

# TELIA COMPANY INTERIM REPORT JANUARY-JUNE 2018



# ANOTHER STRONG QUARTER

## Second quarter summary

- Net sales in local currencies, excluding acquisitions and disposals increased 1.3 percent. In reported currency, net sales rose 5.2 percent to SEK 20,814 million (19,785). Service revenues in local currencies, excluding acquisitions and disposals, fell 2.3 percent.
- Adjusted EBITDA rose 3.9 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA rose 6.9 percent to SEK 6,443 million (6,027). The adjusted EBITDA margin increased to 31.0 percent (30.5).
- Adjusted operating income declined 0.9 percent to SEK 3,601 million (3,633).
- Total net income rose to SEK 2,244 million (-201). Total net income attributable to the owners of the parent rose to SEK 2,160 million (-291).
- Free cash flow in continuing and discontinued operations increased to SEK 3,114 million (2,772). Operational free cash flow in continuing operations rose to SEK 2,574 million (2,138).
- Outlook for 2018 is unchanged.

## First half summary

- Net sales in local currencies, excluding acquisitions and disposals increased 0.7 percent. In reported currency, net sales rose 4.2 percent to SEK 40,666 million (39,012).
- Adjusted operating income declined 2.0 percent to SEK 7,189 million (7,339).
- Total net income dropped to SEK 1,644 million (6,852). Total net income attributable to the owners of the parent dropped to SEK 1,450 million (6,603).

## Highlights

SEK in millions, except key ratios, per share data and changes	Apr-Jun 2018	Apr-Jun 2017 <sup>4</sup>	Chg %	Jan-Jun 2018	Jan-Jun 2017 <sup>4</sup>	Chg %
Net sales	20,814	19,785	5.2	40,666	39,012	4.2
Change (%) local organic <sup>1</sup>	1.3			0.7		
of which service revenues (external)	17,204	17,046	0.9	33,999	33,523	1.4
change (%) local organic	-2.3			-1.6		
Adjusted <sup>2</sup> EBITDA <sup>1</sup>	6,443	6,027	6.9	12,937	12,076	7.1
Change (%) local organic	3.9			4.0		
Margin (%)	31.0	30.5		31.8	31.0	
Adjusted <sup>2</sup> operating income <sup>1</sup>	3,601	3,633	-0.9	7,189	7,339	-2.0
Operating income	3,674	2,379	54.4	7,073	5,921	19.5
Income after financial items	3,108	1,475	110.7	6,048	4,495	34.6
Net income from continuing operations	2,680	1,294	107.0	5,026	3,751	34.0
Net income from discontinued operations <sup>3</sup>	-436	-1,496		-3,382	3,102	
Total net income	2,244	-201		1,644	6,852	-76.0
of which attributable to owners of the parent	2,160	-291		1,450	6,603	-78.0
EPS total (SEK)	0.50	-0.07		0.34	1.52	-77.9
EPS from continuing operations (SEK)	0.61	0.29	111.0	1.14	0.85	34.7
Free cash flow <sup>1</sup>	3,114	2,772	12.3	7,497	6,859	9.3
of which operational free cash flow <sup>1</sup>	2,574	2,138	20.4	6,830	6,075	12.4
CAPEX <sup>1</sup> excluding license and spectrum fees	3,464	4,628	-25.1	6,249	7,526	-17.0

1) See Note 16 for information on financial key ratios and/or page 50 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 generally pleased with our focus and performance in the second quarter. We continue to execute on our strategic priorities through the acquisitions of Get/TDC Norway and Bonnier Broadcasting. Both transactions are highly aligned with our strategy. The first makes us the obvious challenger on the Norwegian market with a truly converged mobile, TV and broadband customer offering as well as an enhanced B2B operation. We allocate capital to an attractive market where we acquire a best in class asset. The second combines the Bonnier Broadcasting’s competence and portfolio within local content and our superior digital TV service and first-class networks, creating a unique converged offering to consumers. Both are financially accretive transactions to EPS by 6 percent and cash flow by 13 percent, even excluding expected future cash flow synergies of in total SEK 1.3 billion. We are financially sound and see no reason whatsoever to change our earlier communication regarding dividend policy and share buy-back program.

The results are good on costs, EBITDA and cash flow. We are on track on the 2018 cost program of SEK 1.1 billion, with SEK 0.7 billion net reduction delivered year to date, equal to 3.3 percent of the total cost base. Sweden has contributed its share and notably we see an OPEX reduction of 9 percent in the second quarter. This left us to report EBITDA growth in all our seven countries. In 2018 we have grown our adjusted EBITDA by 4 percent organically in stable currency. Combining this with further increased working capital efficiency and good CAPEX management we have increased the operational free cash flow by 12 percent. Over the past 12 months we have generated SEK 10.4 billion in operational free cash flow. In addition, we have secured SEK 1 billion in dividends from associated companies. This gives comfort in our ability to invest in our business as well as provide attractive returns to our shareholders, especially combined with our buy-back program.

The second quarter showed similar market trends as we saw in the first quarter. Mobile service revenues continue to show growth, primarily driven by ARPU growth in all our markets. Legacy revenues continued to decline. The increased activity that we saw in the Swedish mobile market in the first quarter has continued with additional value loading. Despite increased competitive intensity we take market shares and deliver a total mobile services revenue growth of 1.9 percent and a consumer mobile growth above 5 percent for the second consecutive quarter. In Finland we saw a positive mobile subscriber intake as well as a reduced mobile churn. We have increased pricing with limited effect in the quarter. In Norway we have completed the migration of the Phonero and NextGenTel customers as well as the closing of the Chess brand. The synergies from the Phonero acquisition continue to be on track driving EBITDA growth, even if the integration had some impact on our customer churn. The Baltics continue to show strong mobile growth. Finally, Denmark has seen some positive impact from the reshaped mobile portfolio, adding mobile customers and growing mobile ARPU.

This quarter has seen both the political and industry’s attention on 5G continues. The Prime Ministers of the Nordic region committed in a letter of intent, to remove some of the barriers to 5G



roll-out and aim for better cross border coordination. As an industry, we joined the leading operators and equipment vendors in releasing a statement both showing support, but also asking for concrete and measurable actions to put this vision into reality.

In Eurasia our efforts to dispose our assets continue and progress is being made albeit slow and complex. However, we remain hopeful that we can take further steps during the remaining part of the year.

I am pleased with the cost execution that we have done in the past year. We will relentlessly work to increase efficiency and reduce costs, but note that comparison will become tougher as of the third quarter this year. We reiterate our outlook that the adjusted EBITDA 2018, in local currency, is expected to be in line or slightly above the 2017 level. The outlook for operational free cash flow being above SEK 9.7 billion is also left unchanged.

On a final note to my entire team, thanks for your passion to deliver! And to all of you I want to wish you a great summer! See you soon again.”

**Johan Dennelind**  
President and CEO

## OUTLOOK FOR 2018 (UNCHANGED)

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+).

# REVIEW OF THE GROUP, SECOND QUARTER 2018

## Sales and earnings

**Net sales** in local currencies, excluding acquisitions and disposals, increased 1.3 percent. In reported currency, net sales rose 5.2 percent to SEK 20,814 million (19,785). Service revenues in local currencies, excluding acquisitions and disposals, fell 2.3 percent.

**The number of subscriptions** decreased from 23.4 million from the end of the second quarter of 2017 to 23.0 million. During the quarter, the total number of subscriptions was unchanged at 23.0 million.

**Adjusted EBITDA** rose 3.9 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA rose 6.9 percent to SEK 6,443 million (6,027). The adjusted EBITDA margin increased to 31.0 percent (30.5).

**Income from associated companies and joint ventures** rose to SEK 305 million (-1,258) as last year was impacted by a capital loss related to the disposal of shares in Turkcell.

**Adjusted operating income** declined 0.9 percent to SEK 3,601 million (3,633).

**Adjustment items** affecting operating income amounted to SEK 73 million (-1,254), see Note 3.

**Financial items** totaled SEK -566 million (-904) of which SEK -580 million (-880) related to net interest expenses. Last year was negatively impacted by the bond buy-back transactions affecting net interest expenses.

**Income taxes** amounted to SEK -428 million (-181). The effective tax rate was 13.8 percent (12.3). The effective tax rate was impacted by the remeasurement of deferred tax assets and liabilities due to decreased enacted tax rates in Sweden in the second quarter of 2018. Comparable quarter last year was impacted by remeasured withholding tax provision due to the disposal of shares in Turkcell and non-taxable capital gain related to the disposal of Sergel.

**Net income from discontinued operations** improved to SEK -436 million (-1,496) million, mainly due to lower impairments, see Note 4.

**Total net income** increased to SEK 2,244 million (-201), of which SEK 2,680 million (1,294) from continuing operations and SEK -436 million (-1,496) from discontinued operations. Total earnings per share was SEK 0.50 (-0.07).

**Total net income attributable to the owners of the parent** rose to SEK 2,160 million (-291).

**Total net income attributable to non-controlling interests** amounted to SEK 84 million (90).

**Other comprehensive income** declined to SEK -133 million (2,432), mainly due to remeasurements on pension obligations and that comparable quarter last year was impacted by positive effects from reclassification of exchange differences related to the disposal of shares in Turkcell.

## Cash flow

**Cash flow from operating activities**, from continuing and discontinued operations decreased to SEK 6,729 million (7,501) due to lower dividends from associated companies, higher income taxes paid partly offset by improved working capital.

**Operational free cash flow**, from continuing operations was SEK 2,574 million (2,138).

**Cash flow from investing activities**, from continuing and discontinued operations decreased to SEK -8,359 million (-2,736). The second quarter was negatively affected by increased investments in bank deposits partly offset by lower cash CAPEX. Last year was positively impacted by the net of acquisitions and disposals.

**Cash flow from financing activities**, from continuing and discontinued operations decreased to SEK -5,202 million (5,449) mainly due to that comparable quarter last year was positively affected by issued hybrid capital, partly offset by buy-backs of outstanding Telia Company bonds. The second quarter 2018 was negatively affected by higher paid dividend and repurchased shares related to the share buy-back program (see Note 9) offset by positive effects of cross-currency interest swaps.

## Financial position

**CAPEX** was SEK 3,464 million (5,090). The decrease was mainly due to lower investments in intangible assets as comparable quarter last year was affected by the investment of rights for the ice hockey league in Finland. CAPEX excluding license and spectrum fees was SEK 3,464 million (4,628). Cash CAPEX was SEK 3,403 million (3,874).

**Net debt**, from continuing and discontinued operations, was SEK 32,400 million at the end of the second quarter (28,513 at the end of the first quarter of 2018). The net debt/adjusted EBITDA ratio was 1.14x.



# REVIEW OF THE GROUP, FIRST HALF 2018

## Sales and earnings

**Net sales** in local currencies, excluding acquisitions and disposals increased 0.7 percent. In reported currency, net sales rose 4.2 percent to SEK 40,666 million (39,012). Service revenues in local currencies, excluding acquisitions and disposals, fell 1.6 percent.

**Adjusted EBITDA** rose 4.0 percent in local currencies, excluding acquisitions and disposals. In reported currency, adjusted EBITDA rose 7.1 percent to SEK 12,937 million (12,076). The adjusted EBITDA margin rose to 31.8 percent (31.0).

**Income from associated companies and joint ventures**, rose to SEK 450 million (-697) mainly due to that last year was affected by the capital loss related to the disposal of shares in Turkcell. First half of 2018 was impacted by lower contribution from Turkcell and no contribution following the disposal of MegaFon in 2017.

**Adjusted operating income** declined 2.0 percent to SEK 7,189 million (7,339).

**Adjustment items** affecting operating income amounted to SEK -116 million (-1,418), see Note 3.

**Financial items** totaled SEK -1,025 million (-1,426) of which SEK -1,044 million (-1,385) related to net interest expenses. Last year was negatively affected by the bond buy-back transactions affecting net interest expenses.

**Income taxes** amounted to SEK -1,022 million (-744). The effective tax rate was 16.9 percent (16.5). The effective tax rate was impacted by the remeasurement of deferred tax assets and liabilities due to decreased enacted tax rates in Sweden in the second quarter 2018. The comparable period last year was impacted by re-measured withholding tax provision due to the disposal of shares in Turkcell and non-taxable capital gain related to the disposal of Sergel.

**Net income from discontinued operations** declined to SEK -3,382 million (3,102) mainly due to the disposals of Azercell and Geocell, resulting in capital losses and lower contribution. The devaluation in Uzbekistan in the third quarter of 2017 had also a negative impact on the first half of 2018, while the first half of 2017 included a positive effect from the adjustment of the provision regarding the Uzbekistan investigations, see Note 4.

**Total net income** decreased to SEK 1,644 million (6,852), of which SEK 5,026 million (3,751) from continuing operations and SEK -3,382 million (3,102) from discontinued operations. Total earnings per share was SEK 0.34 (1.52).

**Total net income attributable to the owners of the parent** dropped to SEK 1,450 million (6,603).

**Total net income attributable to non-controlling interests** amounted to SEK 194 million (250).

**Other comprehensive income** increased to SEK 7,555 million (1,008) mainly due to positive translation differences and reclassified exchange effects from the disposals of Azercell and Geocell.

## Cash flow

**Operational free cash flow** from continuing operations increased to SEK 6,830 million (6,075) mainly due to better performance in working capital.

**Cash flow from investing activities**, from continuing and discontinued operations improved to SEK -4,937 million (-6,059). The first half of 2018 was positively impacted by decreased investments in bank deposits and lower cash CAPEX partly offset by the net of acquisitions and disposals.

**Cash flow from financing activities**, from continuing and discontinued operations decreased to SEK -7,157 million (-4,306) mainly due to that comparable period was positively affected by issued hybrid capital, partly offset by buy-backs of outstanding Telia Company bonds. First half was negatively impacted by repurchased shares related to the share buy-back program (see Note 9), offset by positive effects of cross-currency interest swaps and currency derivatives.

## Financial position

**CAPEX** was SEK 6,249 million (7,988). The decrease was mainly due to lower investments in intangible assets. The comparable period previous year was affected by the investment of rights for the ice hockey league in Finland. CAPEX excluding license and spectrum fees was SEK 6,249 million (7,526). Cash CAPEX was SEK 6,247 million (6 825).

**Goodwill and other intangible assets** increased to SEK 82,895 million (76,652) mainly due to foreign exchange rate effects, as well as the acquisitions of Inmics and Cloud Solutions CS.

**Investments in associated companies and joint ventures, pension obligation assets and other non-current assets** decreased to SEK 14,692 million (17,650) mainly due to the divestment of the holding in Spotify and revaluation of pension obligations. Investments in associated companies increased due to cross-ownership effects from the disposals of Azercell and Geocell. The effect was offset by dividend from Turkcell.

**Long-term interest-bearing receivables** decreased to SEK 16,101 million (18,674) mainly due to reclassification to **Short-term interest-bearing receivables**.

**Provisions for pensions and other long-term provisions** decreased to SEK 6,641 million (8,210) due to reclassification of the provision for the settlement with the US and Dutch authorities to short-term provisions.

**Trade payables and other current liabilities, current tax payables and short-term provisions** increased to SEK 28,169 million (19,673) due to the second dividend tranche to be paid out, a reclassification of the provision for the settlement with the US and Dutch authorities as well and supplier vendor financing.

## 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 Republic 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.
- On April 20, 2018, Telia Company announced that the Board of Directors had decided to initiate a buy-back program. The ambition is to buy back shares for an annual amount of SEK 5 billion over the coming three-year period, totaling SEK 15 billion, see Note 9.
- On April 27, 2018, Telia Company announced that The Board of Directors had decided to exercise the mandate for the buy-back of shares that was approved by the Annual General Meeting on April 10, 2018. The purpose is to cover commitments under the “Long Term Incentive Program 2015/2018”, see Note 9.
- On May 28, 2018, Telia Company announced that it had changed the composition of its Group Executive Management. Anders Olsson, Senior Vice President, Chief Operating Officer and Head of Global Services & Operations at Telia Company, had been appointed Executive Vice President and CEO of Telia Sweden. Magnus Zetterberg will replace Anders Olsson as COO and Head of GSO. Henriette Wendt, Senior Vice President and Head of Telia Company’s businesses in Lithuania, Estonia and Denmark, left her position and was replaced by Emil Nilsson, Senior Vice President and Head of Region Eurasia.
- June 12, 2018, Telia Company announced that it became the majority shareholder of Assembly Organizing Oy which arranges Finland’s largest digital culture and games events. The ambition is to expand and further develop Telia’s ambitions within e-sports and gaming.

## Significant events after the end of the second quarter

- On July 4, 2018, Telia Company announced that Dan Strömberg, currently CEO of Telia Estonia, had been appointed CEO of Telia Lithuania and will replace Kestutis Sliuzas who will leave the company. Robert Pajos has been appointed interim CEO of Telia Estonia.
- On July 12, 2018, Telia Company announced that Telia Company’s President and CEO Johan Dennelind and the Prime Minister of Latvia Māris Kučinskis had signed a memorandum of understanding on improving their cooperation as shareholders in LMT and Lattelecom.
- On July 17, 2017 Telia Company announced that it had signed an agreement to acquire Get and TDC Norway at an enterprise value of NOK 21 billion on a cash and debt free basis. The transaction is subject to approval and is expected to be completed in the second half of 2018, see Note 15.
- On July 20, 2018, Telia Company announced that it had signed an agreement to acquire Bonnier Broadcasting, including brands TV4, C More and Finnish MTV, from Bonnier AB for SEK 9.2 billion, on a cash and debt free basis, equivalent to an EV/EBIT multiple of 15.4x, based on last 12-month performance as per March 31, 2018, or 7.7x including full run rate of synergies and integration costs. The transaction is subject to regulatory approvals and is expected to be completed during the second half of 2019, see Note 15.
- 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 Settmann 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.

## Significant events in the second quarter



## EBITDA AND STRONG MOBILE GROWTH IN SWEDEN

- Telia became the first operator in Sweden to bring Narrowband IoT technology to its entire network. The new technology enables the Internet of Things to reach massive scale, cost efficiency and help cities and homes to become smarter.

### Highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Chg (%)	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>	Chg (%)
Net sales	9,368	9,079	3.2	18,365	18,153	1.2
Change (%) local organic	3.1			1.0		
of which service revenues (external)	7,700	7,826	-1.6	15,322	15,559	-1.5
change (%) local organic	-1.7			-1.7		
Adjusted EBITDA	3,274	3,241	1.0	6,695	6,557	2.1
Margin (%)	35.0	35.7		36.5	36.1	
change (%) local organic	0.9			2.0		
Adjusted operating income	1,970	1,965	0.2	4,093	4,015	1.9
Operating income	2,089	1,963	6.4	4,092	3,980	2.8
CAPEX excluding license and spectrum fees	1,465	1,604	-8.7	2,678	2,960	-9.5
Adjusted EBITDA - CAPEX	1,809	1,637	10.5	4,017	3,597	11.7
Subscriptions, (thousands)						
Mobile	6,098	6,133	-0.6	6,098	6,133	-0.6
of which machine to machine (postpaid)	970	893	8.6	970	893	8.6
Fixed telephony	1,229	1,551	-20.8	1,229	1,551	-20.8
Broadband	1,281	1,293	-0.9	1,281	1,293	-0.9
TV	820	792	3.5	820	792	3.5
Employees	6,379	6,763	-5.7	6,379	6,763	-5.7

1) Restated for comparability, see Note 1.

**Net sales** grew 3.2 percent to SEK 9,368 million (9,079) and excluding acquisitions and disposals net sales grew 3.1 percent driven by increased sale of equipment that more than offset lower service revenues. The effect from acquisitions and disposals was positive by 0.1 percent.

**Service revenues** excluding acquisitions and disposals, fell 1.7 percent as a 1.9 percent growth in mobile service revenues was not enough to mitigate for the decline in fixed service revenues. Like in previous quarters, the negative fixed revenue development was due to pressure on legacy revenues, mainly traditional telephony, and to some extent also by lower fiber installation revenues.

**Adjusted EBITDA** increased 1.0 percent to SEK 3,274 million (3,241). The adjusted EBITDA margin fell to 35.0 percent (35.7) mainly due to increased sale of equipment. Excluding acquisitions and disposals, adjusted EBITDA rose 0.9 percent as the impact from lower service revenues was mitigated for by cost savings, largely related to resource costs.

**CAPEX** fell 8.7 percent to SEK 1,465 million (1,604) and CAPEX, excluding licenses and spectrum fees fell to SEK 1,465 million (1,604).

TV subscriptions increased by 13,000 and fixed broadband subscriptions remained flat in the quarter. Mobile subscriptions increased by 31,000 in the quarter driven by an addition of 44,000 postpaid subscriptions.

## DELIVERING ON STRATEGIC AGENDA IN FINLAND

- Telia inaugurated the most modern open data center in Europe, "Telia Helsinki data center". The new facility is the biggest open data center in Finland and will multiply the country's data center capacity. In addition, focus on energy efficiency, environmental friendliness and information security makes the new data center one of the greenest.
- Telia became the majority shareholder of Assembly Organizing Oy, the organizer of Finland's largest digital culture and gaming events. The transaction is part of Telia Finland's ambition to be more visible within e-sports and gaming given the Telia brand's strong link to digitalization and connectivity.

### Highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Chg (%)	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>	Chg (%)
Net sales	3,868	3,339	15.9	7,526	6,611	13.8
Change (%) local organic	0.6			0.6		
of which service revenues (external)	3,248	2,913	11.5	6,332	5,750	10.1
change (%) local organic	-0.4			-0.6		
Adjusted EBITDA	1,124	1,028	9.4	2,275	1,992	14.2
Margin (%)	29.1	30.8		30.2	30.1	
change (%) local organic	-1.3			3.6		
Adjusted operating income	494	502	-1.6	1,061	960	10.4
Operating income	483	491	-1.6	1,010	897	12.6
CAPEX excluding license and spectrum fees	490	1,694	-71.1	807	2,045	-60.5
Adjusted EBITDA - CAPEX	634	-667		1,468	-53	
Subscriptions, (thousands)						
Mobile	3,262	3,274	-0.4	3,262	3,274	-0.4
of which machine to machine (postpaid)	253	229	10.3	253	229	10.3
Fixed telephony	44	57	-22.8	44	57	-22.8
Broadband	454	479	-5.2	454	479	-5.2
TV	516	501	2.9	516	501	2.9
Employees	3,323	3,152	5.4	3,323	3,152	5.4

1) Restated for comparability, see Note 1.

**Net sales** increased 15.9 percent in reported currency to SEK 3,868 million (3,339) and in local currency excluding acquisitions and disposals net sales increased 0.6 percent. The effect of exchange rate fluctuations was positive by 7.4 percent and the impact from acquisitions and disposals was positive by 7.9 percent.

**Service revenues** in local currency, excluding acquisitions and disposals fell 0.4 percent as a slight mobile revenue growth in both the B2C and B2B segments was offset by a continued pressure on fixed service revenues in the B2C segment.

**Adjusted EBITDA** in reported currency rose 9.4 percent to SEK 1,124 million (1,028) following positive impact from currency as well as the acquisitions of Nebula and Inmics. The adjusted EBITDA margin fell to 29.1 percent

(30.8). In local currency, excluding acquisitions and disposals, adjusted EBITDA fell 1.3 percent following a combination of somewhat lower service revenues and a rather flat cost-base development.

**CAPEX** decreased 71.1 percent to SEK 490 million (1,694) as the corresponding quarter last year included the acquisition of ice hockey content rights. CAPEX excluding licenses and spectrum fees fell to SEK 490 million (1,694). CAPEX related to "Telia Helsinki datacenter" will be recognized in the third quarter when the lease period commences.

The number of mobile subscriptions increased by 5,000 and fixed broadband subscriptions fell by 4,000 in the quarter. TV subscriptions increased by 7,000 in the quarter.

## MARGIN UPLIFT IN NORWAY

- The roaming agreement with ICE was extended for another two years implying that the customers of ICE will remain at Telia's award winning network and that Telia Norway will have a continued inflow of wholesale revenues in the years to come.
- The sub-brand Chess was cancelled in the quarter and customers were migrated to the Telia brand. After this Telia in Norway will continue to operate the sub-brands OneCall, MyCall and Phonero in addition to the main brand Telia.

### Highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Chg (%)	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>	Chg (%)
Net sales	2,750	2,566	7.2	5,345	4,838	10.5
Change (%) local organic	2.5			4.7		
of which service revenues (external)	2,221	2,164	2.6	4,350	4,107	5.9
change (%) local organic	-1.9			-0.5		
Adjusted EBITDA	987	885	11.6	1,995	1,747	14.2
Margin (%)	35.9	34.5		37.3	36.1	
change (%) local organic	6.4			5.7		
Adjusted operating income	533	493	8.0	1,130	982	15.0
Operating income	526	421	24.9	1,114	893	24.7
CAPEX excluding license and spectrum fees	285	213	33.8	573	448	27.7
Adjusted EBITDA - CAPEX	702	260	170.4	1,422	886	60.4
Subscriptions, (thousands)						
Mobile	2,335	2,441	-4.3	2,335	2,441	-4.3
of which machine to machine (postpaid)	64	78	-18.5	64	78	-18.5
Employees	1,202	1,179	2.0	1,202	1,179	2.0

1) Restated for comparability, see Note 1.

**Net sales** increased 7.2 percent in reported currency to SEK 2,750 million (2,566) and in local currency excluding acquisitions and disposals net sales increased 2.5 percent driven by higher mobile equipment sales. The effect of exchange rate fluctuations was positive by 4.7 percent.

**Service revenues** in local currency, excluding acquisitions and disposals declined 1.9 percent as mobile service revenues fell due to a subscription base erosion that was not fully compensated for by a slightly higher ARPU.

**Adjusted EBITDA** in reported currency grew 11.6 percent to SEK 987 million (885). The adjusted EBITDA margin rose to 35.9 percent (34.5). In local currency, excluding acquisitions and disposals, adjusted EBITDA increased 6.4 percent as the impact from lower service revenues was compensated for by lower costs mainly due to synergies from the Phonero acquisition.

**CAPEX** fell 54.4 percent to SEK 285 million (625) and CAPEX excluding licenses and spectrum fees, increased to SEK 285 million (213).

The number of mobile subscriptions fell by 6,000 in the quarter.

## GOOD COST CONTROL IN DENMARK

- The unlimited mobile offering launched in March has been well received by the customers, with almost 60,000 customers signing up for the new tariff since the launch. Furthermore, the net promotor score (NPS) for Telia consumer improved and for the sub-brand Call me, it reached all-time high as customers' satisfaction on items like coverage, customer service and user-friendliness continued to improve.

### Highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Chg (%)	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>	Chg (%)
Net sales	1,525	1,443	5.7	2,940	2,923	0.6
Change (%) local organic	-0.8			-4.8		
of which service revenues (external)	1,081	1,079	0.3	2,147	2,141	0.3
change (%) local organic	-6.1			-5.2		
Adjusted EBITDA	170	154	10.2	311	299	4.0
Margin (%)	11.1	10.7		10.6	10.2	
change (%) local organic	3.4			-1.7		
Adjusted operating income	-38	-33		-100	-73	
Operating income	-34	-45		-81	-87	
CAPEX excluding license and spectrum fees	84	80	4.9	174	190	-8.4
Adjusted EBITDA - CAPEX	86	74	15.8	137	109	25.7
Subscriptions, (thousands)						
Mobile	1,459	1,482	-1.5	1,459	1,482	-1.5
of which machine to machine (postpaid)	52	46	11.7	52	46	11.7
Fixed telephony	87	96	-9.4	87	96	-9.4
Broadband	107	123	-13.0	107	123	-13.0
TV	29	33	-12.1	29	33	-12.1
Employees	926	1,074	-13.8	926	1,074	-13.8

1) Restated for comparability, see Note 1.

**Net sales** increased 5.7 percent in reported currency to SEK 1,525 million (1,443) and in local currency excluding acquisitions and disposals net sales decreased 0.8 percent. The effect from exchange rate fluctuations was positive by 6.5 percent.

**Service revenues** in local currency, excluding acquisitions and disposals dropped 6.1 percent mainly as mobile service revenues fell by 5.6 percent. Also, fixed service revenues declined due to a continued pressure mainly on traditional fixed telephony and fixed broadband revenues.

**Adjusted EBITDA** in reported currency increased 10.2 percent to SEK 170 million (154). The adjusted EBITDA margin grew to 11.1 percent (10.7). In local currency, excluding acquisitions and disposals, adjusted EBITDA increased 3.4 percent as strong cost savings, mainly related to resources, more than compensated for lower service revenues.

**CAPEX** increased 4.9 percent to SEK 84 million (80) and CAPEX excluding licenses and spectrum fees increased to SEK 84 million (80).

The number of mobile subscriptions grew by 5,000 in the quarter. The number of fixed broadband subscriptions increased by 2,000 and TV subscriptions fell by 1,000 in the quarter.

## STRONG DEVELOPMENT IN LITHUANIA

- Telia was awarded “Company of the Century” in Lithuania by Investors’ Forum, an association uniting the largest and most active investors in the Lithuanian economy.

### Highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Chg (%)	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>	Chg (%)
Net sales	955	910	4.9	1,856	1,714	8.3
Change (%) local organic	-1.9			2.3		
of which service revenues (external)	754	756	-0.3	1,481	1,418	4.4
change (%) local organic	-6.8			-1.4		
Adjusted EBITDA	347	290	19.6	665	567	17.3
Margin (%)	36.3	31.9		35.9	33.1	
change (%) local organic	12.0			10.8		
Adjusted operating income	197	169	16.9	338	289	16.9
Operating income	195	157	24.0	335	269	24.6
CAPEX excluding license and spectrum fees	190	119	59.0	305	235	30.1
Adjusted EBITDA - CAPEX	158	171	-7.9	360	333	8.2
Subscriptions, (thousands)						
Mobile	1,383	1,328	4.2	1,383	1,328	4.2
of which machine to machine (postpaid)	150	129	16.4	150	129	16.4
Fixed telephony	344	395	-12.9	344	395	-12.9
Broadband	409	405	1.0	409	405	1.0
TV	247	234	5.6	247	234	5.6
Employees	2,337	2,500	-6.5	2,337	2,500	-6.5

1) Restated for comparability, see Note 1.

**Net sales** in reported currency grew 4.9 percent to SEK 955 million (910) driven by increased sales of equipment. In local currency excluding acquisitions and disposals net sales declined 1.9 percent. The effect of exchange rate fluctuations was positive by 6.8 percent.

**Service revenues** in local currency, excluding acquisitions and disposals fell 6.8 percent mainly as the corresponding quarter last year was significantly impacted by a step-up in low-margin transit service revenues. Mobile service revenues continued to develop positively, growing by 13.6 percent as a result of subscription base expansion and ARPU uplift.

**Adjusted EBITDA** in reported currency increased 19.6 percent to SEK 347 million (290). The adjusted EBITDA margin improved to 36.3 percent (31.9). In local currency, excluding acquisitions and disposals, adjusted EBITDA increased 12.0 percent following a more favorable revenue mix and solid cost control.

**CAPEX** increased 59.0 percent to SEK 190 million (119) and CAPEX excluding licenses and spectrum fees increased to SEK 190 million (119).

The number of mobile subscriptions increased by 20,000 and TV subscriptions increased by 1,000 in the quarter. The number of fixed broadband subscriptions fell by 4,000 the quarter.

## SOLID EXECUTION IN ESTONIA

- New roaming offerings outside EU were launched for both consumers and enterprises. In addition, the new offerings that target to give freedom of usage also outside EU are now easily available via the “My Telia” application.

### Highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2018	Apr-Jun 2017	Chg (%)	Jan-Jun 2018	Jan-Jun 2017	Chg (%)
Net sales	740	683	8.4	1,453	1,344	8.1
Change (%) local organic	1.7			2.5		
of which service revenues (external)	598	539	11.0	1,169	1,072	9.0
change (%) local organic	4.3			3.4		
Adjusted EBITDA	252	216	16.6	486	422	15.3
Margin (%)	34.0	31.6		33.5	31.4	
change (%) local organic	9.3			9.1		
Adjusted operating income	115	86	32.8	207	166	24.9
Operating income	109	85	28.5	204	163	25.5
CAPEX excluding license and spectrum fees	126	119	6.3	194	217	-10.4
Adjusted EBITDA - CAPEX	125	47	166.2	292	155	88.6
Subscriptions, (thousands)						
Mobile	948	918	3.3	948	918	3.3
of which machine to machine (postpaid)	230	212	8.8	230	212	8.8
Fixed telephony	271	290	-6.6	271	290	-6.6
Broadband	239	233	2.6	239	233	2.6
TV	205	188	8.9	205	188	8.9
Employees	1,819	1,920	-5.3	1,819	1,920	-5.3

**Net sales** in reported currency increased 8.4 percent to SEK 740 million (683) and in local currency excluding acquisitions and disposals net sales increased 1.7 percent. The effect of exchange rate fluctuations was positive by 7.0 percent and the impact from acquisitions and disposals was negative by 0.3 percent.

**Service revenues** in local currency, excluding acquisitions and disposals increased 4.3 percent mainly driven by a 6.9 percent growth in fixed service revenues and to some less extent from growing mobile service revenues. The growth in fixed service revenues was driven by positive development for the majority of services, although mainly from TV and business solutions.

**Adjusted EBITDA** in reported currency increased 16.6 percent to SEK 252 million (216). The adjusted EBITDA margin rose to 34.0 percent (31.6). In local currency, excluding acquisitions and disposals, adjusted EBITDA increased 9.3 percent due to revenue growth and good cost control.

**CAPEX** fell 25.1 percent to SEK 126 million (169) and CAPEX excluding licenses and spectrum fees increased to SEK 126 million (119).

The number of mobile subscription and TV subscriptions grew by 14,000 and 3,000, respectively, in the quarter. The number of fixed broadband subscriptions increased by 1,000 in the quarter.



## OTHER OPERATIONS

### Highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Chg (%)	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>	Chg (%)
Net sales	2,186	2,329	-6.2	4,326	4,560	-5.1
Change (%) local organic	-1.8			0.2		
of which Telia Carrier	1,407	1,487	-5.4	2,808	2,921	-3.9
of which Latvia	533	475	12.0	1,025	919	11.6
Adjusted EBITDA	288	212	35.8	510	491	3.8
of which Telia Carrier	121	120	1.1	231	250	-7.7
of which Latvia	171	148	15.3	331	287	15.2
Margin (%)	13.2	9.1		11.8	10.8	
Income from associated companies	297	-1,263		446	-699	
of which Russia	—	152		—	267	
of which Turkey	259	-1,451		373	-1,027	
of which Latvia	36	29	22.7	71	56	26.3
Adjusted operating income	331	451	-26.6	459	999	-54.0
Operating income	307	-693		398	-195	
CAPEX	823	798	3.1	1,515	1,431	5.9
Subscriptions, (thousands)						
Mobile Latvia	1,268	1,224	3.6	1,268	1,224	3.6
of which machine to machine (postpaid)	305	277	10.3	305	277	10.3
Employees	3,872	4,271	-9.3	3,872	4,271	-9.3

1) Restated for comparability, see Note 1.

**Net sales** fell 6.2 percent in reported currency to SEK 2,186 million (2,329). In local currency, excluding acquisitions and disposals net sales fell 1.8 percent. The effect of exchange rate fluctuations was positive by 3.0 percent and the effect from acquisitions and disposals was negative by 7.4 percent.

**Adjusted EBITDA** in reported currency rose 35.8 percent to SEK 288 million (212). The adjusted EBITDA margin rose to 13.2 percent (9.1).

In **Telia Carrier**, net sales in reported currency fell 5.4 percent to SEK 1,407 million (1,487) and adjusted EBITDA, increased 1.1 percent to SEK 121 million (120) in reported currency.

In **Latvia**, net sales in reported currency grew 12.0 percent to SEK 533 million (475). Adjusted EBITDA in reported currency increased 15.3 percent to SEK 171 million (148) mainly as a result from a 9.5 percent growth in service revenues.

The number of mobile subscriptions in Latvia increased by 17,000 in the quarter.

**Income from associated companies** increased to SEK 297 million (-1,263) as the corresponding quarter last year was impacted by a SEK 1.8 billion capital loss from the disposal of shares in Turkcell.

# DISCONTINUED OPERATIONS

## Highlights

SEK in millions, except margins, operational data and changes	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Chg (%)	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>	Chg (%)
Net sales (external)	1,614	3,054	-47.1	3,588	6,142	-41.6
Adjusted EBITDA	539	1,135	-52.5	1,226	2,322	-47.2
Margin (%)	33.4	37.2		34.2	37.8	
CAPEX	219	725	-69.7	392	1,029	-61.9
CAPEX excluding license and spectrum fees	183	725	-74.8	355	1,029	-65.5

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 47.1 percent in reported currency to SEK 1,614 million (3,054) mainly due to devaluation in Uzbekistan in the third quarter of 2017 and the disposals of Azercell in Azerbaijan and Geocell in Georgia in the first quarter of 2018.

**Adjusted EBITDA** fell 52.5 percent to SEK 539 million (1,135) mainly following devaluation in Uzbekistan and the disposals of Azercell and Geocell, respectively. The adjusted EBITDA margin fell to 33.4 percent (37.2).

**CAPEX** decreased to SEK 219 million (725) and CAPEX, excluding license and spectrum fees fell to SEK 183 million (725).

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK in millions, except per share data and number of shares	Note	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>
<b>Continuing operations</b>					
Net sales	5, 6	20,814	19,785	40,666	39,012
Cost of sales		-12,766	-12,457	-24,952	-24,070
<b>Gross profit</b>		<b>8,048</b>	<b>7,328</b>	<b>15,714</b>	<b>14,942</b>
Selling, administration and R&D expenses		-4,808	-4,815	-9,074	-9,365
Other operating income and expenses, net		129	1,124	-17	1,040
Income from associated companies and joint ventures		305	-1,258	450	-697
<b>Operating income</b>	5	<b>3,674</b>	<b>2,379</b>	<b>7,073</b>	<b>5,921</b>
Financial items, net		-566	-904	-1,025	-1,426
<b>Income after financial items</b>		<b>3,108</b>	<b>1,475</b>	<b>6,048</b>	<b>4,495</b>
Income taxes		-428	-181	-1,022	-744
<b>Net income from continuing operations</b>		<b>2,680</b>	<b>1,294</b>	<b>5,026</b>	<b>3,751</b>
<b>Discontinued operations</b>					
<b>Net income from discontinued operations</b>	4	<b>-436</b>	<b>-1,496</b>	<b>-3,382</b>	<b>3,102</b>
<b>Total net income</b>		<b>2,244</b>	<b>-201</b>	<b>1,644</b>	<b>6,852</b>
<b>Items that may be reclassified to net income:</b>					
Foreign currency translation differences from continuing operations		306	3,308	3,567	2,487
Foreign currency translation differences from discontinued operations		148	-1,010	3,263	-1,334
Other comprehensive income from associated companies and joint ventures		43	-25	47	173
Cash flow hedges		-206	-127	-317	-219
Cost of hedging		64	–	64	–
Available-for-sale financial instruments		–	120	–	13
Income taxes relating to items that may be reclassified		224	136	798	59
<b>Items that will not be reclassified to net income:</b>					
Equity instruments at fair value through OCI		4	–	570	–
Remeasurements of defined benefit pension plans		-906	28	-544	-198
Income taxes relating to items that will not be reclassified		189	0	109	52
Associates remeasurements of defined benefit pension plans		0	2	-1	-26
<b>Other comprehensive income</b>		<b>-133</b>	<b>2,432</b>	<b>7,555</b>	<b>1,008</b>
<b>Total comprehensive income</b>		<b>2,111</b>	<b>2,231</b>	<b>9,198</b>	<b>7,860</b>
Total net income attributable to:					
Owners of the parent		2,160	-291	1,450	6,603
Non-controlling interests		84	90	194	250
Total comprehensive income attributable to:					
Owners of the parent		1,939	2,786	8,948	7,944
Non-controlling interests		172	-555	250	-84
Earnings per share (SEK), basic and diluted		0.50	-0.07	0.34	1.52
<i>of which continuing operations, basic and diluted</i>		<i>0.61</i>	<i>0.29</i>	<i>1.14</i>	<i>0.85</i>
Number of shares (thousands)					
Outstanding at period-end		4,305,465	4,330,085	4,305,465	4,330,085
Weighted average, basic and diluted		4,315,620	4,330,085	4,322,852	4,330,085
EBITDA in continuing operations		6,533	7,066	12,838	12,951
Adjusted EBITDA in continuing operations		6,443	6,027	12,937	12,076
Depreciation, amortization and impairment losses from continuing operations		-3,163	-3,428	-6,216	-6,333
Adjusted operating income in continuing operations		3,601	3,633	7,189	7,339

1) Restated for comparability, see Note 1.

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK in millions	Note	Jun 30, 2018	Dec 31, 2017 <sup>1</sup>
<b>Assets</b>			
Goodwill and other intangible assets	7, 15	82,895	76,652
Property, plant and equipment	7	61,862	60,024
Investments in associated companies and joint ventures, pension obligation assets and other non-current assets	8	14,692	17,650
Deferred tax assets		2,755	3,003
Long-term interest-bearing receivables	4, 11	16,101	18,674
<i>Total non-current assets</i>		<i>178,306</i>	<i>176,003</i>
Inventories		1,726	1,521
Trade and other receivables and current tax receivables		17,204	16,385
Short-term interest-bearing receivables	11	20,548	17,335
Cash and cash equivalents	4, 11	19,404	15,616
Assets classified as held for sale	4, 11	13,641	18,508
<i>Total current assets</i>		<i>72,524</i>	<i>69,365</i>
<b>Total assets</b>		<b>250,829</b>	<b>245,367</b>
<b>Equity and liabilities</b>			
Equity attributable to owners of the parent		99,447	101,226
Equity attributable to non-controlling interests		5,312	5,291
<i>Total equity</i>		<i>104,759</i>	<i>106,517</i>
Long-term borrowings	8, 11	89,146	87,813
Deferred tax liabilities		8,277	8,973
Provisions for pensions and other long-term provisions		6,641	8,210
Other long-term liabilities		2,109	1,950
<i>Total non-current liabilities</i>		<i>106,173</i>	<i>106,946</i>
Short-term borrowings	8, 11	5,697	3,674
Trade payables and other current liabilities, current tax payables and short-term provisions	4	28,169	19,673
Liabilities directly associated with assets classified as held for sale	4, 11	6,032	8,556
<i>Total current liabilities</i>		<i>39,898</i>	<i>31,904</i>
<b>Total equity and liabilities</b>		<b>250,829</b>	<b>245,367</b>

1) Restated for comparability, see Note 1.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SEK in millions	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>
Cash flow before change in working capital	5,836	7,186	12,698	14,093
Change in working capital	894	315	1,577	826
<b>Cash flow from operating activities</b>	<b>6,729</b>	<b>7,501</b>	<b>14,275</b>	<b>14,919</b>
<i>of which from continuing operations</i>	6,430	6,357	13,486	13,169
<i>of which from discontinued operations</i>	300	1,143	789	1,750
Cash CAPEX	-3,615	-4,728	-6,778	-8,060
<b>Free cash flow</b>	<b>3,114</b>	<b>2,772</b>	<b>7,497</b>	<b>6,859</b>
<i>of which from continuing operations</i>	3,027	2,483	7,239	6,344
<i>of which from discontinued operations</i>	88	289	258	515
Cash flow from other investing activities	-4,744	1,992	1,841	2,001
<b>Total cash flow from investing activities</b>	<b>-8,359</b>	<b>-2,736</b>	<b>-4,937</b>	<b>-6,059</b>
<i>of which from continuing operations</i>	-8,191	-1,426	-4,833	-4,421
<i>of which from discontinued operations</i>	-167	-1,309	-104	-1,637
<b>Cash flow before financing activities</b>	<b>-1,629</b>	<b>4,765</b>	<b>9,338</b>	<b>8,860</b>
<b>Cash flow from financing activities</b>	<b>-5,202</b>	<b>5,449</b>	<b>-7,157</b>	<b>-4,306</b>
<i>of which from continuing operations</i>	-5,074	5,169	-7,023	-3,947
<i>of which from discontinued operations</i>	-128	280	-134	-359
<b>Cash flow for the period</b>	<b>-6,832</b>	<b>10,213</b>	<b>2,181</b>	<b>4,555</b>
<i>of which from continuing operations</i>	-6,836	10,099	1,630	4,801
<i>of which from discontinued operations</i>	4	114	551	-246
<b>Cash and cash equivalents, opening balance</b>	<b>30,881</b>	<b>16,902</b>	<b>20,984</b>	<b>22,907</b>
Cash flow for the period	-6,832	10,213	2,181	4,555
Exchange rate differences in cash and cash equivalents	404	-756	1,288	-1,101
<b>Cash and cash equivalents, closing balance</b>	<b>24,453</b>	<b>26,360</b>	<b>24,453</b>	<b>26,360</b>
<i>of which from continuing operations</i>	19,404	19,266	19,404	19,266
<i>of which from discontinued operations (Eurasia)</i>	5,049	7,094	5,049	7,094

1) Restated for comparability, see Note 1.

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

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SEK in millions	Owners of the parent	Non-controlling interests	Total equity
<b>Opening balance, January 1, 2017</b>	<b>89,833</b>	<b>5,036</b>	<b>94,869</b>
Change in accounting principles <sup>1</sup>	1,159	31	1,190
<b>Adjusted opening balance, January 1, 2017</b>	<b>90,991</b>	<b>5,067</b>	<b>96,058</b>
Dividends	-8,660	-835	-9,495
Share-based payments	15	–	15
Acquisition of treasury shares	-4	–	-4
Change in non-controlling interests <sup>2</sup>	-385	385	–
<i>Total transactions with owners</i>	<i>-9,034</i>	<i>-449</i>	<i>-9,483</i>
Total comprehensive income <sup>4</sup>	7,944	-84	7,860
Effect of equity transactions in associated companies	-43	–	-43
<b>Closing balance, June 30, 2017<sup>4</sup></b>	<b>89,858</b>	<b>4,533</b>	<b>94,391</b>
Share-based payments	18	–	18
Change in non-controlling interests <sup>2</sup>	-518	518	–
<i>Total transactions with owners</i>	<i>-500</i>	<i>518</i>	<i>18</i>
Total comprehensive income <sup>4</sup>	11,868	240	12,108
<b>Closing balance, December 31, 2017<sup>4</sup></b>	<b>101,226</b>	<b>5,291</b>	<b>106,517</b>
Change in accounting principles <sup>3</sup>	-16	–	-16
Changes in accounting principles in associates <sup>5</sup>	269	–	269
<b>Adjusted opening balance, January 1, 2018</b>	<b>101,478</b>	<b>5,291</b>	<b>106,770</b>
Dividends	-9,931	-229	-10,160
Share-based payments	17	–	17
Acquisition of treasury shares <sup>6</sup>	-1,065	–	-1,065
<i>Total transactions with owners</i>	<i>-10,979</i>	<i>-229</i>	<i>-11,209</i>
Total comprehensive income	8,948	250	9,198
<b>Closing balance, June 30, 2018</b>	<b>99,447</b>	<b>5,312</b>	<b>104,759</b>

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 (IP Coscom OOO) 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.

5) Transition effect of IFRS 15 and IFRS 9 for Turkcell, which is a publicly listed company and therefore included with a one-quarter lag.

6) Acquisition of treasury shares, see Note 9.



## NOTE 1. BASIS OF PREPARATION

### General

Telia Company's consolidated financial statements as of and for the six-month period ended June 30, 2018, have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The parent company's financial statements have been prepared in accordance with the Swedish Annual Reports Act as well as standard RFR 2 Accounting for Legal Entities and other statements issued by the Swedish Financial Reporting Board. For the group this Interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and for the Parent Company in accordance with the Swedish Annual Reports Act. The accounting policies adopted and computation methods used are consistent with those followed in the Annual and Sustainability Report 2017, except as described below. All amounts in this report are presented in SEK millions, unless otherwise stated. Rounding differences may occur.

### New accounting standards effective on or after January 1, 2018

#### IFRS 15 "Revenue from Contracts with customers"

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

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

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

**Incremental costs for obtaining a contract:** Sales commissions and equipment subsidies granted to dealers for obtaining a specific contract are capitalized and deferred over the period over which Telia Company expects to provide services to the customer. The amortization of capitalized contract costs over the service period is classified as operating expenses within EBITDA. Under Telia Company's prior accounting principles, 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 prospectively. 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 relate to classification and measurement of financial liabilities did not impact Telia Company as the Group did not measure financial liabilities at fair value (other than derivatives liabilities, which are continued to be measured at FVPL).

**Impairment:** IFRS 9 requires a loss allowance for the expected credit losses to be recognized on receivables and other types of debt instruments. In order to be able to recognize the expected credit losses and not merely the “incurred” credit losses as was the requirement under IAS 39, Telia Company has made an assessment of impairment of trade receivables and other receivables resulting in a transition effect of SEK 16 million compared to the previous method for each portfolio of such assets. For investments in interest bearing assets in the bond and deposit portfolios, the general impairment model in IFRS 9, with the low credit risk exception, is applied, meaning that the loss allowance will be measured at an amount equal to the 12-month expected credit losses as long as there is no significant increase in credit risk. If a significant increase in credit risk should arise, the loss allowance will be measured at an amount equal to the lifetime expected credit losses for the asset. In Telia Company AB the transition effect from impairment for 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 applies the hedge accounting provisions of IFRS 9 as of the second quarter of 2018. The transition has caused no major effects. IFRS 9 better aligns hedge accounting with Telia Company risk mitigation strategies. However, the improved hedge accounting possibilities also require increased disclosures regarding the risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the financial statements. In addition, consequential amendments have been made to IFRS 7 “Financial Instruments: Disclosures”.

### IFRS 16 “Leases”

IFRS 16 “Leases” 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 second 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.

### Changes in tax rate in Sweden

As a result of the enacted tax rate reductions deferred tax assets and liabilities relating to Telia Company’s Swedish entities have been remeasured in the second quarter of 2018 using the new tax rates based on when in time the asset or liability is expected to be realized or settled.

The remeasurements led to a decrease in deferred tax liabilities of SEK 383 million, a decrease in deferred tax assets of SEK 62 million and the main part of the net effect was recognized in the income statement in the line item “Income taxes”.

### Restatement of operational data

As a result of a review in the first quarter of 2018, an additional number of machine-to-machine subscriptions in Finland 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 subscription base has been restated for comparability. Furthermore, the number of employees in Lithuania in 2017 has been restated for hourly paid employees.

### Assets held for sale and discontinued operations

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

### Segments

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

### Correction of prior period classification errors

#### Compensation from the pension fund

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

### Capitalized work

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

Restatement effects on Consolidated statements of comprehensive income

SEK in millions	Apr-Jun 2017					Jan-Jun 2017				
	Reported	IFRS 15 effects	Ref	Capital-ized work	Restated	Reported	IFRS 15 effects	Ref	Capital-ized work	Restated
<b>Continuing operations</b>										
Net sales	19,801	-16 b)		–	19,785	39,053	-40 b)		–	39,012
Cost of sales	-12,516	–		59	-12,457	-24,070	–		–	-24,070
<b>Gross profit</b>	<b>7,285</b>	<b>-16</b>		<b>59</b>	<b>7,328</b>	<b>14,982</b>	<b>-40</b>		<b>–</b>	<b>14,942</b>
Selling, admin. and R&D expenses	-4,883	37 c)		31	-4,815	-9,417	52 c)		–	-9,365
Other operating income and expenses, net	1,124	–		–	1,124	1,040	–		–	1,040
Income from associated companies and joint ventures	-1,258	–		–	-1,258	-697	–		–	-697
<b>Operating income</b>	<b>2,268</b>	<b>21</b>		<b>90</b>	<b>2,379</b>	<b>5,909</b>	<b>12</b>		<b>–</b>	<b>5,921</b>
Financial items, net	-909	5 d)		–	-904	-1,436	9 d)		–	-1,426
<b>Income after financial items</b>	<b>1,359</b>	<b>26</b>		<b>90</b>	<b>1,475</b>	<b>4,473</b>	<b>21</b>		<b>–</b>	<b>4,495</b>
Income taxes	-166	-15 e)		–	-181	-734	-10 e)		–	-744
<b>Net income from continuing operations</b>	<b>1,193</b>	<b>11</b>		<b>90</b>	<b>1,294</b>	<b>3,739</b>	<b>11</b>		<b>–</b>	<b>3,751</b>
<b>Discontinued operations</b>										
Net income from discontinued operations	-1,501	5 f)		–	-1,496	3,095	7 f)		–	3,102
<b>Total net income</b>	<b>-308</b>	<b>17 a)</b>		<b>90</b>	<b>-201</b>	<b>6,834</b>	<b>18 a)</b>		<b>–</b>	<b>6,852</b>
<b>Other comprehensive income</b>	<b>2,432</b>	<b>0</b>		<b>0</b>	<b>2,432</b>	<b>1,008</b>	<b>0</b>		<b>0</b>	<b>1,008</b>
<b>Total comprehensive income</b>	<b>2,124</b>	<b>17</b>		<b>90</b>	<b>2,231</b>	<b>7,842</b>	<b>18</b>		<b>–</b>	<b>7,860</b>
<b>Total net income attributable to:</b>										
Owners of the parent	-397	16		90	-291	6,587	16		–	6,603
Non-controlling interests	89	1		0	90	248	2		–	250
<b>Total comprehensive income attributable to:</b>										
Owners of the parent	2,680	16		90	2 786	7,928	16		–	7,944
Non-controlling interests	-556	1		0	-555	-86	2		–	-84
Earnings per share (SEK), basic and diluted	-0.09	0.00		0.02	-0.07	1.52	0.00		0.00	1.52
<i>of which from continuing operations, basic and diluted</i>	<i>0.27</i>	<i>0.00</i>		<i>0.02</i>	<i>0.29</i>	<i>0.85</i>	<i>0.00</i>		<i>0.00</i>	<i>0.85</i>
EBITDA from continuing operations	7,134	21		-90	7,066	13,119	12		-180	12,951
Adjusted EBITDA from continuing operations	6,095	21		-90	6,027	12,244	12		-180	12,076
Depreciation, amortization and impairment losses from continuing operations	-3,608	–		180	-3,428	-6,513	–		180	-6,333
Adjusted operating income from continuing operations	3,702	21		-90	3,633	7,507	12		-180	7,339

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
<b>Assets</b>								
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
<b>Total assets</b>	<b>253,430</b>	<b>1,382</b>		<b>254,812</b>	<b>243,845</b>	<b>1,523</b>		<b>245,367</b>
<b>Equity and liabilities</b>								
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
<i>Total equity</i>	<i>94,868</i>	<i>1,190</i>	<i>a)</i>	<i>96,058</i>	<i>105,230</i>	<i>1,287</i>	<i>a)</i>	<i>106,517</i>
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
<b>Total equity and liabilities</b>	<b>253,430</b>	<b>1,382</b>		<b>254,812</b>	<b>243,845</b>	<b>1,523</b>		<b>245,367</b>

- a) The implementation of IFRS 15 had a positive equity effect of SEK 1,190 million per the transition date January 1, 2017, and SEK 1,287 million per December 31, 2017. The equity increases were mainly related to capitalization of incremental costs for obtaining new contracts. The net income effect for 2017 was limited.
- b) The limited effect on net sales was related to refining of Telia Company's previous revenue model for bundled offerings.
- c) Selling and administration expenses in the second quarter of 2017 were reduced by SEK 321 million due to capitalization of costs to obtain a contract, the corresponding amount for the first half of 2017 was SEK 611 million. The amortization of the capitalized contract costs in the second quarter of 2017 of SEK -284 million were also included in Selling, administration and R&D expenses which lead to a net effect of SEK 37 million. The corresponding amount for the first half of 2017 was SEK -559 million, which lead to a net effect of SEK 52 million in the first half of 2017. The amortization is classified as operating expenses within EBITDA.
- d) The minor adjustment of the discount rate and calculation model used for the financing component in customer contracts had an immaterial effect on net income 2017.
- e) The deferred tax relating to the IFRS 15 adjustments increased deferred tax liabilities by SEK 185 million at the date of transition January 1, 2017, and SEK 207 million as of December 31, 2017. The tax effect on net income 2017 was immaterial.
- f) The implementation of IFRS 15 had no material effect on discontinued operations and assets held for sale. The implementation effects are mainly related to capitalization of incremental costs for obtaining new contracts.

## Restatement effects on Consolidated statements of cash flows

SEK in millions	Apr-Jun 2017			Jan-Jun 2017		
	Reported	Capital- ized work	Restated	Reported	Capital- ized work	Restated
Cash flow before change in working capital	7,276	-90	7,186	14,273	-180	14,093
Change in working capital	315	–	315	826	–	826
<b>Cash flow from operating activities</b>	<b>7,590</b>	<b>-90</b>	<b>7,501</b>	<b>15,099</b>	<b>-180</b>	<b>14,919</b>
<i>of which from continuing operations</i>	<i>6,447</i>	<i>-90</i>	<i>6,357</i>	<i>13,349</i>	<i>-180</i>	<i>13,169</i>
Cash CAPEX	-4,818	90	-4,728	-8,240	180	-8,060
<b>Free cash flow</b>	<b>2,772</b>	<b>–</b>	<b>2,772</b>	<b>6,859</b>	<b>–</b>	<b>6,859</b>
Cash flow from other investing activities	1,992	–	1,992	2,001	–	2,001
<b>Total cash flow from investing activities</b>	<b>-2,826</b>	<b>90</b>	<b>-2,736</b>	<b>-6,239</b>	<b>180</b>	<b>-6,059</b>
<i>of which from continuing operations</i>	<i>-1,517</i>	<i>90</i>	<i>-1,427</i>	<i>-4,602</i>	<i>180</i>	<i>-4,421</i>
<b>Cash flow from financing activities</b>	<b>5,449</b>	<b>–</b>	<b>5,449</b>	<b>-4,306</b>	<b>–</b>	<b>-4,306</b>
<b>Cash flow for the period</b>	<b>10,213</b>	<b>–</b>	<b>10,213</b>	<b>4,555</b>	<b>–</b>	<b>4,555</b>

## NOTE 2. REFERENCES

For more information regarding:

- Sales and earnings, Cash flow and Financial position see pages 5-7.
- Significant events in the first and second quarter, see page 8.
- Significant events after the end of the second quarter, see page 8.
- Risks and uncertainties, see page 46.



## NOTE 3. ADJUSTMENT ITEMS

### Adjustment items within operating income, continuing operations

SEK in millions	Apr-Jun 2018	Apr-Jun 2017 <sup>6</sup>	Jan-Jun 2018	Jan-Jun 2017 <sup>6</sup>
<b>Within EBITDA</b>	<b>90</b>	<b>1,039</b>	<b>-99</b>	<b>875</b>
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.:				
Sweden	119	-2	-2	-35
Finland	-11	-11	-50	-63
Norway	-7	-72	-16	-89
Denmark	-3	-11	-3	-14
Lithuania	-3	-11	-8	-20
Estonia	-1	-2	-3	-3
Other operations	-7	-65	-44	-114
Capital gains/losses <sup>1</sup>	3	1,213	27	1,213
<b>Within Depreciation, amortization and impairment losses</b>	<b>—</b>	<b>-466</b>	<b>—</b>	<b>-466</b>
<b>Within Income from associated companies and joint ventures</b>	<b>-17</b>	<b>-1,827</b>	<b>-17</b>	<b>-1,827</b>
Capital gains/losses <sup>2</sup>	-17	-1,827	-17	-1,827
<b>Total adjustment items within operating income, continuing operations</b>	<b>73</b>	<b>-1,254</b>	<b>-116</b>	<b>-1,418</b>

### Adjustment items within EBITDA, discontinued operations (region Eurasia)

SEK in millions	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017
<b>Within EBITDA</b>	<b>-154</b>	<b>-431</b>	<b>-3,508</b>	<b>3,658</b>
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc <sup>3</sup>	-102	-238	-140	3,852
Impairment loss on remeasurement to fair value less costs to sell <sup>4</sup>	-52	—	-62	—
Capital gains/losses <sup>5</sup>	—	-193	-3,306	-193
<b>Total adjustment items within EBITDA, discontinued operations</b>	<b>-154</b>	<b>-431</b>	<b>-3,508</b>	<b>3,658</b>

1) The second quarter of 2017 included a capital gain from the disposal of Sergel.

2) Capital losses of SEK 1,828 million in the second quarter of 2017 related to the divestment of 7 percent of shares in Turkcell.

3) First half of 2017 includes the total net income effect of the change in the provision for settlement amount proposed by the US and Dutch authorities.

4) Total impairment loss on remeasurement to fair value less cost to sell for Ucell amounts to SEK 300 million in the first quarter of 2018 and SEK 550 million for the second quarter of 2018, of which SEK 10 million and SEK 52 million, respectively, are recognized within EBITDA. See Note 4.

5) Capital losses in the first half of 2018 relate to the disposals of Azercell in Azerbaijan and Geocell in Georgia. Capital losses for the second quarter of 2017 relate to the disposal of Tcell in Tajikistan. See Note 4.

6) Restated for comparability, see Note 1.

## NOTE 4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

### Classification

#### Eurasia

Former segment region Eurasia (including holding companies) is classified as held for sale and discontinued operations since December 31, 2015. The holding companies will be disposed or liquidated in connection with the transactions. Ncell in Nepal was disposed in 2016 and Tcell in Tajikistan was disposed in 2017. Azercell in Azerbaijan and Geocell in Georgia were disposed in March 2018. 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 June 30, 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 first quarter 2018. Ucell was impaired by SEK 550 million in the second quarter of 2018 due to increased carrying values and changes in debt adjustments. 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 re-measured as of June 30, 2018. The estimated cash and debt free value for Moldcell per March 31, 2018, of SEK 0.5 billion remains unchanged per June 30, 2018. Management's best estimates of the fair values are based on bids received and other input from the sales processes. During the second quarter 2018 an impairment charge of SEK 60 million was recognized for Moldcell due to changes in carrying values. 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 of 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 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 Telekomunikasyon 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 an EV/EBITDA multiple of 2.1x based on 2017. The total price was received in cash as of March 31, 2018.

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

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

#### Geocell in Georgia

On March 20, 2018, Fintur's Turkish subsidiary Gürtel Telekomunikasyon 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 June 30, 2018, have SEK 1.1 billion 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 of 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 was classified within continuing operations, whereof SEK 0.6 billion in cash and cash equivalents and SEK 0.1 billion as Long term interest-bearing receivables. The minority owner Turkcell's share of the sales price of SEK 0.5 billion was included within discontinued operations and was classified as held for sale.

### Tcell in Tajikistan

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

### Ncell in Nepal

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

### Provision for settlement amount agreed with the US and Dutch authorities

The US and Dutch authorities have investigated historical transactions related to Telia Company's entry into Uzbekistan in 2007. On September 21, 2017, Telia Company reached a global settlement with the US and Dutch authorities regarding the Uzbekistan investigations. As part of the settlement, Telia Company agreed to pay fines and disgorgements in an aggregate amount of USD 965 million, whereof USD 757 million (SEK 6,129 million) were paid during the third quarter of 2017. The remaining part of USD 208 million is related to the SEC disgorgement amount potentially offset against any disgorgement obtained by the Swedish Prosecutor or Dutch authorities. The outstanding discounted provision amounts to SEK 1,828 million per June 30, 2018, and was reclassified in the second quarter 2018 from the line item "Provisions for pensions and other long-term provisions" to "Trade payables and other current liabilities, current tax payables and short-term provisions" (continuing operations) in the condensed consolidated statements of financial position. There was no material effect on net income in the second 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	Apr-Jun 2018	Apr-Jun 2017 <sup>4</sup>	Jan-Jun 2018	Jan-Jun 2017 <sup>4</sup>
Net sales	1,614	3,054	3,588	6,142
Expenses and other operating income, net <sup>1</sup>	-1,184	-2,155	-2,499	34
<b>Operating income</b>	<b>430</b>	<b>898</b>	<b>1,089</b>	<b>6,176</b>
Financial items, net	-142	-89	-133	-141
<b>Income after financial items</b>	<b>288</b>	<b>809</b>	<b>956</b>	<b>6,035</b>
Income taxes	-114	-281	-122	-661
<b>Net income before remeasurement and gain/loss on disposal</b>	<b>174</b>	<b>527</b>	<b>834</b>	<b>5,374</b>
Impairment loss on remeasurement to fair value less costs to sell <sup>2</sup>	-610	-1,830	-910	-2,079
Loss on disposal of Azercell in Azerbaijan (including cumulative Azercell exchange loss in equity reclassified to net income of SEK -2,944 million) <sup>3</sup>	—	—	-3,065	—
<i>of which loss attributable to parent shareholders</i>	—	—	-3,024	—
<i>of which loss attributable to non-controlling interests</i>	—	—	-41	—
Loss on disposal of Geocell in Georgia (including cumulative Geocell exchange loss in equity reclassified to net income of SEK -101 million) <sup>3</sup>	—	—	-241	—
<i>of which loss attributable to parent shareholders</i>	—	—	-190	—
<i>of which loss attributable to non-controlling interests</i>	—	—	-52	—
Loss on disposal of Tcell in Tajikistan (including cumulative Tcell exchange loss in equity reclassified to net income of SEK -193 million) <sup>3</sup>	—	-193	—	-193
<b>Net income from discontinued operations</b>	<b>-436</b>	<b>-1,496</b>	<b>-3,382</b>	<b>3,102</b>
EPS from discontinued operations (SEK)	-0.11	-0.36	-0.81	0.68
Adjusted EBITDA	539	1,135	1,226	2,322

1) The first half of 2017 included the adjustment of the provision for the settlement amount with the US and Dutch authorities. 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 Jun 30, 2018	Eurasia Dec 31, 2017 <sup>4</sup>	Property, plant and equipment Dec 31, 2017 <sup>3</sup>	Total, Dec 31, 2017 <sup>4</sup>
Goodwill and other intangible assets	1,868	2,694	—	2,694
Property, plant and equipment	3,924	6,329	28	6,358
Other non-current assets <sup>1</sup>	232	189	—	189
Short-term interest-bearing receivables	1,363	2,091	—	2,091
Other current assets	1,206	1,807	—	1,807
Cash and cash equivalents <sup>1</sup>	5,049	5,368	—	5,368
<b>Assets classified as held for sale</b>	<b>13,641</b>	<b>18,480</b>	<b>28</b>	<b>18,508</b>
Long-term borrowings	1,053	295	—	295
Long-term provisions	43	1,887	—	1,887
Other long-term liabilities	1,343	1,197	—	1,197
Short-term borrowings	646	1,428	—	1,428
Other current liabilities	2,948	3,749	—	3,749
<b>Liabilities associated with assets classified as held for sale</b>	<b>6,032</b>	<b>8,556</b>	<b>—</b>	<b>8,556</b>
<b>Net assets classified as held for sale<sup>2</sup></b>	<b>7,610</b>	<b>9,924</b>	<b>28</b>	<b>9,951</b>

1) Eurasia June 30, 2018, includes the sales prices for minority owner Turkcell's share of Azercell and Geocell, whereof SEK 1.5 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	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>
<b>Net sales</b>				
Sweden	9,368	9,079	18,365	18,153
<i>of which external</i>	9,301	9,019	18,223	18,032
Finland	3,868	3,339	7,526	6,611
<i>of which external</i>	3,826	3,302	7,435	6,529
Norway	2,750	2,566	5,345	4,838
<i>of which external</i>	2,744	2,559	5,334	4,827
Denmark	1,525	1,443	2,940	2,923
<i>of which external</i>	1,504	1,419	2,896	2,873
Lithuania	955	910	1,856	1,714
<i>of which external</i>	939	903	1,828	1,690
Estonia	740	683	1,453	1,344
<i>of which external</i>	716	660	1,405	1,300
Other operations	2,186	2,329	4,326	4,560
<b>Total segments</b>	<b>21,392</b>	<b>20,350</b>	<b>41,811</b>	<b>40,142</b>
Eliminations	-578	-565	-1,145	-1,130
<b>Group</b>	<b>20,814</b>	<b>19,785</b>	<b>40,666</b>	<b>39,012</b>
<b>Adjusted EBITDA</b>				
Sweden	3,274	3,241	6,695	6,557
Finland	1,124	1,028	2,275	1,992
Norway	987	885	1,995	1,747
Denmark	170	154	311	299
Lithuania	347	290	665	567
Estonia	252	216	486	422
Other operations	288	212	510	491
<b>Total segments</b>	<b>6,443</b>	<b>6,027</b>	<b>12,937</b>	<b>12,076</b>
Eliminations	–	0	–	0
<b>Group</b>	<b>6,443</b>	<b>6,027</b>	<b>12,937</b>	<b>12,076</b>
<b>Operating income</b>				
Sweden	2,089	1,963	4,092	3,980
Finland	483	491	1,010	897
Norway	526	421	1,114	893
Denmark	-34	-45	-81	-87
Lithuania	195	157	335	269
Estonia	109	85	204	163
Other operations	307	-693	398	-195
<b>Total segments</b>	<b>3,674</b>	<b>2,379</b>	<b>7,073</b>	<b>5,921</b>
Eliminations	–	0	0	0
<b>Group</b>	<b>3,674</b>	<b>2,379</b>	<b>7,073</b>	<b>5,921</b>
Financial items, net	-566	-904	-1,025	-1,426
<b>Income after financial items</b>	<b>3,108</b>	<b>1,475</b>	<b>6,048</b>	<b>4,495</b>

1) Restated for comparability, see Note 1.

SEK in millions	Jun 30, 2018	Jun 30, 2018	Dec 31, 2017 <sup>1,2</sup>	Dec 31, 2017 <sup>1,2</sup>
	Segment assets	Segment liabilities	Segment assets	Segment liabilities
Sweden	46,116	11,505	46,388	11,133
Finland	52,913	5,044	49,212	4,970
Norway	31,568	2,719	28,805	2,753
Denmark	8,786	1,765	8,775	1,578
Lithuania	7,484	720	7,174	774
Estonia	5,398	514	5,168	588
Other operations	26,962	9,451	26,544	8,748
<b>Total segments</b>	<b>179,227</b>	<b>31,719</b>	<b>172,067</b>	<b>30,544</b>
Unallocated	57,960	108,320	54,792	99,750
Assets and liabilities held for sale	13,641	6,032	18,508	8,556
<b>Total assets/liabilities, group</b>	<b>250,829</b>	<b>146,070</b>	<b>245,367</b>	<b>138,850</b>

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

Apr-Jun 2018									
SEK in millions	Sweden	Finland	Norway	Denmark	Lithuania	Estonia	Other operations	Eliminations	Total
Mobile subscription revenues	3,268	1,572	1,821	730	255	217	301	–	8,162
Interconnect	166	120	148	59	39	19	38	–	589
Other mobile service revenues	148	195	218	65	8	4	11	–	650
<b>Total mobile service revenues</b>	<b>3,582</b>	<b>1,887</b>	<b>2,187</b>	<b>854</b>	<b>302</b>	<b>240</b>	<b>350</b>	<b>–</b>	<b>9,401</b>
Telephony	677	60	33	46	81	34	–	–	931
Broadband	1,144	183	0	70	145	133	0	–	1,675
TV	456	132	–	43	69	55	–	–	755
Business solutions	673	577	1	41	49	48	16	–	1,405
Other fixed service revenues	1,083	399	0	22	108	78	1,164	–	2,854
<b>Total fixed service revenues</b>	<b>4,032</b>	<b>1,353</b>	<b>34</b>	<b>221</b>	<b>452</b>	<b>349</b>	<b>1,180</b>	<b>–</b>	<b>7,621</b>
<b>Other service revenues</b>	<b>86</b>	<b>8</b>	<b>0</b>	<b>6</b>	<b>–</b>	<b>10</b>	<b>72</b>	<b>–</b>	<b>183</b>
<b>Total service revenues<sup>1</sup></b>	<b>7,700</b>	<b>3,248</b>	<b>2,221</b>	<b>1,081</b>	<b>754</b>	<b>598</b>	<b>1,601</b>	<b>–</b>	<b>17,204</b>
<b>Total equipment revenues<sup>1</sup></b>	<b>1,601</b>	<b>579</b>	<b>523</b>	<b>423</b>	<b>185</b>	<b>118</b>	<b>182</b>	<b>–</b>	<b>3,610</b>
<b>Total external net sales</b>	<b>9,301</b>	<b>3,826</b>	<b>2,744</b>	<b>1,504</b>	<b>939</b>	<b>716</b>	<b>1,783</b>	<b>–</b>	<b>20,814</b>
Internal net sales	67	42	6	21	16	24	403	-578	–
<b>Total net sales</b>	<b>9,368</b>	<b>3,868</b>	<b>2,750</b>	<b>1,525</b>	<b>955</b>	<b>740</b>	<b>2,186</b>	<b>-578</b>	<b>20,814</b>



Apr-Jun 2017<sup>2</sup>

SEK in millions	Sweden	Finland	Norway	Denmark	Lithuania	Estonia	Other operations	Eliminations	Total
Mobile subscription revenues	3,205	1,454	1,770	700	212	198	270	–	7,811
Interconnect	167	119	142	58	32	18	40	–	577
Other mobile service revenues	144	183	194	89	5	4	26	–	645
<b>Total mobile service revenues</b>	<b>3,516</b>	<b>1,756</b>	<b>2,107</b>	<b>848</b>	<b>249</b>	<b>220</b>	<b>337</b>	<b>–</b>	<b>9,032</b>
Telephony	790	65	39	51	88	35	–	–	1,069
Broadband	1,155	199	0	72	137	122	–	–	1,685
TV	448	136	–	40	57	46	–	–	727
Business solutions	695 <sup>3</sup>	459	–	39	44	40	17	–	1,295
Other fixed service revenues	1,123 <sup>3</sup>	295	0	25	181	64	1,252	–	2,940
<b>Total fixed service revenues</b>	<b>4,210</b>	<b>1,154</b>	<b>40</b>	<b>227</b>	<b>507</b>	<b>308</b>	<b>1,269</b>	<b>–</b>	<b>7,715</b>
<b>Other service revenues</b>	<b>100</b>	<b>2</b>	<b>17</b>	<b>4</b>	<b>–</b>	<b>12</b>	<b>163</b>	<b>–</b>	<b>299</b>
<b>Total service revenues<sup>1</sup></b>	<b>7,826</b>	<b>2,913</b>	<b>2,164</b>	<b>1,079</b>	<b>756</b>	<b>539</b>	<b>1,770</b>	<b>–</b>	<b>17,046</b>
<b>Total equipment revenues<sup>1</sup></b>	<b>1,193</b>	<b>390</b>	<b>396</b>	<b>340</b>	<b>147</b>	<b>121</b>	<b>152</b>	<b>–</b>	<b>2,739</b>
<b>Total external net sales</b>	<b>9,019</b>	<b>3,302</b>	<b>2,559</b>	<b>1,419</b>	<b>903</b>	<b>660</b>	<b>1,921</b>	<b>–</b>	<b>19,785</b>
Internal net sales	60	37	7	24	7	23	408	-565	–
<b>Total net sales</b>	<b>9,079</b>	<b>3,339</b>	<b>2,566</b>	<b>1,443</b>	<b>910</b>	<b>683</b>	<b>2,329</b>	<b>-565</b>	<b>19,785</b>

Jan-Jun 2018

SEK in millions	Sweden	Finland	Norway	Denmark	Lithuania	Estonia	Other operations	Eliminations	Total
Mobile subscription revenues	6,529	3,095	3,555	1,455	490	424	585	–	16,133
Interconnect	325	240	269	114	75	35	76	–	1,134
Other mobile service revenues	279	381	456	127	14	7	19	–	1,283
<b>Total mobile service revenues</b>	<b>7,134</b>	<b>3,716</b>	<b>4,280</b>	<b>1,696</b>	<b>579</b>	<b>465</b>	<b>680</b>	<b>–</b>	<b>18,550</b>
Telephony	1,380	116	69	90	162	68	–	–	1,885
Broadband	2,285	361	0	137	284	260	0	–	3,328
TV	914	262	–	85	132	107	–	–	1,500
Business solutions	1,363 <sup>3</sup>	1,127	1	84	99	95	33	–	2,802
Other fixed service revenues	2,081 <sup>3</sup>	741	0	41	225	154	2,335	–	5,577
<b>Total fixed service revenues</b>	<b>8,023</b>	<b>2,607</b>	<b>70</b>	<b>437</b>	<b>902</b>	<b>683</b>	<b>2,368</b>	<b>–</b>	<b>15,091</b>
<b>Other service revenues</b>	<b>165</b>	<b>9</b>	<b>0</b>	<b>14</b>	<b>–</b>	<b>20</b>	<b>151</b>	<b>–</b>	<b>359</b>
<b>Total service revenues<sup>1</sup></b>	<b>15,322</b>	<b>6,332</b>	<b>4,350</b>	<b>2,147</b>	<b>1,481</b>	<b>1,169</b>	<b>3,199</b>	<b>–</b>	<b>33,999</b>
<b>Total equipment revenues<sup>1</sup></b>	<b>2,901</b>	<b>1,103</b>	<b>984</b>	<b>749</b>	<b>347</b>	<b>236</b>	<b>346</b>	<b>–</b>	<b>6,667</b>
<b>Total external net sales</b>	<b>18,223</b>	<b>7,435</b>	<b>5,334</b>	<b>2,896</b>	<b>1,828</b>	<b>1,405</b>	<b>3,544</b>	<b>–</b>	<b>40,666</b>
Internal net sales	142	91	11	44	28	47	782	-1,145	–
<b>Total net sales</b>	<b>18,365</b>	<b>7,526</b>	<b>5,345</b>	<b>2,940</b>	<b>1,856</b>	<b>1,453</b>	<b>4,326</b>	<b>-1,145</b>	<b>40,666</b>

Jan-Jun 2017 <sup>2</sup>									
SEK in millions	Sweden	Finland	Norway	Denmark	Lithuania	Estonia	Other operations	Eliminations	Total
Mobile subscription revenues	6,393	2,865	3,404	1,403	413	393	526	–	15,397
Interconnect	329	233	277	115	64	34	79	–	1,133
Other mobile service revenues	302	362	363	157	8	6	47	–	1,246
<b>Total mobile service revenues</b>	<b>7,025</b>	<b>3,460</b>	<b>4,045</b>	<b>1,675</b>	<b>485</b>	<b>433</b>	<b>653</b>	<b>–</b>	<b>17,776</b>
Telephony	1,568	123	44	105	178	72	–	–	2,090
Broadband	2,297	403	0	146	271	240	–	–	3,357
TV	885	272	–	80	113	89	–	–	1,439
Business solutions	1,416 <sup>3</sup>	900	–	74	91	82	35	–	2,598
Other fixed service revenues	2,186 <sup>3</sup>	587	0	52	281	133	2,460	–	5,699
<b>Total fixed service revenues</b>	<b>8,352</b>	<b>2,285</b>	<b>44</b>	<b>457</b>	<b>933</b>	<b>615</b>	<b>2,495</b>	<b>–</b>	<b>15,182</b>
<b>Other service revenues</b>	<b>183</b>	<b>4</b>	<b>17</b>	<b>10</b>	<b>–</b>	<b>24</b>	<b>328</b>	<b>–</b>	<b>565</b>
<b>Total service revenues<sup>1</sup></b>	<b>15,559</b>	<b>5,750</b>	<b>4,107</b>	<b>2,141</b>	<b>1,418</b>	<b>1,072</b>	<b>3,476</b>	<b>–</b>	<b>33,523</b>
<b>Total equipment revenues<sup>1</sup></b>	<b>2,472</b>	<b>780</b>	<b>720</b>	<b>732</b>	<b>272</b>	<b>227</b>	<b>286</b>	<b>–</b>	<b>5,489</b>
<b>Total external net sales</b>	<b>18,032</b>	<b>6,529</b>	<b>4,827</b>	<b>2,873</b>	<b>1,690</b>	<b>1,300</b>	<b>3,761</b>	<b>–</b>	<b>39,012</b>
Internal net sales	121	82	11	50	24	44	798	-1,130	–
<b>Total net sales</b>	<b>18,153</b>	<b>6,611</b>	<b>4,838</b>	<b>2,923</b>	<b>1,714</b>	<b>1,344</b>	<b>4,560</b>	<b>-1,130</b>	<b>39,012</b>

1) In all material aspects, equipment revenues are recognized at a point in time and service revenues over time.

2) Restated for comparability, see Note 1.

3) Due to harmonization in the reporting within Enterprise segment in Sweden, historical figures have been reclassified by SEK 47 million for the first quarter of 2018, SEK 40 million for the second quarter of 2017 and SEK 88 million for the first half of 2017, from the line item Other fixed service revenues to Business solutions.

## NOTE 7. INVESTMENTS

SEK in millions	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>
<b>CAPEX</b>	<b>3,464</b>	<b>5,090</b>	<b>6,249</b>	<b>7,988</b>
Intangible assets	827	2,209	1,449	2,702
Property, plant and equipment	2,637	2,881	4,799	5,286
<b>Acquisitions and other investments</b>	<b>90</b>	<b>2,443</b>	<b>945</b>	<b>2,662</b>
Asset retirement obligations	17	-41	27	-15
Goodwill, intangible and tangible non-current assets acquired in business combinations	33	2,484	850	2,678
Equity instruments	41	0	68	0
<b>Total continuing operations</b>	<b>3,554</b>	<b>7,532</b>	<b>7,194</b>	<b>10,650</b>
<b>Total discontinued operations</b>	<b>219</b>	<b>725</b>	<b>392</b>	<b>1,029</b>
<i>of which CAPEX</i>	<i>219</i>	<i>725</i>	<i>392</i>	<i>1,029</i>
<b>Total investments</b>	<b>3,774</b>	<b>8,257</b>	<b>7,587</b>	<b>11,679</b>
<i>of which CAPEX</i>	<i>3,683</i>	<i>5,815</i>	<i>6,641</i>	<i>9,017</i>

1) Restated for comparability, see Note 1.

## NOTE 8. FINANCIAL INSTRUMENTS – FAIR VALUES

Long-term and short-term borrowings <sup>1</sup> SEK in millions	Jun 30, 2018		Dec 31, 2017	
	Carrying value	Fair value	Carrying value <sup>2</sup>	Fair value <sup>2</sup>
<b>Long-term borrowings</b>				
Open-market financing program borrowings in fair value hedge relationships <sup>2</sup>	55,118	63,296	51,816	60,051
Interest rate swaps	211	211	276	276
Cross-currency interest rate swaps	2,075	2,075	1,990	1,990
<b>Subtotal</b>	<b>57,404</b>	<b>65,581</b>	<b>54,082</b>	<b>62,317</b>
Open-market financing program borrowings	29,964	35,656	31,357	36,795
Other borrowings at amortized cost	1,595	1,595	2,204	2,204
<b>Subtotal</b>	<b>88,963</b>	<b>102,833</b>	<b>87,642</b>	<b>101,316</b>
Finance lease agreements	183	183	171	171
<b>Total long-term borrowings</b>	<b>89,146</b>	<b>103,016</b>	<b>87,813</b>	<b>101,487</b>
<b>Short term borrowings</b>				
Open-market financing program borrowings in fair value hedge relationships	3,079	3,086	729	735
Interest rate swaps	26	26	4	4
Cross-currency interest rate swaps	764	764	199	199
<b>Subtotal</b>	<b>3,869</b>	<b>3,877</b>	<b>932</b>	<b>937</b>
Utilized bank overdraft and short-term credit facilities at amortized cost	0	0	–	–
Open-market financing program borrowings	500	502	1,459	1,461
Other borrowings at amortized cost	1,320	1,320	1,276	1,336
<b>Subtotal</b>	<b>5,690</b>	<b>5,699</b>	<b>3,668</b>	<b>3,734</b>
Finance lease agreements	7	7	6	6
<b>Total short-term borrowings</b>	<b>5,697</b>	<b>5,706</b>	<b>3,674</b>	<b>3,740</b>

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

2) Carrying value of SEK 6,898 million have been reclassified from "Open-market financing program borrowings" to "Open market financing program in fair value hedge". Fair value for "Open-market financing program borrowings in fair value hedge" and "Open-market financing program borrowings" have been adjusted by SEK 5,086 million and SEK -6,474 million, respectively.

Financial assets and liabilities by fair value hierarchy level <sup>1</sup> SEK in millions	Jun 30, 2018				Dec 31, 2017			
	Carrying value	of which			Carrying value	of which		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Financial assets at fair value</b>								
Equity instruments at fair value through OCI <sup>2</sup>	214	–	–	214	1,899	–	–	1,899
Equity instruments at fair value through income statement <sup>2</sup>	19	–	–	19	19	–	–	19
Long- and short-term bonds at fair value through OCI <sup>2</sup>	25,581	17,811	7,770	–	22,738	18,029	4,709	–
Derivatives designated as hedging instruments	1,981	–	1,981	–	1,709	–	1,709	–
Derivatives at fair value through income statement <sup>2</sup>	1,265	–	1,265	–	1,508	–	1,508	–
<b>Total financial assets at fair value by level</b>	<b>29,060</b>	<b>17,811</b>	<b>11,016</b>	<b>233</b>	<b>27,874</b>	<b>18,029</b>	<b>7,926</b>	<b>1,919</b>
<b>Financial liabilities at fair value</b>								
Derivatives designated as hedging instruments	2,196	–	2,196	–	2,180	–	2,180	–
Derivatives at fair value through income statement <sup>2</sup>	1,311	–	1,311	–	514	–	514	–
<b>Total financial liabilities at fair value by level</b>	<b>3,507</b>	<b>–</b>	<b>3,507</b>	<b>–</b>	<b>2,693</b>	<b>–</b>	<b>2,693</b>	<b>–</b>

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 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 have been significant changes in circumstances between the transaction date and the balance sheet date that, in the assessment of Telia Company, would have a material impact on the fair value, the carrying value is adjusted to reflect the changes.

In addition, the assessment of the fair value of material unlisted equity instruments is verified by applying other valuation models in the form of valuation multiples from listed comparable companies (peers) on relevant financial and operational metrics, such as 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 six-month period ended June 30, 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-Jun 2018		
	Equity instruments at fair value through OCI	Equity instruments at fair value through income statement	Total
<b>Level 3, opening balance</b>	<b>1,899</b>	<b>19</b>	<b>1,919</b>
Changes in fair value	554	–	554
<i>of which recognized in other comprehensive income</i>	554	–	554
Purchases/capital contributions	29	0	29
Disposals	-2,269	–	-2,269
<b>Level 3, closing balance</b>	<b>214</b>	<b>19</b>	<b>233</b>

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

1) For 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

On April 20, 2018, the Board of Directors decided on a share buy-back program. The intention is to buy back shares for an annual amount of SEK 5 billion over the coming three-year period, totaling SEK 15 billion, subject to the annual general meeting approving necessary mandates for such buy-backs in 2019 and 2020. As of June 30, 2018, Telia Company held 24,619,566 treasury shares. The total price paid in cash for the repurchased shares was SEK 1,046 million and pre-tax transaction costs amounted to SEK 0.5 million.

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

In total the acquisitions of treasury shares during the second quarter 2018 reduced other contributed capital within parent shareholder's equity by SEK 1,065 million.

As of June 30, 2018, the total numbers of issued and outstanding shares were 4,330,084,781 and 4,305,465,215, respectively. As of December 31, 2017, no Telia Company shares were held by the company itself or by its subsidiaries and the total numbers of issued and outstanding shares were 4,330,084,781.

## NOTE 10. RELATED PARTY TRANSACTIONS

In the six-month period ended June 30, 2018, Telia Company purchased goods and services for SEK 15 million (29), and sold goods and services for SEK 8 million (6). 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	Jun 30, 2018	Dec 31, 2017
Long-term borrowings	90,198	88,108
Less 50 percent of hybrid capital <sup>1</sup>	-7,950	-7,670
Short-term borrowings	6,343	5,102
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA)	-3,328	-3,032
Less long-term bonds at fair value through OCI <sup>2</sup>	-10,764	-12,084
Less short-term investments	-17,647	-15,616
Less cash and cash equivalents	-24,453	-20,984
<b>Net debt, continuing and discontinued operations</b>	<b>32,400</b>	<b>33,823</b>

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 comparative figures, long-term bonds at fair value through OCI refer to long-term bonds available for sale under IAS 39.

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

Long-term bonds at fair value through OCI are part of the balance sheet line item Long-term interest-bearing receivables. Short-term investments are part of the balance sheet line item Short-term interest-bearing receivables.

## NOTE 12. LOAN FINANCING AND CREDIT RATING

The credit rating of Telia Company remained unchanged during the second 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. Telia Company has not made any major funding transactions during the second quarter and continues to have limited funding needs for 2018.

## NOTE 13. CONTINGENT LIABILITIES, COLLATERAL PLEDGED AND LITIGATIONS

As of June 30, 2018, the maximum potential future payments that Telia Company (continuing operations) could be required to make under issued financial guarantees totaled SEK 307 million (368 at the end of 2017), of which SEK 290 million (352 at the end of 2017) referred to guarantees for pension obligations. Collateral pledged (continuing and discontinued operations) totaled SEK 47 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 June 30, 2018, contractual obligations (continuing operations) totaled SEK 5,024 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 include the lease agreement relating to "Telia Helsinki data center" in Finland and upgrade of network equipment in Norway.

## 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
<b>Cost of combination</b>	<b>914</b>	<b>82</b>
<i>of which cash consideration</i>	<i>914</i>	<i>82</i>
<b>Fair value of net assets acquired</b>		
Intangible assets	423	0
<i>of which customer relationships</i>	<i>390</i>	<i>–</i>
<i>of which other intangible assets</i>	<i>32</i>	<i>0</i>
Property, plant and equipment and other non-current assets	5	1
Current assets	239	41
<b>Total assets acquired</b>	<b>667</b>	<b>42</b>
Non-current liabilities	-90	–
Current liabilities	-62	-24
<b>Total liabilities assumed</b>	<b>-152</b>	<b>-24</b>
<b>Total fair value of net assets acquired</b>	<b>515</b>	<b>18</b>
<b>Goodwill</b>	<b>399</b>	<b>64</b>



## Inmics

The net cash flow effect of the business combination was SEK 743 million (cash consideration SEK 914 million less cash and cash equivalents SEK 171 million). Goodwill consists of the knowledge of transferred personnel and expected synergies of the merged operations. No part of goodwill is expected to be deductible for tax purposes. The fair value of acquired receivables was SEK 63 million (whereof all attributable to short-term trade receivables). The best estimate at the acquisition date was that all contractual cash flows will be obtained. 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 first quarter of 2018, the changes are due to identified intangible assets, mainly attributable to customer relationships and related deferred tax. From the acquisition date, revenues of SEK 243 million and net income of SEK -14 million are included in the condensed consolidated statements of comprehensive income. If Inmics had been acquired at the beginning of 2018, there had been no material difference in revenues or total net income for Telia Company for the first half of 2018.

## Cloud Solutions CS

The net cash flow effect of the business combination was SEK 59 million (cash consideration SEK 82 million less cash and cash equivalents SEK 22 million). Goodwill consist of the knowledge of transferred personnel and expected synergies. No part of goodwill is expected to be deductible for tax purposes. Acquisition-related costs of SEK 3 million have been recognized as other operating expenses. From the acquisition date, revenues of SEK 40 million and net income of SEK 0 million are included in the condensed consolidated statements of comprehensive income. If Cloud Solutions CS had been acquired at the beginning of 2018, there had been no material difference in revenues or total net income for Telia Company for the first half of 2018.

## Minor business combinations

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

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

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

## Business combinations after the reporting period

### Get and TDC Norway

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

### Bonnier Broadcasting

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

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



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

The acquisition of Bonnier Broadcasting will not affect the share buy-back program or dividend policy. The

transaction is subject to regulatory approvals and is expected to be completed during the second half of 2019.

## Minor business combinations after the reporting period

On July 10, 2018, Telia Company acquired all shares in Romelebygdens Kabel-TV AB. The cost of the acquisition was SEK 34 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.

	Jun 30, 2018 <sup>1</sup>	Dec 31, 2017 <sup>1,4</sup>
Return on equity (%; rolling 12 months) <sup>2,3</sup>	5.4	11.2
Return on capital employed (%; rolling 12 months) <sup>2,3</sup>	6.3	9.2
Equity/assets ratio (%) <sup>2,3</sup>	37.8	39.4
Net debt/adjusted EBITDA rate (multiple; rolling 12 months)	1.14	1.15
Parent owners' equity per share (SEK) <sup>2,3</sup>	23.10	23.38

1) Includes continuing and discontinued operations.

2) Key ratios are effected by the adjustment of the provision for the settlement proposed by and agreed with the US and Dutch authorities, see Note 4.

3) Equity is adjusted by weighted 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	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>
<b>Operating income</b>	<b>3,674</b>	<b>2,379</b>	<b>7,073</b>	<b>5,921</b>
Income from associated companies and joint ventures	-305	1,258	-450	697
Total depreciation/amortization/write-down	3,163	3,428	6,216	6,333
<b>EBITDA</b>	<b>6,533</b>	<b>7,066</b>	<b>12,838</b>	<b>12,951</b>
Adjustment items within EBITDA (Note 3)	-90	-1,039	99	-875
<b>Adjusted EBITDA</b>	<b>6,443</b>	<b>6,027</b>	<b>12,937</b>	<b>12,076</b>

## Discontinued operations

SEK in millions	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>
<b>Operating income</b>	<b>430</b>	<b>898</b>	<b>1,089</b>	<b>6,176</b>
Income from associated companies and joint ventures	7	-2	-3	-3
Total depreciation/amortization/write-down	-52	–	-62	–
Gain/loss on disposals	0	-193	-3,306	-193
<b>EBITDA</b>	<b>385</b>	<b>703</b>	<b>-2,282</b>	<b>5,981</b>
Adjustment items within EBITDA (Note 3)	154	431	3,508	-3,658
<b>Adjusted EBITDA</b>	<b>539</b>	<b>1,135</b>	<b>1,226</b>	<b>2,322</b>

1) Restated for comparability, see Note 1.

## Adjusted operating income, continuing operations

Telia Company considers Adjusted operating income, continuing operations, as a relevant measure to be able to understand the underlying financial performance of

Telia Company. Adjustment items within operating income, continuing operations are specified in Note 3.

SEK in millions	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>
<b>Operating income</b>	<b>3,674</b>	<b>2,379</b>	<b>7,073</b>	<b>5,921</b>
Adjustment items within Operating income (Note 3)	-73	1,254	116	1,418
<b>Adjusted operating income, continuing operations</b>	<b>3,601</b>	<b>3,633</b>	<b>7,189</b>	<b>7,339</b>

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	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>
<b>Continuing operations</b>				
Investments in intangible assets	827	2,209	1,449	2,702
Investments in property, plant and equipment	2,637	2,881	4,799	5,286
<b>CAPEX</b>	<b>3,464</b>	<b>5,090</b>	<b>6,249</b>	<b>7,988</b>
Net of not paid investments and additional payments from previous periods <sup>2</sup>	-61	-1,216	-2	-1,163
<b>Cash CAPEX</b>	<b>3,403</b>	<b>3,874</b>	<b>6,247</b>	<b>6,825</b>
<b>CAPEX</b>	<b>3,464</b>	<b>5,090</b>	<b>6,249</b>	<b>7,988</b>
Deduct: investments in license and spectrum fees	–	-462	–	-462
<b>CAPEX excluding license and spectrum fees</b>	<b>3,464</b>	<b>4,628</b>	<b>6,249</b>	<b>7,526</b>

SEK in millions	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017
<b>Discontinued operations</b>				
Investments in intangible assets	67	39	94	57
Investments in property, plant and equipment	152	685	298	972
<b>CAPEX</b>	<b>219</b>	<b>725</b>	<b>392</b>	<b>1,029</b>
Net of not paid investments and additional payments from previous periods	-7	129	139	206
<b>Cash CAPEX</b>	<b>212</b>	<b>854</b>	<b>531</b>	<b>1,235</b>

1) Restated for comparability, see Note 1.

2) The second quarter of 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	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>
Cash flow from operating activities	6,729	7,501	14,275	14,919
Cash CAPEX (paid Intangible and tangible assets)	-3,615	-4,728	-6,778	-8,060
<b>Free cash flow, continuing and discontinued operations</b>	<b>3,114</b>	<b>2,772</b>	<b>7,497</b>	<b>6,859</b>

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	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>
Cash flow from operating activities from continuing operations	6,430	6,357	13,486	13,169
Deduct: Cash CAPEX from continuing operations	-3,403	-3,874	-6,247	-6,825
<b>Free cash flow, continuing operations</b>	<b>3,027</b>	<b>2,483</b>	<b>7,239</b>	<b>6,344</b>
Add back: Cash CAPEX for licenses and spectrum fees from continuing operations	1	475	45	554
<b>Free cash flow that forms the basis for dividend</b>	<b>3,028</b>	<b>2,958</b>	<b>7,285</b>	<b>6,898</b>
Deduct: Dividends from associates from continuing operations	-494	-933	-496	-937
Add back: Taxes paid on dividends from associates from continuing operations	41	113	41	113
<b>Operational free cash flow</b>	<b>2,574</b>	<b>2,138</b>	<b>6,830</b>	<b>6,075</b>

1) Restated for comparability, see Note 1.

### Net debt

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

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

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

SEK in millions, except for multiple	Jun 30, 2018	Dec 31, 2017 <sup>1</sup>
Net debt	32,400	33,823
Adjusted EBITDA continuing operations	12,937	25,151
Adjusted EBITDA continuing operations previous year	13,076	
Adjusted EBITDA discontinued operations	1,226	4,262
Adjusted EBITDA discontinued operations previous year	1,940	
Deduct disposed operations	-865	-109
Adjusted EBITDA rolling 12 months excluding disposed operations	28,313	29,304
<b>Net debt/adjusted EBITDA ratio (multiple)</b>	<b>1.14x</b>	<b>1.15x</b>

1) Restated for comparability, see Note 1.

### Adjusted EBITDA margin

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

SEK in millions	Apr-Jun 2018	Apr-Jun 2017 <sup>1</sup>	Jan-Jun 2018	Jan-Jun 2017 <sup>1</sup>
Net sales	20,814	19,785	40,666	39,012
Adjusted EBITDA	6,443	6,027	12,937	12,076
<b>Adjusted EBITDA margin (%), continuing operations</b>	<b>31.0</b>	<b>30.5</b>	<b>31.8</b>	<b>31.0</b>

1) Restated for comparability, see Note 1.

## PARENT COMPANY

### Condensed income statements

SEK in millions	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017
Net sales	116	93	234	186
<b>Gross income</b>	<b>116</b>	<b>93</b>	<b>234</b>	<b>186</b>
Operating expenses and other operating income, net	-371	-497	-657	3,378
<b>Operating income</b>	<b>-255</b>	<b>-404</b>	<b>-423</b>	<b>3,565</b>
Financial income and expenses	15,221	8,309	11,967	6,778
<b>Income after financial items</b>	<b>14,966</b>	<b>7,905</b>	<b>11,544</b>	<b>10,343</b>
Appropriations	1,483	1,610	4,721	2,995
<b>Income before taxes</b>	<b>16,449</b>	<b>9,515</b>	<b>16,265</b>	<b>13,337</b>
Income taxes	18	-23	-26	-329
<b>Net income</b>	<b>16,467</b>	<b>9,491</b>	<b>16,239</b>	<b>13,009</b>

Operating expenses and other operating income, net, for the first half 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.

Financial income and expenses in the first half and in the second quarter of 2018 were positively impacted by dividends from subsidiaries partly offset by foreign exchange losses mainly related to EUR loans. The first half

of 2018 and 2017, respectively, were also impacted by write-downs of shares in subsidiaries amounting to SEK 298 million and SEK 1,556 million, respectively.

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

## Condensed balance sheets

SEK in millions	Jun 30, 2018	Dec 31, 2017
<b>Assets</b>		
Non-current assets	158,087	156,592
Current assets	66,737	67,556
<b>Total assets</b>	<b>224,825</b>	<b>224,148</b>
<b>Equity and liabilities</b>		
Restricted shareholders' equity	15,713	15,713
Non-restricted shareholders' equity	76,160	70,687
<b>Total shareholders' equity</b>	<b>91,873</b>	<b>86,400</b>
Untaxed reserves	7,070	8,029
Provisions	500	2,153
Long-term liabilities	87,382	85,450
Short-term liabilities and short-term provisions	37,999	42,116
<b>Total equity and liabilities</b>	<b>224,825</b>	<b>224,148</b>

Non-current assets increased mainly due to increased long-term interest bearing intra-group receivables, re-classifications from current interest bearing intra-group receivables, and investments in subsidiaries, partly offset by the disposal of the holding in Spotify.

Equity increased due to positive effects from net income partly offset by dividend to shareholders and repurchased shares related to the share buy-back program.

The provision for the settlement with the US and Dutch authorities was reclassified in the second quarter 2018

from Provisions to Short-term liabilities and short-term provisions.

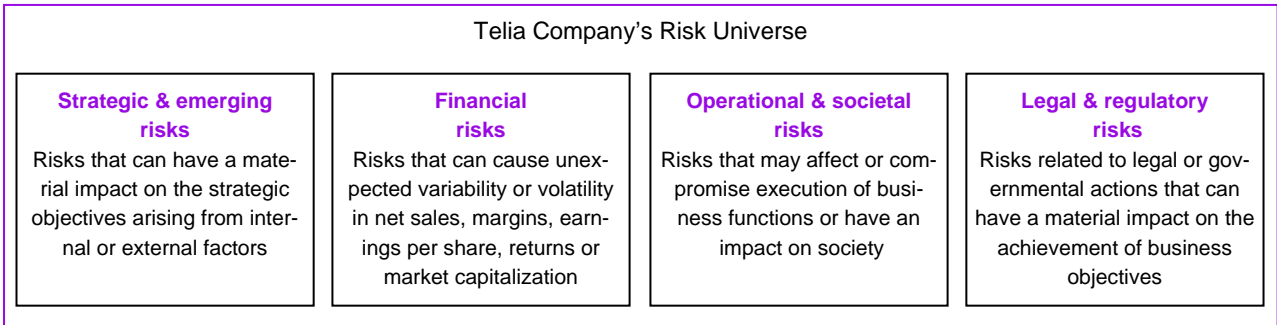
Long-term liabilities were negatively affected by foreign exchange rate effects. Short-term liabilities decreased mainly due to reduced interest bearing intra-group liabilities offset by unpaid dividend liability to the shareholders.

Financial investments 2018 decreased to SEK 1,113 million (2,731). The financial investments were mainly impacted by the acquisition of Inmics Oy and last year impacted by the acquisition of Phonero AS.

## RISKS AND UNCERTAINTIES

Telia Company operates in a broad range of geographical product and service markets in the highly competitive and regulated telecommunications industry. Telia Company has defined risk as anything that could have a material adverse effect on the achievement of Telia Company's goals. Risks can be threats, uncertainties or lost opportunities relating to Telia Company's current or future operations or activities. Telia Company has an established risk management framework in place to regularly identify, analyze, assess and report business,

financial as well as ethics and sustainability risks and uncertainties, and to mitigate such risks when appropriate. 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.





# BOARD OF DIRECTORS' AND PRESIDENT'S CERTIFICATION

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

Stockholm, July 20, 2018

Marie Ehrling  
Chair of the Board

Olli-Pekka Kallasvuo  
Vice-Chair of the Board

Agneta Ahlström  
Board member,  
employee representative

Susanna Campbell  
Board member

Stefan Carlsson  
Board member,  
employee representative

Nina Linander  
Board member

Jimmy Maymann  
Board member

Anna Settman  
Board member

Olaf Swantee  
Board member

Martin Tivéus  
Board member

Peter Wiklund  
Board member,  
employee representative

Johan Denzelind  
President and CEO

# REVIEW REPORT

## Introduction

We have reviewed the interim report for Telia Company AB (publ) for the period January 1 - June 30, 2018. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of Review

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

## Conclusion

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

Stockholm, July 20, 2018

Deloitte AB

Jan Nilsson  
Authorized Public Accountant

## 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 services.

**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

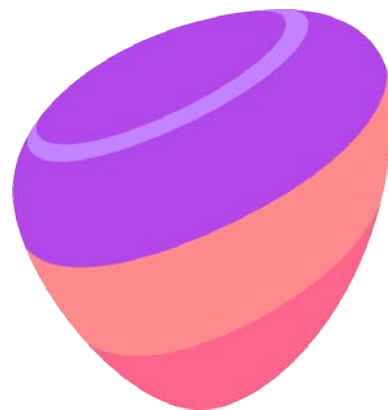
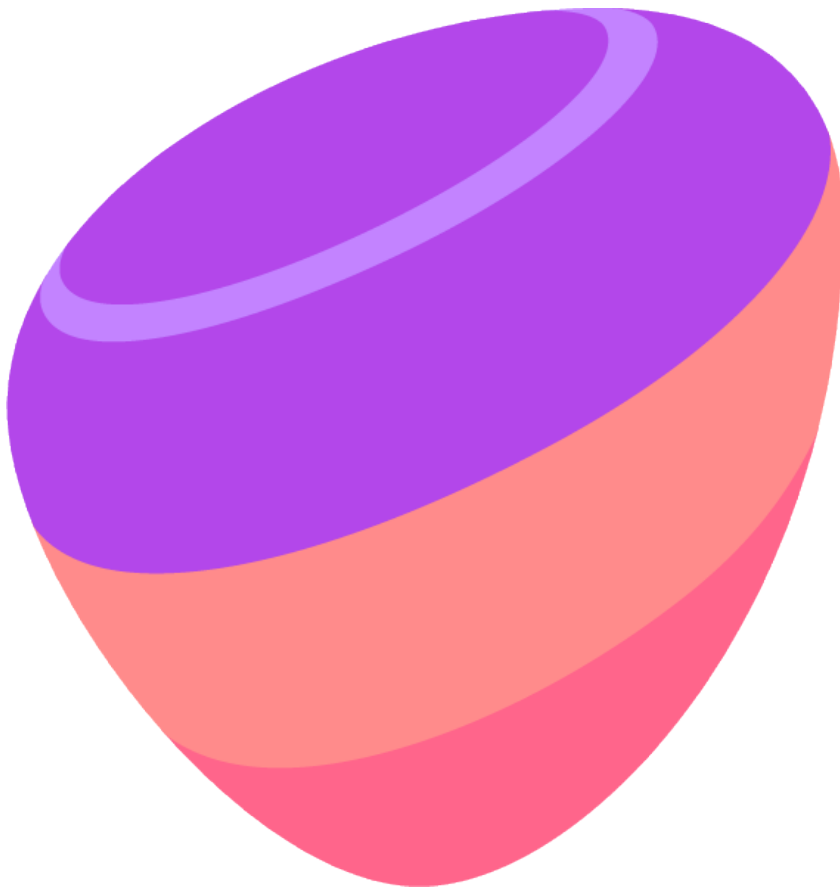
**Interim Report January–September 2018**  
October 19, 2018

**Year-end Report January–December 2018**  
January 25, 2019

**Interim Report January–March 2019**  
April 25, 2019

## QUESTIONS REGARDING THE REPORT

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