,790
Cost of sales		-12,186	-11,614	-49,166
Gross profit		**7,666**	**7,614**	**30,624**
Selling, administration and R&D expenses		-4,266	-4,550	-18,334
Other operating income and expenses, net		-146	-84	700
Income from associated companies and joint ventures		145	561	778
Operating income	5	**3,398**	**3,542**	**13,768**
Financial items, net		-459	-522	-4,214
Income after financial items		**2,940**	**3,019**	**9,554**
Income taxes		-594	-563	-1,062
Net income from continuing operations		**2,346**	**2,456**	**8,492**
Discontinued operations				
Net income from discontinued operations	4	**-2,946**	**4,598**	**1,751**
Total net income		**-600**	**7,054**	**10,243**
Items that may be reclassified to net income:				
Foreign currency translation differences from continuing operations		3,260	-821	10,831
Foreign currency translation differences from discontinued operations		3,114	-324	-1,754
Other comprehensive income from associated companies and joint ventures		4	199	138
Cash flow hedges		-111	-92	-147
Available-for-sale financial instruments		–	-107	729
Income taxes relating to items that may be reclassified		574	-78	267
Items that will not be reclassified to net income:				
Equity instruments at fair value through OCI		566	–	–
Remeasurements of defined benefit pension plans		362	-226	-406
Income taxes relating to items that will not be reclassified		-80	52	92
Associates remeasurements of defined benefit pension plans		-1	-28	-25
Other comprehensive income		**7,688**	**-1,425**	**9,725**
Total comprehensive income		**7,088**	**5,629**	**19,968**
Total net income attributable to:				
Owners of the parent		-710	6,894	9,705
Non-controlling interests		110	160	538
Total comprehensive income attributable to:				
Owners of the parent		7,009	5,158	19,811
Non-controlling interests		78	471	156
Earnings per share (SEK), basic and diluted		-0.16	1.59	2.24
of which continuing operations, basic and diluted		0.53	0.56	1.92
Number of shares (thousands)				
Outstanding at period-end		4,330,085	4,330,085	4,330,085
Weighted average, basic and diluted		4,330,085	4,330,085	4,330,085
EBITDA in continuing operations		6,305	5,885	25,519
Adjusted EBITDA in continuing operations		6,495	6,049	25,151
Depreciation, amortization and impairment losses from continuing operations		-3,053	-2,905	-12,528
Adjusted operating income in continuing operations		3,588	3,706	14,781

1) Restated for comparability, see Note 1.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK in millions	Note	Mar 31, 2018	Dec 31, 2017[1]
Assets			
Goodwill and other intangible assets	7, 15	81,171	76,652
Property, plant and equipment	7	61,081	60,024
Investments in associated companies and joint ventures, pension obligation assets and other non-current assets		16,533	17,650
Deferred tax assets		2,909	3,003
Long-term interest-bearing receivables	4, 11	18,256	18,674
Total non-current assets		*179,950*	*176,003*
Inventories		1,892	1,521
Trade and other receivables and current tax receivables		16,570	16,385
Short-term interest-bearing receivables	11	14,184	17,335
Cash and cash equivalents	4, 11	26,036	15,616
Assets classified as held for sale	4, 11	13,547	18,508
Total current assets		*72,229*	*69,365*
Total assets		**252,179**	**245,367**
Equity and liabilities			
Equity attributable to owners of the parent		108,228	101,226
Equity attributable to non-controlling interests		5,370	5,291
Total equity		*113,598*	*106,517*
Long-term borrowings	8, 11	88,319	87,813
Deferred tax liabilities		8,749	8,973
Provisions for pensions and other long-term provisions	4	8,191	8,210
Other long-term liabilities		1,880	1,950
Total non-current liabilities		*107,139*	*106,946*
Short-term borrowings	8, 11	5,196	3,674
Trade payables and other current liabilities, current tax payables and short-term provisions		20,340	19,673
Liabilities directly associated with assets classified as held for sale	4, 11	5,906	8,556
Total current liabilities		*31,443*	*31,904*
Total equity and liabilities		**252,179**	**245,367**

1) Restated for comparability, see Note 1.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SEK in millions	Jan-Mar 2018	Jan-Mar 2017[2]	Jan-Dec 2017[2]
Cash flow before change in working capital	6,862	6,907	27,869
Change in working capital[1]	684	511	-4,665
Cash flow from operating activities	**7,546**	**7,418**	**23,204**
of which from continuing operations	*7,057*	*6,811*	*25,948*
of which from discontinued operations[1]	*489*	*607*	*-2,744*
Cash CAPEX	-3,163	-3,332	-16,040
Free cash flow	**4,383**	**4,087**	**7,164**
of which from continuing operations	*4,213*	*3,861*	*11,804*
of which from discontinued operations	*170*	*226*	*-4,640*
Cash flow from other investing activities	6,585	9	6,290
Total cash flow from investing activities	**3,422**	**-3,323**	**-9,750**
of which from continuing operations	*3,358*	*-2,995*	*-6,148*
of which from discontinued operations	*64*	*-328*	*-3,602*
Cash flow before financing activities	**10,967**	**4,096**	**13,454**
Cash flow from financing activities	**-1,955**	**-9,754**	**-13,905**
of which from continuing operations	*-1,949*	*-9,115*	*-13,316*
of which from discontinued operations	*-6*	*-639*	*-589*
Cash flow for the period	**9,012**	**-5,659**	**-451**
of which from continuing operations	*8,465*	*-5,299*	*6,484*
of which from discontinued operations	*547*	*-360*	*-6,935*
Cash and cash equivalents, opening balance	**20,984**	**22,907**	**22,907**
Cash flow for the period	9,012	-5,659	-451
Exchange rate differences in cash and cash equivalents	884	-346	-1,472
Cash and cash equivalents, closing balance	**30,881**	**16,902**	**20,984**
of which from continuing operations (including Sergel for comparative figures)	*26,036*	*9,399*	*15,616*
of which from discontinued operations (Eurasia)	*4,845*	*7,503*	*5,368*

1) Full year 2017 is impacted by the cash flow effect from the global settlement with the authorities regarding the Uzbekistan investigations amounting to SEK 6,129 million and is classified as cash flow from discontinued operations.

2) Restated for comparability, see Note 1.

See Note 16 section Operational free cash flow for further cash flow information.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SEK in millions	Owners of the parent	Non-controlling interests	Total equity
Opening balance, January 1, 2017	**89,833**	**5,036**	**94,869**
Change in accounting principles[1]	1,159	31	1,190
Adjusted opening balance, January 1, 2017	**90,991**	**5,067**	**96,058**
Dividends	–	-642	-642
Share-based payments	7	–	7
Total transactions with owners	*7*	*-642*	*-634*
Total comprehensive income[4]	5,158	471	5,629
Effect of equity transactions in associated companies	-40	–	-40
Closing balance, March 31, 2017[4]	**96,116**	**4,896**	**101,014**
Dividends	-8,660	-193	-8,853
Share-based payments	26	–	26
Repurchased treasury shares	-4	–	-4
Change in non-controlling interests[2]	-903	903	–
Total transactions with owners	*-9,541*	*710*	*-8,831*
Total comprehensive income[4]	14,653	-315	14,338
Effect of equity transactions in associated companies	-3	–	-3
Closing balance, December 31, 2017[4]	**101,226**	**5,291**	**106,517**
Change in accounting principles[3]	-16	–	-16
Adjusted opening balance, January 1, 2018	**101,210**	**5,291**	**106,501**
Share-based payments	9	–	9
Total transactions with owners	*9*	–	*9*
Total comprehensive income	7,009	78	7,088
Closing balance, March 31, 2018	**108,228**	**5,370**	**113,598**

1) Transition effect of IFRS 15, see Note 1.
2) Non-controlling interests in Fintur Holdings increased by SEK 766 million due to reduced ownership in Turkcell. Capitalization of Ucell (Coscom) and Uzbek Telecom Holding B.V. resulted in an increase in non-controlling interests of SEK 138 million.
3) Transition effect of IFRS 9, see Note 1.
4) Restated for comparability, see Note 1.

NOTE 1. BASIS OF PREPARATION

General

Telia Company's consolidated financial statements as of and for the three-month period ended March 31, 2018, have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The parent company's financial statements have been prepared in accordance with the Swedish Annual Reports Act as well as standard RFR 2 Accounting for Legal Entities and other statements issued by the Swedish Financial Reporting Board. For the group this Interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and for the Parent Company in accordance with the Swedish Annual Reports Act. The accounting policies adopted and computation methods used are consistent with those followed in the Annual and Sustainability Report 2017, except as described below. All amounts in this report are presented in SEK millions, unless otherwise stated. Rounding differences may occur.

New accounting standards effective on or after January 1, 2018

IFRS 15 "Revenue from Contracts with customers"

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

IFRS 15 specifies how and when revenue should be recognized as well as requires more detailed revenue disclosures. The standard provides a single, principle based five-step model to be applied to all contracts with customers. Revenue is allocated to performance obligations (equipment and services) in proportion to stand-alone selling prices items ("fair values" under Telia Company's previous accounting principles) of the individual. Revenue is recognized when (at a point in time) or as (over a period of time) the performance obligations are satisfied, which is determined by the manner in which control passes to the customer. Among others the new revenue standard gives detailed guidance on the accounting for:

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

Incremental costs for obtaining a contract: Sales commissions and equipment subsidies granted to dealers for obtaining a specific contract are capitalized and deferred over the period over which Telia Company expects to provide services to the customer. The amortization of capitalized contract costs over the service period is classified as operating expenses within EBITDA. Under Telia Company's prior accounting principles, cost for obtaining contracts were expensed as incurred. The main effect of implementing IFRS 15 for Telia Company is related to capitalization of costs.

Financing: If the period between payment and transfer of goods and services is beyond one year, adjustments for the time value of money are made at the prevailing interest rates in the relevant market. Under prior accounting principles Telia Company applied discounting, using the group's average borrowing rate and the model has therefore been adjusted, but the effect was not material.

Contract modifications: Guidance is included on when to account for modifications retrospectively or progressively. The new guidance had no material revenue effect for Telia Company.

Disclosures: IFRS 15 adds a number of disclosure requirements in annual reports, e.g. to disaggregate revenues into categories that depict how the nature, amount, timing and uncertainty of revenues and cash flows are affected by economic factors. This disaggregation of revenues is also disclosed in the interim reports, see Note 6.

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

IFRS 9 "Financial Instruments"

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

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

Classification and measurement of financial assets and financial liabilities: IFRS 9 requires financial assets that are debt instruments to be classified based on the entity's business model for managing the financial assets as well as the characteristics of the contractual cash flows of the financial assets. The classification in turn decides how the assets are to be measured. The financial assets are classified and measured at any of the following three categories: Amortized Cost (AC); Fair Value through Other Comprehensive Income (FVOCI); or Fair Value through Profit or Loss (FVPL). For Telia Company, there is no material change to the measurement of financial assets, since the measurement bases were already amortized cost or fair value. Telia Company has chosen to continue to report gains and losses from equity instruments classified as "financial assets available-for sale" under IAS 39 in other comprehensive income also under IFRS 9 as these instruments are held for strategic purposes. For equity instruments that are designated at "fair value through OCI" under IFRS 9 only dividend income is recognized in the income statement, all other gains and losses are recognized in OCI without reclassification on derecognition. This differs from the treatment of "available-for-sale" equity instruments under IAS 39 where gains and losses recognized in OCI were reclassified on derecognition or impairment. The changes in IFRS 9 that relates to classification and measurement of financial liabilities did not impact Telia Company as the Group did not measure financial liabilities at fair value (other than derivatives liabilities).

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

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

IFRS 16 "Leases"

IFRS 16 "Leases" is effective for the annual reporting period beginning January 1, 2019, and Telia Company has not pre-adopted the standard. The project for IFRS 16 continued during the first quarter of 2018 and is proceeding according to plan. Telia Company continues to assess the impact of the new standard on the consolidated financial statements. For more information, see the Annual and Sustainability Report 2017.

Restatement of operational data

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

Assets held for sale and discontinued operations

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

Segments

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015, and is therefore not included in the segment information in Note 5.

Correction of prior period classification errors

Compensation from the pension fund

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

Capitalized work

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

Restatement effects on Consolidated statements of comprehensive income

SEK in millions	Jan-Mar 2017 Reported	IFRS 15 effects	Ref	Capitalized work	Restated	Jan-Dec 2017 Reported	IFRS 15 effects	Ref	Capitalized work	Restated
Continuing operations										
Net sales	19,252	-24	b)	–	19,227	79,867	-77	b)	–	79,790
Cost of sales	-11,555	–		-59	-11,614	-49,166	–		–	-49,166
Gross profit	**7,697**	**-24**		**-59**	**7,614**	**30,701**	**-77**		–	**30,624**
Selling, admin. and R&D expenses	-4,533	15	c)	-31	-4,550	-18,489	155	c)	–	-18,334
Other operating income and expenses, net	-84	–		–	-84	700	–		–	700
Income from associated companies and joint ventures	561	–		–	561	778	–		–	778
Operating income	**3,641**	**-9**		**-90**	**3,542**	**13,690**	**78**		–	**13,768**
Finance costs and other financial items, net	-527	5	d)	–	-522	-4,234	20	d)	–	-4,214
Income after financial items	**3,114**	**-5**		**-90**	**3,019**	**9,457**	**97**		–	**9,554**
Income taxes	-568	5	e)	–	-563	-1,041	-21	e)	–	-1,062
Net income from continuing operations	**2,546**	**0**		**-90**	**2,456**	**8,416**	**76**		–	**8,492**
Discontinued operations									–	
Net income from discontinued operations	4,596	1	f)	–	4,598	1,729	21	f)	–	1,751
Total net income	**7,143**	**2**	a)	**-90**	**7,054**	**10,146**	**98**	**a)**	–	**10,243**
Other comprehensive income										
Total comprehensive income	**5,718**	**2**		**-90**	**5,629**	**19,870**	**98**		–	**19,968**
Total net income attributable to:										
Owners of the parent	6,984	1		-90	6,894	9,608	97		–	9,705
Non-controlling interests	159	1		0	160	537	1		–	538
Total comprehensive income attributable to:										
Owners of the parent	5,248	1		-90	5,158	19,715	97		–	19,811
Non-controlling interests	470	1		0	471	155	1		–	156
Earnings per share (SEK), basic and diluted	1.61	0.00		-0.02	1.59	2.22	0.02		0.00	2.24
of which from continuing operations, basic and diluted	*0.58*	*0.00*		*-0.02*	*0.56*	*1.90*	*0.02*		*0.00*	*1.92*
EBITDA from continuing operations	5,985	-9		-90	5,885	25,806	78		-365	25,519
Adjusted EBITDA from continuing operations	6,149	-9		-90	6,049	25,438	78		-365	25,151
Depreciation, amortization and impairment losses from continuing operations	-2,905	–		–	-2,905	-12,893	–		365	-12,528
Adjusted operating income from continuing operations	3,805	-9		-90	3,706	15,069	78		-365	14,781

Restatement effects on the Condensed consolidated statements of financial position

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

a) The implementation of IFRS 15 had a positive equity effect of SEK 1,190 million per the transition date January 1, 2017 and SEK 1,287 million per December 31, 2017. The equity increases were mainly related to capitalization of incremental costs for obtaining new contracts. The net income effect for 2017 was limited.
b) The limited effect on net sales was related to refining of Telia Company's previous revenue model for bundled offerings.
c) Selling and administration expenses was 2017 was reduced by SEK 1,312 million due to capitalization of costs to obtain a contract, the corresponding amount for the first quarter 2017 was SEK 290 million. The 2017 amortization of the capitalized contract costs of SEK -1,157 million was also included in Selling, administration and R&D expenses which lead to a net effect of SEK 155 million. The corresponding amount for the first quarter 2017 was SEK -275 million, which lead to a net effect of SEK 15 million in the first quarter 2017. The amortization is classified as operating expenses within EBITDA.
d) The minor adjustment of the discount rate and calculation model used for the financing component in customer contracts had an immaterial effect on net income 2017.
e) The deferred tax relating to the IFRS 15 adjustments increased deferred tax liabilities by SEK 185 million at the date of transition January 1, 2017, and SEK 207 million as of December 31, 2017. The tax effect on net income 2017 was immaterial.
f) The implementation of IFRS 15 had no material effect on discontinued operations and assets held for sale. The implementation effects mainly related to capitalization of incremental costs for obtaining new contracts.

Restatement effects on Consolidated statements of cash flows

SEK in millions	Jan-Mar 2017 Reported	Jan-Mar 2017 Capital-ized work	Jan-Mar 2017 Restated	Jan-Dec 2017 Reported	Jan-Dec 2017 Capital-ized work	Jan-Dec 2017 Restated
Cash flow before change in working capital	6,998	-90	6,907	28,234	-365	27,869
Change in working capital	511	–	511	-4,665	–	-4,665
Cash flow from operating activities	**7,509**	**-90**	**7,418**	**23,569**	**-365**	**23,204**
of which from continuing operations	*6,902*	*-90*	*6,811*	*26,313*	*-365*	*25,948*
Cash CAPEX	-3,422	90	-3,332	-16,405	365	-16,040
Free cash flow	**4,087**	**–**	**4,087**	**7,164**	**–**	**7,164**
Cash flow from other investing activities	9	–	9	6,290	–	6,290
Total cash flow from investing activities	**-3,413**	**90**	**-3,323**	**-10,115**	**365**	**-9,750**
of which from continuing operations	*-3,085*	*90*	*-2,995*	*-6,513*	*365*	*-6,148*
Cash flow from financing activities	**-9,754**	**–**	**-9,754**	**-13,905**	**–**	**-13,905**
Cash flow for the period	**-5,659**	**–**	**-5,659**	**-451**	**–**	**-451**

NOTE 2. REFERENCES

For more information regarding:

- Sales and earnings, Cash flow and Financial position see page 5.
- Significant events in the first quarter, see page 6.
- Significant events after the end of the first quarter, see page 6.
- Risks and uncertainties, see page 42.

NOTE 3. ADJUSTMENT ITEMS

Adjustment items within operating income, continuing operations

SEK in millions	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017[6]
Within EBITDA	**-189**	**-164**	**368**
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.:			
Sweden	-121	-33	-268
Finland	-39	-52	-84
Norway	-9	-17	-143
Denmark	–	-3	-72
Lithuania	-5	-9	-29
Estonia	-2	-1	-23
Other operations	-37	-49	-229
Capital gains/losses[1]	24	0	1,215
Within Depreciation, amortization and impairment losses	**–**	**–**	**-438**
Within Income from associated companies and joint ventures	**–**	**–**	**-942**
Capital gains/losses[2]	–	–	-942
Total adjustment items within operating income, continuing operations	**-189**	**-164**	**-1,013**

Adjustment items within EBITDA, discontinued operations (region Eurasia)

SEK in millions	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017
Within EBITDA	**-3,354**	**4,090**	**3,971**
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc[3]	-38	4,090	4,163
Impairment loss on remeasurement to fair value less costs to sell[4]	-10	–	–
Capital gains/losses[5]	-3,306	–	-190
Total adjustment items within EBITDA, discontinued operations	**-3,354**	**4,090**	**3,971**

1) Full year 2017 includes the second quarter capital gain of the disposal of Sergel.
2) 2017 includes a capital gain from disposal of 6.2 percent holding in MegaFon and the capital losses (including cumulative exchange loss in equity reclassified to net income) from the disposals of 14.0 percent holding in Turkcell.
3) The first quarter of 2017 included the adjustment of the provision for the settlement amount with the US and Dutch authorities, which also affected the full year 2017. Further, full year 2017 also included the positive effect from the global settlement with the authorities regarding the Uzbekistan investigations in the third quarter 2017.
4) Total impairment loss on remeasurement to fair value less cost to sell amounts to SEK 300 million for Ucell, of which SEK 10 million is recognized within EBITDA. See Note 4 for further information.
5) Capital losses in the first quarter 2018 relate to the disposals of Azercell in Azerbaijan and Geocell in Georgia. Capital losses in full year 2017 was mainly related to disposal of Tcell in Tajikistan. See Note 4 for further information.
6) Restated for comparability, see Note 1.

NOTE 4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Classification

Eurasia

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

Measurement

Management's best estimate of the risk adjusted debt free value of Ucell remains unchanged at SEK 1.3 billion per March 31, 2018. 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 2017. Due to increased carrying values for Ucell, an impairment charge of SEK 300 million was recognized in the in the first quarter of 2018. Ucell was impaired by SEK 1,600 million in 2017.

For Kcell in Kazakhstan the estimated fair value exceeds the carrying value and Kcell has therefore not been remeasured as of March 31, 2018. The estimated cash and debt free value for Moldcell per December 31, 2017, of SEK 0.5 billion remains unchanged per March 31, 2018, and no impairment charge has been recognized in the first quarter of 2018. Management's best estimates of the fair values are based on bids received and other input from the sales processes. Moldcell was impaired by SEK 450 million in 2017.

Telia Company made a write-down of SEK 330 million in 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 associated company was no longer deemed having a recoverable value. In the first quarter 2018, Telia Company agreed to transfer its interests in KazTransCom to Amun Services. The transaction is subject to regulatory approvals and is expected to close during the second quarter 2018.

Disposals

Azercell in Azerbaijan

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

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

The transaction had a positive cash flow effect for the group (relating to both parent shareholders and non-controlling interests) in the first quarter of 2018 of SEK 264 million (price received less cash and cash equivalents in entities sold). Telia Company's share of the sales price of SEK 1.3 billion has been classified within continuing operations in cash and cash equivalents as of March 31, 2018. The minority owner Turkcell's share of the sales price of SEK 0.9 billion has been included within discontinued operations and is classified as held for sale.

Geocell in Georgia

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

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

The transaction had a positive cash flow effect for the group (relating to both parent shareholders and non-controlling interests) in the first quarter 2018 of SEK 1,100 million (price received less cash and cash equivalents in entities sold). Telia Company's share of the sales price of SEK 0.7 billion has been classified within continuing operations, whereof SEK 0.6 billion in cash and cash equivalents and SEK 0.1 billion as Long term interest-bearing receivables as of March 31, 2018. The minority owner Turkcell's share of the sales price of SEK 0.5 billion has been included within discontinued operations and is classified as held for sale.

Tcell in Tajikistan

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

Ncell in Nepal

On April 11, 2016, Telia Company completed the disposal of its holdings in Ncell in Nepal. Provisions for transaction warranties are included in the statement of financial position for continuing operations. The final amounts relating to the Ncell disposal are still subject to deviations in transaction warranties and related foreign exchange rates.

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

Provision for settlement amount agreed with the US and Dutch authorities

The US and Dutch authorities have investigated historical transactions related to Telia Company's entry into Uzbekistan in 2007. On September 21, 2017, Telia Company reached a global settlement with the US and Dutch authorities regarding the Uzbekistan investigations. As part of the settlement, Telia Company agreed to pay fines and disgorgements in an aggregate amount of USD 965 million, whereof USD 757 million (SEK 6,129 million) were paid during the third quarter of 2017. The remaining part of USD 208 million is related to the SEC disgorgement amount potentially offset against any disgorgement obtained by the Swedish Prosecutor or Dutch authorities. The outstanding discounted provision amounts to SEK 1,694 million per March 31, 2018, and is included in the line item "Provisions for pensions and other long-term provisions" (continuing operations) in the condensed consolidated statements of financial position. There was no material effect on net income in the first quarter of 2018. For more information, see the Annual and Sustainability Report 2017.

Net income from discontinued operations (region Eurasia)

SEK in millions, except per share data	Jan-Mar 2018	Jan-Mar 2017[4]	Jan-Dec 2017[4]
Net sales	1,974	3,089	11,275
Expenses and other operating income, net[1]	-1,315	2,189	-2,841
Operating income	**659**	**5,278**	**8,433**
Financial items, net	10	-52	-218
Income after financial items	**669**	**5,226**	**8,216**
Income taxes	-8	-379	-543
Net income before remeasurement and gain/loss on disposal	**660**	**4,847**	**7,673**
Impairment loss/impairment reversal on remeasurement to fair value less costs to sell[2]	-300	-249	-5,729
Loss on disposal of Azercell in Azerbaijan (including cumulative Azercell exchange loss in equity reclassified to net income of SEK -2,944 million)[3]	-3,065	–	–
of which loss attributable to parent shareholders	*-3,024*	–	–
of which loss attributable to non-controlling interests	*-41*	–	–
Loss on disposal of Geocell in Georgia (including cumulative Geocell exchange loss in equity reclassified to net income of SEK -101 million)[3]	-241	–	–
of which loss attributable to parent shareholders	*-190*	–	–
of which loss attributable to non-controlling interests	*-52*	–	–
Loss on disposal of Tcell in Tajikistan (including cumulative Tcell exchange loss in equity reclassified to net income of SEK -193 million)[3]	–	–	-193
Net income from discontinued operations	**-2,946**	**4,598**	**1,751**
EPS from discontinued operations (SEK)	-0.70	1.03	0.33
Adjusted EBITDA	687	1,187	4,262

1) The first quarter of 2017 included the SEK 4.1 billion adjustment of the provision for the settlement amount with the US and Dutch authorities, which also affected the full year 2017. Further, full year 2017 also includes the positive effect from the global settlement with the authorities regarding the Uzbekistan investigations of SEK 0.3 billion in the third quarter 2017. 2) Non-tax deductible. 3) Non-taxable gain/loss. 4) Restated for comparability, see Note 1.

Assets classified as held for sale

SEK in millions	Eurasia Mar 31, 2018	Eurasia Dec 31, 2017[4]	Property, plant and equipment Dec 31, 2017[3]	Total, Dec 31, 2017[4]
Goodwill and other intangible assets	1,867	2,694	–	2,694
Property, plant and equipment	3,819	6,329	28	6,358
Other non-current assets[1]	260	189	–	189
Short-term interest-bearing receivables	1,550	2,091	–	2,091
Other current assets	1,205	1,807	–	1,807
Cash and cash equivalents[1]	4,845	5,368	–	5,368
Assets classified as held for sale	**13,547**	**18,480**	**28**	**18,508**
Long-term borrowings	1,136	295	–	295
Long-term provisions	42	1,887	–	1,887
Other long-term liabilities	1,222	1,197	–	1,197
Short-term borrowings	692	1,428	–	1,428
Other current liabilities	2,813	3,749	–	3,749
Liabilities associated with assets classified as held for sale	**5,906**	**8,556**	–	**8,556**
Net assets classified as held for sale[2]	**7,641**	**9,924**	**28**	**9,951**

1) Eurasia March 31, 2018, includes the sales prices for minority owner Turkcell's share of Azercell and Geocell, whereof SEK 1.4 billion is included in cash and cash equivalents. The sales prices for Telia Company's shares in Azercell and Geocell are included in continuing operations. 2) Represents 100 percent of external assets and liabilities, i.e. non-controlling interests' share of net assets are included. 3) Refers to a property in Denmark that was sold during the first quarter of 2018. 4) Restated for comparability, see Note 1.

NOTE 5. SEGMENT INFORMATION

SEK in millions	Jan-Mar 2018	Jan-Mar 2017[1]	Jan-Dec 2017[1]
Net sales			
Sweden	8,997	9,074	36,825
of which external	*8,923*	*9,012*	*36,578*
Finland	3,657	3,272	13,742
of which external	*3,608*	*3,227*	*13,575*
Norway	2,595	2,272	10,087
of which external	*2,590*	*2,268*	*10,064*
Denmark	1,415	1,479	5,945
of which external	*1,391*	*1,454*	*5,845*
Lithuania	901	804	3,543
of which external	*889*	*787*	*3,492*
Estonia	712	660	2,824
of which external	*689*	*640*	*2,737*
Other operations	2,141	2,230	9,025
Total segments	**20,419**	**19,792**	**81,991**
Eliminations	-567	-564	-2,201
Group	**19,852**	**19,227**	**79,790**
Adjusted EBITDA			
Sweden	3,421	3,316	13,627
Finland	1,151	964	4,218
Norway	1,008	862	3,531
Denmark	141	145	704
Lithuania	318	277	1,207
Estonia	234	206	871
Other operations	222	279	992
Total segments	**6,495**	**6,049**	**25,151**
Eliminations	–	0	0
Group	**6,495**	**6,049**	**25,151**
Operating income			
Sweden	2,003	2,017	8,204
Finland	527	406	1,926
Norway	588	472	1,851
Denmark	-47	-42	-145
Lithuania	140	112	615
Estonia	96	78	326
Other operations	92	498	990
Total segments	**3,398**	**3,542**	**13,768**
Eliminations	-0	0	0
Group	**3,398**	**3,542**	**13,768**
Financial items, net	-459	-522	-4,214
Income after financial items	**2,940**	**3,019**	**9,554**

1) Restated for comparability, see Note 1.

SEK in millions	Mar 31, 2018	Mar 31, 2018	Dec 31, 2017[1,2]	Dec 31, 2017[1,2]
	Segment assets	Segment liabilities	Segment assets	Segment liabilities
Sweden	45,580	11,117	46,388	11,133
Finland	52,070	4,919	49,212	4,970
Norway	30,670	2,648	28,805	2,753
Denmark	9,020	1,605	8,775	1,578
Lithuania	7,383	619	7,174	774
Estonia	5,374	500	5,168	588
Other operations	27,408	8,818	26,544	8,748
Total segments	**177,505**	**30,227**	**172,067**	**30,544**
Unallocated	61,127	102,448	54,792	99,750
Assets and liabilities held for sale	13,547	5,906	18,508	8,556
Total assets/liabilities, group	**252,179**	**138,582**	**245,367**	**138,850**

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

NOTE 6. NET SALES

	Jan-Mar 2018								
SEK in millions	Sweden	Finland	Norway	Den-mark	Lithua-nia	Estonia	Other opera-tions	Elimi-nations	Total
Mobile subscription revenues	3,262	1,524	1,734	725	235	207	284	–	7,970
Interconnect	160	119	121	55	36	16	39	–	545
Other mobile service revenues	131	186	238	62	6	3	7	–	633
Total mobile service revenues	**3,552**	**1,829**	**2,093**	**842**	**277**	**226**	**330**	**–**	**9,149**
Telephony	703	56	36	45	81	34	–	–	953
Broadband	1,142	178	0	66	139	127	0	–	1,652
TV	458	130	–	42	63	52	–	–	745
Business solutions	644	549	–	43	50	47	17	–	1,350
Other fixed service revenues	1,044	342	0	20	117	76	1,171	–	2,770
Total fixed service revenues	**3,991**	**1,254**	**36**	**216**	**450**	**335**	**1,188**	**–**	**7,471**
Other service revenues	**78**	**1**	**0**	**8**	–	**10**	**79**	**–**	**176**
Total service revenues[1]	**7,622**	**3,084**	**2,129**	**1,065**	**727**	**571**	**1,597**	**–**	**16,795**
Total equipment revenues[1]	**1,301**	**524**	**461**	**326**	**162**	**119**	**164**	**–**	**3,056**
Total external net sales	**8,923**	**3,608**	**2,590**	**1,391**	**889**	**689**	**1,761**	**–**	**19,852**
Internal net sales	75	49	5	24	12	23	380	-567	–
Total net sales	**8,997**	**3,657**	**2,595**	**1,415**	**901**	**712**	**2,141**	**-567**	**19,852**

SEK in millions	Jan-Mar 2017[2]								
	Sweden	Finland	Norway	Denmark	Lithua-nia	Estonia	Other opera-tions	Elimi-nations	Total
Mobile subscription revenues	3,188	1,411	1,634	703	201	194	256	–	7,587
Interconnect	163	114	135	57	32	17	39	–	556
Other mobile service revenues	159	179	169	68	3	3	21	–	601
Total mobile service revenues	**3,509**	**1,704**	**1,938**	**827**	**236**	**214**	**316**	**–**	**8,743**
Telephony	778	58	5	54	90	36	–	–	1,021
Broadband	1,142	204	0	73	134	118	–	–	1,672
TV	437	136	–	40	56	43	–	–	712
Business solutions	673	441	–	35	47	41	17	–	1,254
Other fixed service revenues	1,112	292	0	27	100	69	1,208	–	2,808
Total fixed service revenues	**4,142**	**1,131**	**5**	**230**	**426**	**308**	**1,226**	**–**	**7,467**
Other service revenues	**83**	**2**	**0**	**6**	**–**	**12**	**165**	**–**	**267**
Total service revenues[1]	**7,733**	**2,837**	**1,943**	**1,062**	**662**	**533**	**1,706**	**–**	**16,477**
Total equipment revenues[1]	**1,279**	**390**	**325**	**392**	**125**	**106**	**134**	**–**	**2,750**
Total external net sales	**9,012**	**3,227**	**2,268**	**1,454**	**787**	**640**	**1,840**	**–**	**19,227**
Internal net sales	62	45	4	25	17	21	390	-564	–
Total net sales	**9,074**	**3,272**	**2,272**	**1,479**	**804**	**660**	**2,230**	**-564**	**19,227**

SEK in millions	Jan-Dec 2017[2]								
	Sweden	Finland	Norway	Den-mark	Lithua-nia	Estonia	Other opera-tions	Elimi-nations	Total
Mobile subscription revenues	12,968	5,806	6,909	2,850	841	800	1,088	–	31,262
Interconnect	650	475	541	229	131	71	147	–	2,245
Other mobile service revenues	581	733	826	334	24	15	64	–	2,577
Total mobile service revenues	**14,200**	**7,014**	**8,276**	**3,413**	**996**	**886**	**1,298**	–	**36,084**
Telephony	3,063	238	120	203	344	139	–	–	4,107
Broadband	4,581	782	0	286	544	485	–	–	6,678
TV	1,774	524	–	162	229	188	–	–	2,877
Business solutions	2,658	1,962	–	157	181	168	65	–	5,191
Other fixed service revenues	4,597	1,221	0	93	526	272	4,997	–	11,707
Total fixed service revenues	**16,673**	**4,728**	**120**	**900**	**1,824**	**1,252**	**5,062**	**–**	**30,560**
Other service revenues	**444**	**6**	**19**	**22**	–	**44**	**479**	**–**	**1,013**
Total service revenues[1]	**31,317**	**11,748**	**8,415**	**4,335**	**2,820**	**2,182**	**6,840**	**–**	**67,657**
Total equipment revenues[1]	**5,261**	**1,827**	**1,649**	**1,510**	**672**	**555**	**660**	**–**	**12,134**
Total external net sales	**36,578**	**13,575**	**10,064**	**5,845**	**3,492**	**2,737**	**7,500**	**–**	**79,790**
Internal net sales	247	168	24	100	51	87	1,525	-2,201	–
Total net sales	**36,825**	**13,742**	**10,087**	**5,945**	**3,543**	**2,824**	**9,025**	**-2,201**	**79,790**

1) In all material aspects, equipment revenues are recognized at a point in time and service revenue over time.
2) Restated for comparability, see Note 1.

NOTE 7. INVESTMENTS

SEK in millions	Jan-Mar 2018	Jan-Mar 2017[1]	Jan-Dec 2017[1]
CAPEX	**2,785**	**2,898**	**15,307**
Intangible assets	622	493	4,014
Property, plant and equipment	2,163	2,405	11,293
Acquisitions and other investments	**854**	**220**	**4,973**
Asset retirement obligations	10	26	60
Goodwill, intangible and tangible non-current assets acquired in business combinations	817	194	4,886
Equity instruments	28	0	27
Total continuing operations	**3,639**	**3,118**	**20,280**
Total discontinued operations	**173**	**304**	**1,787**
of which CAPEX	*173*	*304*	*1,787*
Total investments	**3,812**	**3,422**	**22,066**
of which CAPEX	*2,958*	*3,202*	*17,094*

1) Restated for comparability, see Note 1.

NOTE 8. FINANCIAL INSTRUMENTS – FAIR VALUES

	Mar 31, 2018		Dec 31, 2017	
Long-term and short-term borrowings[1] SEK in millions	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	42,459	51,870	44,918	54,965
Interest rate swaps	249	249	276	276
Cross currency interest rate swaps	2,323	2,323	1,990	1,990
Subtotal	**45,031**	**54,442**	**47,184**	**57,231**
Open-market financing program borrowings	40,829	46,229	38,255	43,269
Other borrowings at amortized cost	2,280	2,280	2,204	2,204
Subtotal	**88,140**	**102,951**	**87,642**	**102,704**
Finance lease agreements	179	179	171	171
Total long-term borrowings	**88,319**	**103,130**	**87,813**	**102,875**
Short term borrowings				
Open-market financing program borrowings in fair value hedge relationships	3,017	3,551	729	735
Interest rate swaps	27	27	4	4
Cross currency interest rate swaps	543	543	199	199
Subtotal	**3,588**	**4,122**	**932**	**937**
Utilized bank overdraft and short-term credit facilities at amortized cost	–	–	–	–
Open-market financing program borrowings	880	880	1,459	1,461
Other borrowings at amortized cost	721	759	1,276	1,336
Subtotal	**5,188**	**5,761**	**3,668**	**3,734**
Finance lease agreements	8	8	6	6
Total short-term borrowings	**5,196**	**5,769**	**3,674**	**3,740**

1) For financial assets, fair values equal carrying values. For information on fair value estimation, see the Annual and Sustainability Report 2017, Note C3 to the consolidated financial statements.

Financial assets and liabilities by fair value hierarchy level[1] SEK in millions	Mar 31, 2018				Dec 31, 2017			
	Carrying value	of which Level 1	Level 2	Level 3	Carrying value	of which Level 1	Level 2	Level 3
Financial assets at fair value								
Equity instruments at fair value through OCI[2]	211	–	–	211	1,899	–	–	1,899
Equity instruments at fair value through income statement[2]	19	–	–	19	19	–	–	19
Long- and short-term bonds at fair value through OCI[2]	22,679	17,719	4,960	–	22,738	18,029	4,709	–
Derivatives designated as hedging instruments	1,633	–	1,633	–	1,709	–	1,709	–
Derivatives at fair value through income statement[2]	2,711	–	2,711	–	1,508	–	1,508	–
Total financial assets at fair value by level	**27,254**	**17,719**	**9,303**	**232**	**27,874**	**18,029**	**7,926**	**1,919**
Financial liabilities at fair value								
Derivatives designated as hedging instruments	2,386	–	2,386	–	2,180	–	2,180	–
Derivatives at fair value through income statement[2]	1,007	–	1,007	–	514	–	514	–
Total financial liabilities at fair value by level	**3,392**	**–**	**3,392**	**–**	**2,693**	**–**	**2,693**	**–**

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

Fair value measurement of level 3 financial instruments

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

Telia Company's primary valuation technique used for estimating the fair value of unlisted equity instruments in level 3 is based on the most recent transaction for the specific company if such transaction has been recently done. If there 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.

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

Movements within Level 3, fair value hierarchy SEK in millions	Jan-Mar 2018 Equity instruments at fair value through OCI	Equity instruments at fair value through income statement	Total
Level 3, opening balance	**1,899**	**19**	**1,919**
Changes in fair value	554	–	554
of which recognized in other comprehensive income	*554*	–	*554*
Purchases/capital contributions	27	–	28
Disposals	-2,269	–	-2,269
Level 3, closing balance	**211**	**19**	**232**

Movements within Level 3, fair value hierarchy SEK in millions	Jan-Dec 2017 Equity instruments at fair value through OCI[1]	Equity instruments at fair value through income statement[1]	Total
Level 3, opening balance	**1,162**	**26**	**1,188**
Changes in fair value	738	-7	731
of which recognized in net income	–	*-7*	*-7*
of which recognized in other comprehensive income	*738*	–	*738*
Exchange rate differences	–	0	0
Level 3, closing balance	**1,899**	**19**	**1,919**

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

NOTE 9. TREASURY SHARES

No Telia Company shares were held by the company or by its subsidiaries as of March 31, 2018, or as of December 31, 2017. The total numbers of issued and outstanding shares were 4,330,084,781.

NOTE 10. RELATED PARTY TRANSACTIONS

In the three-month period ended March 31, 2018, Telia Company purchased goods and services for SEK 7 million (11), and sold goods and services for SEK 4 million (5). These related party transactions are based on commercial terms.

NOTE 11. NET DEBT, CONTINUING AND DISCONTINUED OPERATIONS

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

SEK in millions	Mar 31, 2018	Dec 31, 2017
Long-term borrowings	89,455	88,108
Less 50 percent of hybrid capital[1]	-7,875	-7,670
Short-term borrowings	5,889	5,102
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA)	-4,129	-3,032
Less long-term bonds at fair value through OCI[2]	-12,125	-12,084
Less short-term investments	-11,822	-15,616
Less cash and cash equivalents	-30,881	-20,984
Net debt, continuing and discontinued operations	**28,513**	**33,823**

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

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

NOTE 12. LOAN FINANCING AND CREDIT RATING

The credit rating of Telia Company remained unchanged during the first quarter. Moody's rating for long-term borrowings is Baa1 and P-2 for short-term borrowings, both with a stable outlook. The Standard & Poor long-term rating is A- and the short-term rating is A-2, however with the long-term rating on a negative outlook since April 3, 2017. No new capital market debt has been issued during the first quarter.

NOTE 13. CONTINGENT LIABILITIES, COLLATERAL PLEDGED AND LITIGATIONS

As of March 31, 2018, the maximum potential future payments that Telia Company (continuing operations) could be required to make under issued financial guarantees totaled SEK 377 million (368 at the end of 2017), of which SEK 360 million (352 at the end of 2017) referred to guarantees for pension obligations. Collateral pledged (continuing and discontinued operations) totaled SEK 46 million (714 at the end of 2017). The decrease is mainly related to investment bonds pledged under repurchase agreements in 2017. For ongoing legal proceedings see Note C29 in the Annual and Sustainability Report 2017. For updated information regarding the Uzbekistan investigations, see Note 4.

NOTE 14. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of March 31, 2018, contractual obligations (continuing operations) totaled SEK 4,241 million (3,373 at the end of 2017), of which SEK 2,037 million (1,448 at the end of 2017) 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 15. BUSINESS COMBINATIONS

Business combinations

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

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

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

SEK in millions	Inmics	Cloud Solutions	Total
Cost of combination	**914**	**82**	**996**
of which cash consideration	*914*	*82*	*996*
Fair value of net assets acquired			
Intangible assets	0	0	1
Property, plant and equipment and other non-current assets	5	1	5
Current assets	239	41	280
Total assets acquired	**244**	**42**	**285**
Current liabilities	-62	-24	-86
Total liabilities assumed	**-62**	**-24**	**-86**
Total fair value of net assets acquired	**182**	**18**	**200**
Goodwill	**732**	**64**	**795**

Inmics

The net cash flow effect of the business combination was SEK 743 million (cash consideration SEK 914 million less cash and cash equivalents SEK 171 million). No part of goodwill is expected to be deductible for tax purposes. Acquisition-related costs of SEK 17 million have been recognized as other operating expenses. The total cost of combination and fair values has been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment. Compared to the preliminary fair values presented in the annual report of 2017, the changes are mainly due to adjustment of the cost of the combination and current liabilities. From the acquisition date, revenues of SEK 94 million and net income of SEK -8 million are included in the condensed consolidated statements of comprehensive income. If Inmics had been acquired at the beginning of 2018, there had been no material effect on revenues and total net income for Telia Company for the first quarter 2018.

Cloud Solutions CS

The net cash flow effect of the business combination was SEK 59 million (cash consideration SEK 82 million less cash and cash equivalents SEK 22 million). Goodwill consist of the knowledge of transferred personnel and expected synergies. No part of goodwill is expected to be deductible for tax purposes. Acquisition-related costs of SEK 2 million have been recognized as other operating expenses. The total cost of combination and fair values has been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment. From the acquisition date, revenues of SEK 7 million and net income of SEK -1 million are included in the condensed consolidated statements of comprehensive income. If Cloud Solutions CS had been acquired at the beginning of 2018, there had been no material effect on revenues and total net income for Telia Company for the first quarter 2018.

Minor business combinations

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

NOTE 16. FINANCIAL KEY RATIOS

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

	Mar 31, 2018	Dec 31, 2017[4]
Return on equity (%, rolling 12 months)[1, 2, 3]	2.3	11.2
Return on capital employed (%, rolling 12 months)[1, 2, 3]	5.1	9.2
Equity/assets ratio (%)[2, 3]	40.1	39.4
Net debt/adjusted EBITDA rate (multiple, rolling 12 months)[1]	1.01	1.15
Owners' equity per share (SEK)[2, 3]	24.99	23.38

1) Includes continuing and discontinued operations.
2) Key ratios effected by provision for the settlement proposed by and agreed with the US and Dutch authorities. See Note 4 for further information.
3) Equity is adjusted with proposed ordinary dividend, see the Annual and Sustainability Report 2017 section Definitions for key ratio definitions.
4) Restated for comparability, see Note 1.

Alternative performance measurements

In addition to financial performance measures prepared in accordance with IFRS, Telia Company presents non-IFRS financial performance measures, for example EBITDA, Adjusted EBITDA, Adjusted operating income, continuing operations, CAPEX, CAPEX excluding license and spectrum fees, Cash CAPEX, Free cash flow, Operational free cash flow, Net debt, Net debt/Adjusted EBITDA ratio and Adjusted EBITDA margin. (Adjustment items were previously named non-recurring items.) These alternative measures are considered to be important performance indicators for investors and other users of the Interim report. The alternative performance measures should be considered as a complement to, but not a substitute for, the information prepared in accordance with IFRS. Telia Company's definitions of these non-IFRS measures are described in this note and in the Annual and Sustainability Report 2017. These terms may be defined differently by other companies and are therefore not always comparable to similar measures used by other companies.

EBITDA and adjusted EBITDA

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

Continuing operations

SEK in millions	Jan-Mar 2018	Jan-Mar 2017[1]	Jan-Dec 2017[1]
Operating income	**3,398**	**3,542**	**13,768**
Income from associated companies and joint ventures	-145	-561	-778
Total depreciation/amortization/write-down	3,053	2,905	12,528
EBITDA	**6,305**	**5,885**	**25,519**
Adjustment items within EBITDA (Note 3)	189	164	-368
Adjusted EBITDA	**6,495**	**6,049**	**25,151**

Discontinued operations

SEK in millions	Jan-Mar 2018	Jan-Mar 2017[1]	Jan-Dec 2017[1]
Operating income	**659**	**5,278**	**8,433**
Income from associated companies and joint ventures	-10	-1	-8
Total depreciation/amortization/write-down	-10	–	–
Gain/loss on disposals	-3,306	–	-193
EBITDA	**-2,667**	**5,277**	**8,233**
Adjustment items within EBITDA (Note 3)	3,354	-4,090	-3,971
Adjusted EBITDA	**687**	**1,187**	**4,262**

1) Restated for comparability, see Note 1.

Adjusted operating income, continuing operations

Telia Company considers Adjusted operating income, continuing operations, as a relevant 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	Jan-Mar 2018	Jan-Mar 2017[1]	Jan-Dec 2017[1]
Operating income	**3,398**	**3,542**	**13,768**
Adjustment items within Operating income (Note 3)	189	164	1,013
Adjusted operating income, continuing operations	**3,588**	**3,706**	**14,781**

1) Restated for comparability, see Note 1.

CAPEX, CAPEX excluding license and spectrum fees and Cash CAPEX

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

SEK in millions	Jan-Mar 2018	Jan-Mar 2017[1]	Jan-Dec 2017[1]
Continuing operations			
Investments in intangible assets	622	493	4,014
Investments in property, plant and equipment	2,163	2,405	11,293
CAPEX	**2,785**	**2,898**	**15,307**
Net of not paid investments and additional payments from previous periods[2]	59	52	-1,162
Cash CAPEX	**2,844**	**2,951**	**14,144**
CAPEX	**2,785**	**2,898**	**15,307**
Deduct: investments in license and spectrum fees	0	–	-457
CAPEX excluding license and spectrum fees	**2,785**	**2,898**	**14,849**

SEK in millions	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017
Discontinued operations			
Investments in intangible assets	27	18	178
Investments in property, plant and equipment	146	287	1,609
CAPEX	**173**	**304**	**1,787**
Net of not paid investments and additional payments from previous periods	146	77	109
Cash CAPEX	**319**	**382**	**1,896**

1) Restated for comparability, see Note 1.
2) For 2017 mainly attributable to acquired rights for the ice hockey rights in Finland.

Free cash flow

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

SEK in millions	Jan-Mar 2018	Jan-Mar 2017[1]	Jan-Dec 2017[1]
Cash flow from operating activities	7,546	7,418	23,204
Cash CAPEX (paid Intangible and tangible assets)	-3,163	-3,332	-16,040
Free cash flow, continuing and discontinued operations	**4,383**	**4,087**	**7,164**

1) Restated for comparability, see Note 1.

Operational free cash flow

Telia Company considers Operational free cash flow as a relevant measure to be able to understand the cash flows that Telia Company is in control of. From the reported free cash flow from continuing operations dividends from associated companies are deducted as these are dependent on the approval of boards and the annual general meetings of the associated companies.

Licenses and spectrum payments are excluded as they generally refer to a longer period than just one year. Telia Company intends to distribute a minimum of 80 percent of free cash flow from continuing operations, excluding licenses and spectrum fees.

SEK in millions	Jan-Mar 2018	Jan-Mar 2017[2]	Jan-Dec 2017[2]
Cash flow from operating activities from continuing operations	7,057	6,811	25,948
Deduct: Cash CAPEX from continuing operations	-2,844	-2,951	-14,144
Free cash flow, continuing operations	**4,213**	**3,861**	**11,804**
Add back: Cash CAPEX for licenses and spectrum fees from continuing operations	45	80	561
Free cash flow that forms the basis for dividend[1]	**4,257**	**3,941**	**12,365**
Deduct: Dividends from associates from continuing operations	-1	-4	-2,851
Add back: Taxes paid on dividends from associates from continuing operations	0	0	173
Operational free cash flow	**4,256**	**3,937**	**9,687**

1) Dividend amount to be proposed by the Board of Directors and decided on by the Annual General Meeting.
2) Restated for comparability, see Note 1.

Net debt

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

Net debt/Adjusted EBITDA ratio (multiple)

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

SEK in millions, except for multiple	Mar 31, 2018	Mar 31, 2017[1]	Dec 31, 2017[1]
Net debt	28,513	47,890	33,823
Adjusted EBITDA continuing operations	6,495	6,049	25,151
Adjusted EBITDA continuing operations previous year	19,102	19,619	
Adjusted EBITDA discontinued operations	687	1,187	4,262
Adjusted EBITDA discontinuing operations previous year	3,062	4,105	
Deduct disposed operations	-1,200	-758	-109
Adjusted EBITDA rolling 12 months excluding disposed operations	28,145	30,202	29,304
Net debt/adjusted EBITDA ratio (multiple)	**1.01x**	**1.59x**	**1.15x**

1) Restated for comparability, see Note 1.

Adjusted EBITDA margin

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

SEK in millions	Jan-Mar 2018	Jan-Mar 2017[1]	Jan-Dec 2017[1]
Net sales	19,852	19,227	79,790
Adjusted EBITDA	6,495	6,049	25,151
Adjusted EBITDA margin (%), continuing operations	**32.7**	**31.5**	**31.5**

1) Restated for comparability, see Note 1.

PARENT COMPANY

Condensed income statements

SEK in millions	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017
Net sales	118	93	413
Gross income	**118**	**93**	**413**
Operating expenses and other operating income, net	-286	3,876	5,184
Operating income	**-168**	**3,968**	**5,597**
Financial income and expenses	-3,254	-1,530	2,093
Income after financial items	**-3,422**	**2,438**	**7,689**
Appropriations	3,237	1,385	7,000
Income before taxes	**-184**	**3,822**	**14,689**
Income taxes	**-44**	-305	-536
Net income	**-228**	**3,517**	**14,153**

Operating expenses and other operating income, net, for the first quarter of 2017 included the SEK 4.1 billion adjustment of the provision for the settlement with the US and Dutch authorities regarding the Uzbekistan investigations, which also affected the full year 2017. For the full year 2017 the line item also includes the net effect derived from the transfer of parts of the original provision to other group companies amounting to SEK 2.2 billion and the net income effect of SEK 0.3 billion related to the adjustment of the provision for the final settlement. See the Annual and Sustainability Report 2017 for further information.

Financial income and expenses in the first quarter 2018 were negatively impacted by foreign exchange losses mainly related to EUR loans. The first quarter of 2018 and of 2017 were also impacted by write-downs of shares in subsidiaries amounting to SEK 298 million and SEK 1,556 million respectively whilst full year 2017 was also positively impacted by dividends from subsidiaries offset by impairments of subsidiaries. See the Annual and Sustainability Report 2017 for further information.

Appropriations in the first quarter of 2018 increased due to a higher amount of net reversal of the equalization fund and increased group contributions from the Swedish subsidiaries.

Condensed balance sheets

SEK in millions	Mar 31, 2018	Dec 31, 2017
Assets		
Non-current assets	157,916	156,592
Current assets	69,407	67,556
Total assets	**227,323**	**224,148**
Equity and liabilities		
Restricted shareholders' equity	15,713	15,713
Non-restricted shareholders' equity	70,791	70,687
Total shareholders' equity	**86,503**	**86,400**
Untaxed reserves	7,004	8,029
Provisions	2,205	2,153
Long-term liabilities	85,874	85,450
Short-term liabilities and short-term provisions	45,737	42,116
Total equity and liabilities	**227,323**	**224,148**

Non-current assets increased mainly due to increased intra-group receivables and investments in subsidiaries, partly offset by the disposal of the holding in Spotify also affecting Current assets (Cash and bank).

Long-term liabilities remained flat but was underlying negatively affected by foreign exchange rate, offset by reclassification between long and short-term debt also affecting short-term liabilities, which were further impacted by increased intra-group liabilities.

Financial investments 2018 were SEK 1,062 million (308) mainly affected by the acquisition of Inmics Oy.

RISKS AND UNCERTAINTIES

Telia Company operates in a broad range of geographical product and service markets in the highly competitive and regulated telecommunications industry. Telia Company has defined risk as anything that could have a material adverse effect on the achievement of Telia Company's goals. Risks can be threats, uncertainties or lost opportunities relating to Telia Company's current or future operations or activities. Risk management is an integrated part of Telia Company's business planning process and monitoring of business performance. Telia Company has an established risk management framework in place to regularly identify, analyze, assess and report business, financial as well as ethics and sustainability risks and uncertainties, and to mitigate such risks when appropriate. A Risk Universe consisting of four categories and over thirty risk areas are used to aggregate and categorize risks identified across the organization within the risk management framework, see below. For further information regarding details on risk exposure and risk management, see the Annual and Sustainability Report 2017, Directors Report, section Risk and uncertainties.

Telia Company's Risk Universe

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

Stockholm, April 20, 2018

Johan Dennelind
President and CEO

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

FORWARD-LOOKING STATEMENTS

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

DEFINITIONS

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

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

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

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

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

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

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

Interconnect revenues: External net sales related to mobile termination.

Internal net sales: Group internal net sales.

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

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

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

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

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

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

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

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

Total equipment revenues: External equipment net sales.

Total service revenues: External net sales excluding equipment sales.

TV revenues: External net sales related to TV services.

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

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

FINANCIAL CALENDAR

Interim Report January-June 2018
July 20, 2018

Interim Report January-September 2018
October 19, 2018

Interim Report January-December 2018
January 25, 2019

QUESTIONS REGARDING THE REPORT

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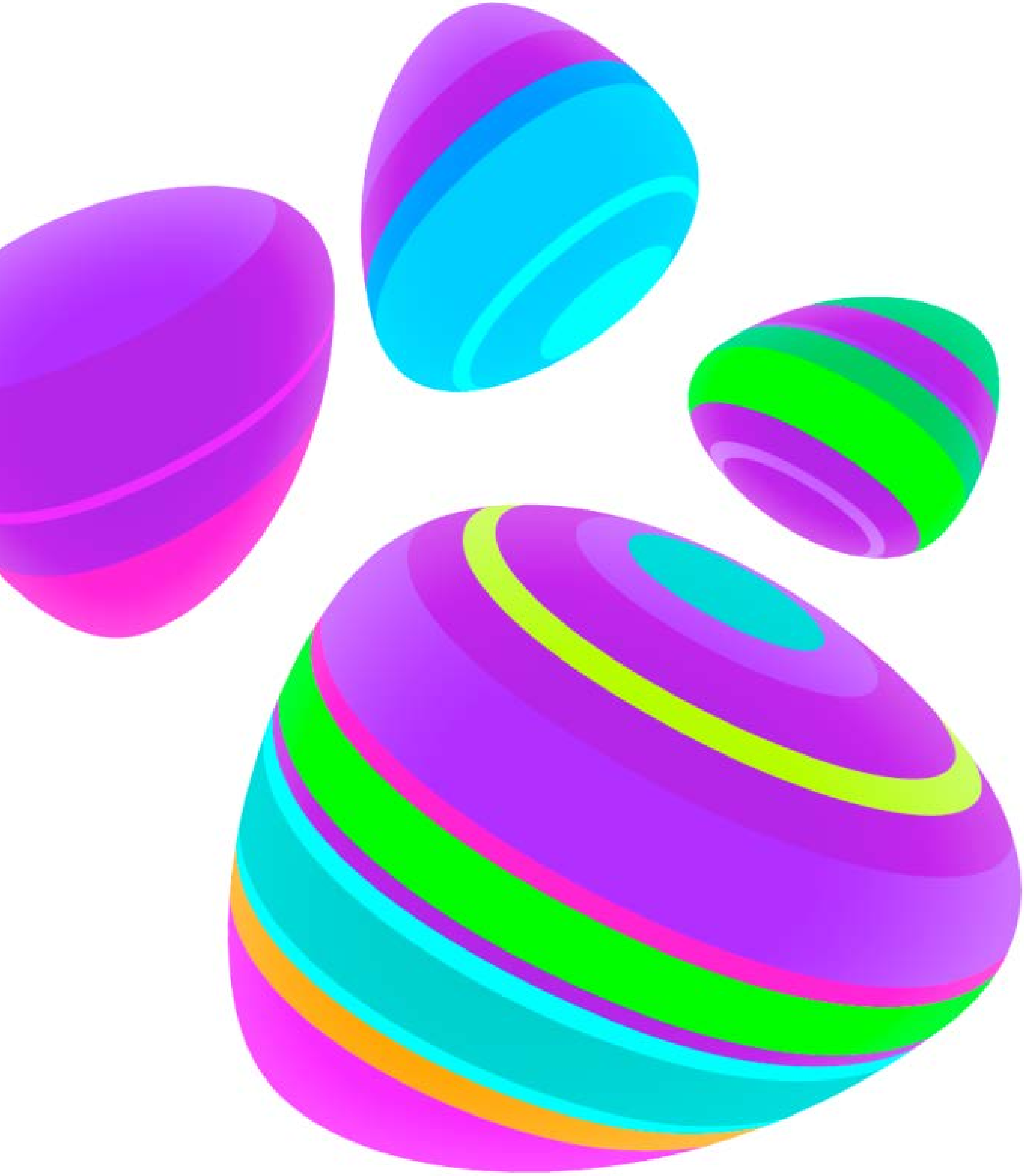
This information is information that Telia Company AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 07:00 CET on April 20, 2018.



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