BRINGING THE WORLD CLOSER

ANNUAL AND SUSTAINABILITY REPORT 2018

Telia Company

CONTENTS

The audited annual and consolidated accounts comprise pages 16–207 and 224. The corporate governance statement examined by the auditors comprises pages 71–86.

The sustainability information (which also constitutes the statutory sustainability report) reviewed by the auditors comprises pages 40-62 and 208–223.

OUR COMPANY

DIRECTORS' REPORT

CORPORATE GOVERNANCE

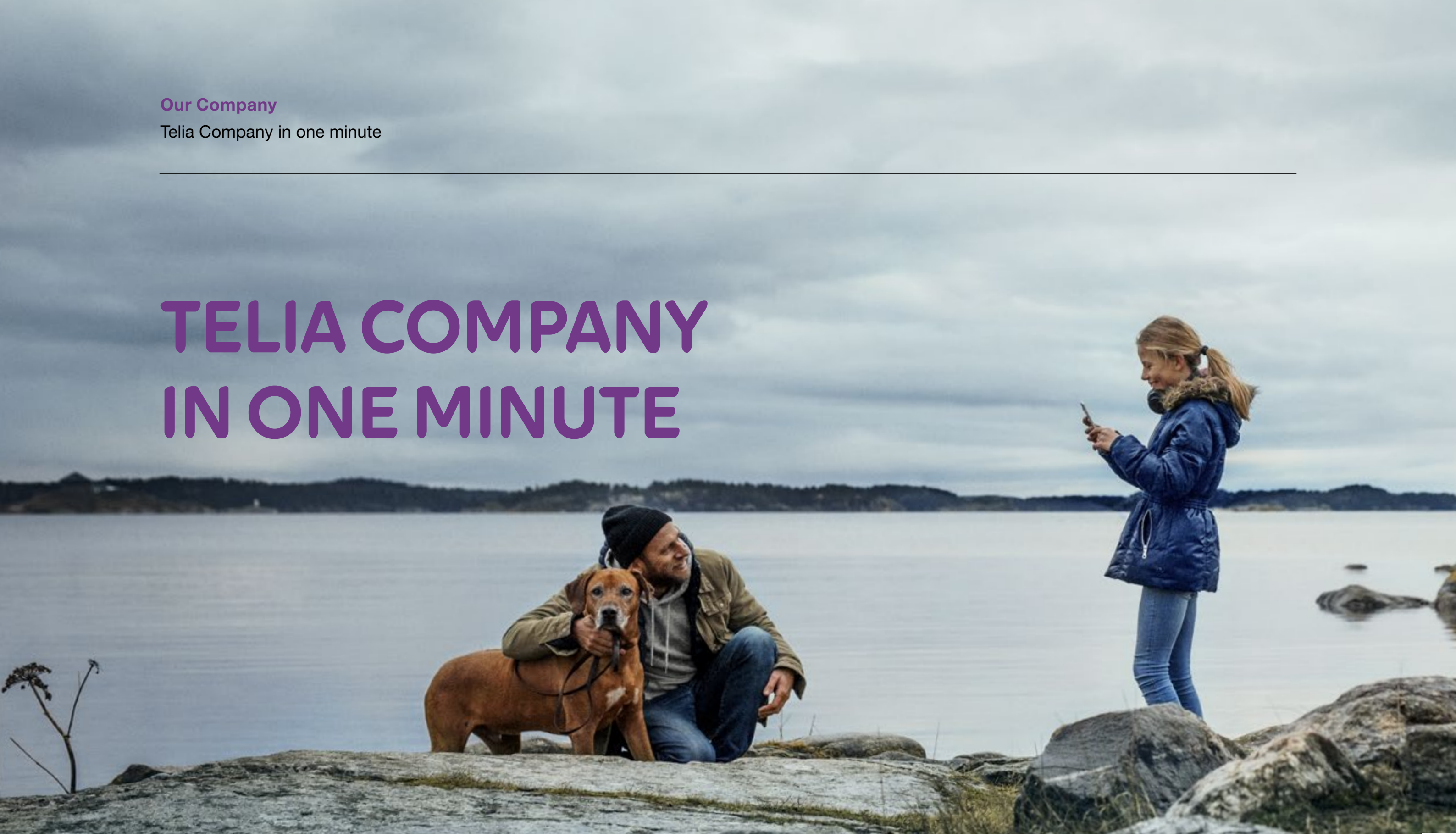
FINANCIAL STATEMENTS

SUSTAINABILITY NOTES

OTHER INFORMATION

Telia Company AB (publ)
Mailing address: SE-169 94 Solna • Sweden
Visiting address: Stjärntorget 1, Solna
Corporate Reg. No. 556103-4249 • Registered office: Stockholm
Telephone: +46 (0)8 504 550 00 • www.teliacompany.com

Production: Telia Company AB in cooperation with Narva
Photo of the Board of Directors and Group Executive Management: Telia Company



TELIA COMPANY IN ONE MINUTE

WHAT WE DO

We connect businesses, individuals, families and communities via fixed and mobile communication solutions. Our services have a positive effect on social, economic and environmental development and pave the way for an inclusive society. People can stay in touch even when the geographical distance is far. We work with an eco-system of new start-ups and major service providers. Together we provide the infrastructure for creativity, growth and change.

WHO WE ARE

We are Telia Company, the new generation telco. We provide communication services helping millions of people to be connected and communicate, do business and be entertained.

20,400
Employees

83.6
SEK billion in net sales

OUR VALUES: DARE | CARE | SIMPLIFY

WE PROVIDE

- MOBILE VOICE AND DATA
- FIXED VOICE AND DATA
- ICT SERVICES
- TV AND MEDIA
- IP CAPACITY
- DEVICES
- FINANCING

OUR STAKEHOLDERS

We create value for our customers as well as for other stakeholders:

- Consumers
- Business customers
- Employees
- Investors
- Suppliers and partners
- Society

WHERE WE OPERATE AND USED TO OPERATE

We stand firmly in the Nordics and Baltics and our fiber backbone stretches around the globe. All our mobile operations in Eurasia are divested, except for Moldcell in Moldova.

Country	Brands	Mobile	Fixed voice	Broadband	TV	
Sweden	Telia, halebop	#1 35%	#1 53%	#1 33%	#2 18%	
Finland	Telia	#2 32%	#2 17%	#3 26%	#3 20%	
Norway	Telia, TDC, OneCall, MyCall, phonero, Get	#2 36%	#2 13%	#2 17%	#2 23%	
Denmark	Telia, Call me, dlg Tele	#3 19%	#3 7%	#5 5%	#4 1%	
Estonia	Telia, diil	#1 47%	#1 82%	#1 53%	#2 37%	
Latvia	Telia, lmt, Amigo	#1 46%				
Lithuania	Telia, ezys	#2 30%	#1 86%	#1 52%	#1 33%	
Azerbaijan	Azercell	- -				Divested in March 2018
Georgia	Geocell	- -				Divested in March 2018
Kazakhstan	Kcell	- -				Divested in December 2018
Moldova	Moldcell	#2 29%				Discontinued operation and held for sale
Uzbekistan	Ucell	- -				Divested in December 2018

Telia Company's market share estimate is based on the number of subscriptions

Mobile | Fixed voice | Broadband | TV | # Market position | % Market share

Ownership – Subsidiaries

Country	Main trademarks	Ownership,[1] %	Consolidated share,[2] %
Sweden	Telia, Halebop	100	100
Finland	Telia	100	100
Norway	Telia, OneCall, MyCall, Phonero, Get, TDC	100	100
Denmark	Telia, Call me, DLG Tele	100	100
Estonia	Telia, Diil	100	100
Latvia	Telia, Lmt, Amigo	60.3[3]	60.3[3]
Lithuania	Telia, Ezys	88.2	88.2
Azerbaijan	Azercell (Divested in March 2018)	35.2	64.1
Georgia	Geocell (Divested in March 2018)	68.5	68.5
Kazakhstan	Kcell (Divested in December 2018)	59.0	59.0
Moldova	Moldcell	68.5	68.5
Uzbekistan	Ucell (Divested in December 2018)	94.0	94.0

Ownership – Associated companies

Country	Trademark	Ownership,[1] %	Consolidated share, %
Latvia	Lattelecom	49.0	49.0
Turkey	Turkcell	24.0	24.2

1) Ownership is defined as direct and indirect ownership, i.e. effective ownership.
2) Consolidated share includes commitments to acquire shares from holders of non-controlling interests.
3) Telia Company directly owns 49 percent of LMT and controls the company through shareholder agreements. In addition, Telia Company indirectly holds an 11.3 percent share of the company.

THE WORLD'S #1 BACKBONE

Telia Carrier's fiber backbone runs around the globe and is the largest in the world with operations in 35 countries.

Telia Carrier

2018 IN BRIEF

FINANCIAL AND MARKET HIGHLIGHTS 2018

OPERATIONAL FREE CASH FLOW

Outlook: 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).

Outcome (billion):

SEK 10.8

ADJUSTED EBITDA

Outlook: Adjusted EBITDA from continuing operations, based on current structure, in local currencies, excluding future acquisitions and disposals, is expected to be slightly above the 2017 level (SEK 25.2 billion).

Outcome (billion):

SEK 26.6

DIVIDEND

Outlook: A minimum of 80 percent of free cash flow from continuing operations, excluding licenses and spectrum fees (81%).

Outcome:

85%

CONTINUING AND DISCONTINUED OPERATIONS

DIVIDEND

2.36 (2.30)

Proposed dividend per share (SEK)

NET INCOME

3,090 (10,243)

Total net income (SEK million)

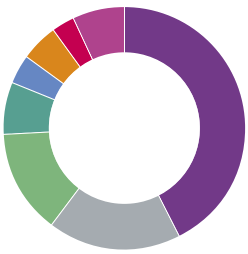
LEVERAGE

2.07 (1.15)

Net debt/EBITDA excluding adjustment items (multiple, rolling 12 months)

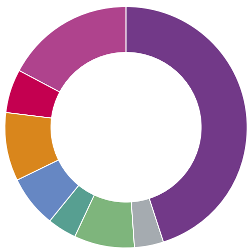
NET SALES

Per country



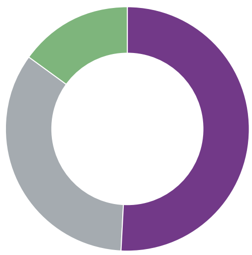
- Sweden, 43%
- Finland, 18%
- Norway, 14%
- Denmark, 7%
- Estonia, 4%
- Lithuania, 5%
- Latvia, 3%
- Telia Carrier, 7%

Per service



- Mobile, 45%
- Fixed telephony, 4%
- Fixed broadband, 8%
- TV, 4%
- Business solutions, 7%
- Other, 9%
- Telia Carrier, 6%
- Equipment, 17%

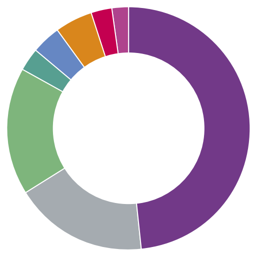
Per segment



- B2B, 51%
- B2C, 34%
- Wholesale and Other, 15%

ADJUSTED EBITDA

Per country



- Sweden, 49%
- Finland, 18%
- Norway, 17%
- Denmark, 3%
- Estonia, 4%
- Lithuania, 5%
- Latvia, 3%
- Telia Carrier, 2%

CREATED VALUE

WHAT WE CREATE

69,552
Service revenues, SEK million

10.8
Operational free cash flow, SEK billion

16.8
Mobile subscriptions, million

1.9
Fixed voice subscriptions, million

2.9
Fixed broadband subscriptions, million

2.4
TV subscriptions, million

2.1
IoT subscriptions, million

215,000
Tons CO_2e emissions

>99%
4G population coverage in the Nordics

>230
Number of Telia Carrier's point of presence worldwide

CREATED STAKEHOLDER VALUE

CONSUMERS

Halebop has the happiest mobile customers in Sweden[1]

Telia has the happiest TV customers in Sweden[1]

BUSINESS CUSTOMERS

Number 1 in Sustainable Brand Index B2B in telecom in Sweden

Launch of Helsinki Data Center

EMPLOYEES

12.7
SEK billion salaries

78
Purple Voice score (79)

INVESTORS

21%
Total shareholder return

10
SEK billion dividend paid

SUPPLIERS AND PARTNERS

45.6
SEK billion external operating expenses

SOCIETY

18.3
SEK billion total tax contribution

1) According to Svenskt Kvalitetsindex, SKI.

SUSTAINABILITY HIGHLIGHTS

We are committed to ethical, responsible business practices and creating positive societal and environmental impact throughout our value chain, from customers to suppliers.

HIGHLIGHTS DURING THE YEAR

- Telia Company's President and CEO Johan Dennelind together with a group of Nordic CEOs launched a coalition on the advancement of the UN Sustainable Development Goals in the Nordics. A key objective is to explore ways to deliver more impact through collaboration and responsible business practices.

- Divestments of assets in region Eurasia underwent strict due diligence carried out by both internal and external expertise. Due diligence covered for example identifying Ultimate Beneficiary Owners (UBOs) and anti-money laundering controls. Human Rights Impact Assessments on the companies were earlier conducted by external expertise.

- To meet growing customer requirements and ensure continuous improvement, we have implemented a number of internationally recognized management systems such as ISO 14001 (environment), ISO 27001 (information security) and OHSAS 18001 (health and safety). At year-end, most core markets were certified according to ISO 14001 and OHSAS 18001 and relevant group-level processes were ISO 27001 certified.

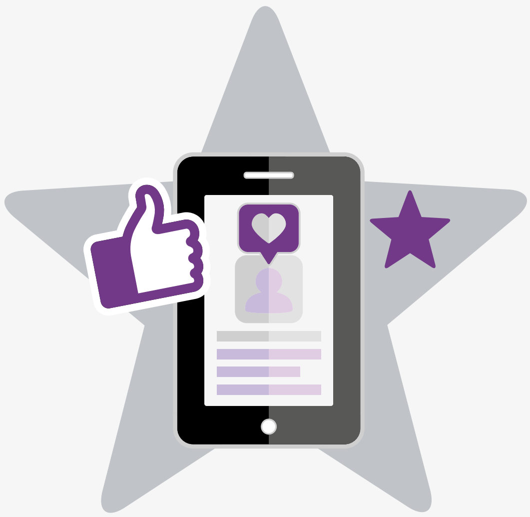
- New long-term ambitions and goals within the Responsible business focus areas were launched. The quantitative and qualitative goals stretch until 2022 and cover for example transparency reporting and greenhouse gas emissions reductions.

Read more in Board of Directors's Report, section Sustainability

SUSTAINABILITY RECOGNITIONS

Telia Company was included in or remained a constituent of several Environmental, Social and Governance (ESG) indices, including:

- MSCI ESG “AAA” rating
- FTSE4Good
- "Gold supplier” rating in EcoVadis
- Bloomberg Gender Equality Index



COMMENTS FROM THE CHAIR

OUR ENVIRONMENT IS CHANGING AND SO ARE WE

The ability to think again and think new is the hallmark of a well-managed company – implementing new ideas and letting old ones go. That's how it should be.

The Board of Directors that joined me in 2013 received a comprehensive change mandate from the shareholders of Telia Company. Since then, we've made major changes and during 2018, we divested our companies in Azerbaijan, Georgia, Kazakhstan and Uzbekistan. Leaving Eurasia took longer than planned, but we took the time we needed. The most important thing was to exit the right way and responsibly, without rushing. We took over at the helm of a company that was in a very difficult situation and it is gratifying that we now can look forward with the knowledge that Telia Company has changed substantially, and that we've exited region Eurasia in all material aspects. Both the company and individuals have experienced the painful consequences of acting incorrectly. But as a result, we've learned lessons and created a more responsible company. Hopefully, we've also ensured that nothing like this will ever happen again.

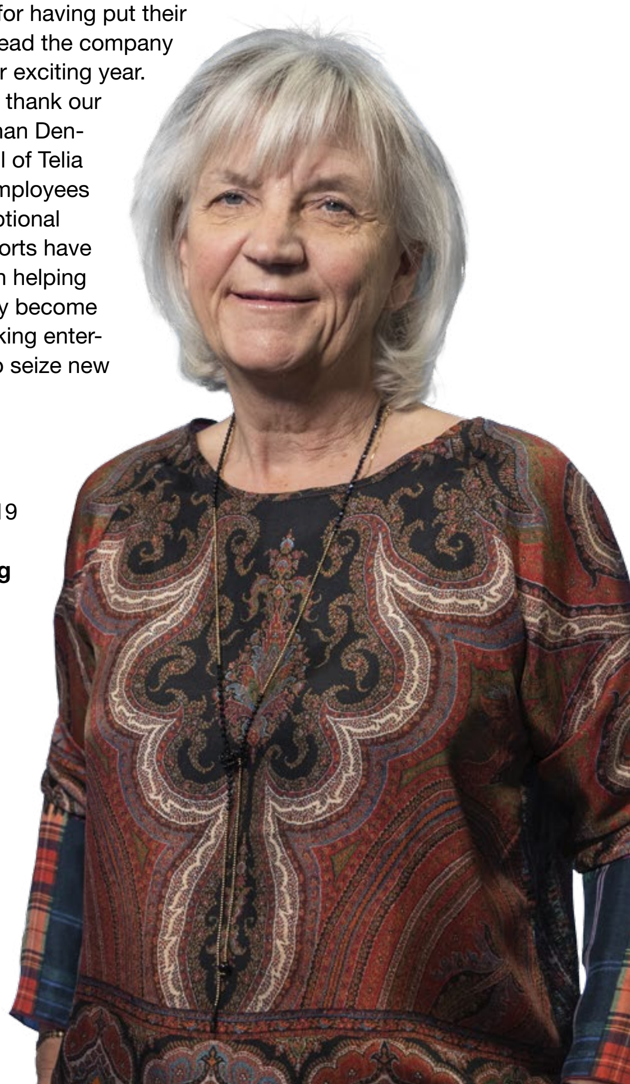
At the same time as we've been dealing with our past, we've created a roadmap for the future. Our strategy going forward is to develop Telia Company into the new generation telco – a company that offers more services based on our core business, with our network infrastructure as the foundation for consumers and corporate customers alike. In the past year, we continued developing this strategy, clarifying areas where we can have a prominent market position. Companies looking to develop digital business models should feel confident contacting us for help and support. With our partners, we will work in an ecosystem and together offer customers more in a better way than if we operated alone.

Compared with our international peers, Telia Company is at the forefront of development.

Our decisive efforts to transform and meet customer demands have helped us develop in step with the outside world. We've broadened our offering both organically and through acquisitions. By acquiring Get and TDC Norway, for example, we can now provide mobile, broadband and television, making us a strong challenger in the country. Last summer, we also took a giant step forward when we announced the acquisition of Bonnier Broadcasting, a transaction that will make us the first Nordic company to provide both connectivity and our own content. This will also enable us to create stronger long-term relationships with customers and give us access to data we can use to refine our offering and develop new solutions. Telia Company will start investing in the 5G technology of the future in a responsible way, developing services and support enabled by the new technology together with users.

With a clear strategy as a foundation and driver of our acquisitions and divestments, Telia Company delivered a total shareholder return of 21 percent in 2018 in a weakening European telecom market. We are also happy that our customers and employees are more satisfied today than before, which is a prerequisite for creating long-term value. Even though there is much to celebrate, we still have big and exciting challenges ahead. Indeed, we must increase the pace of change to secure our future competitiveness.

The Board of Directors and I would like to thank the shareholders for having put their trust in us to lead the company for yet another exciting year. I'd also like to thank our president, Johan Dennelind , and all of Telia Company's employees for their exceptional work. Your efforts have been crucial in helping Telia Company become a forward-looking enterprise, ready to seize new opportunities.



Stockholm,
March 13, 2019

Marie Ehrling
Chair of the Board

COMMENTS FROM THE CEO

AN EVENTFUL YEAR

Telia Company is now basically a Nordic and Baltic company as we have completed the divestment of the operations in Eurasia in all material aspects. Now we can put all efforts and resources into developing the company in our home markets including our global carrier operation. We meet our customer under the Telia brand in six countries and the subsidiaries become more and more integrated into the group.

SHAREHOLDER RETURN

In 2018 we delivered much according to what we planned to do. The operational free cash flow reached SEK 10.8 billion, comfortably above outlook. We have executed on the net cost reduction program leaving the adjusted EBITDA to grow by 1.7 percent. The free cash flow that forms the basis for the dividend reached SEK 11.8 billion. The board decided to initiate a share buy-back program with the intention to buy back shares for an annual amount of SEK 5 billion over the coming three-year period. The board proposes a dividend per share of SEK 2.36, implying an unchanged absolute amount distributed to our shareholders and equals a pay-out ratio of 84 percent, taking the share buy-back program into account. As the same time as the stock markets fell 2018, Telia Company's shareholders could see the share price rise and get a total shareholder return in European top class. To continue to deliver shareholder value, we stay focused on increasing our core service revenues, increasing the average price per user, and further lowering our costs.

DIGITALIZATION

New digital business models are created worldwide that quickly gain favor with increasingly consumers on the go.

> Telia Company should stop being on the planet's minus account to instead become part of the solution to the climate problem and the environmental impact.

Companies can no longer count on or control their customers - it is the customer who holds the steering wheel and decides the speed. It goes fast and it's just to keep up with the turns. To us it implies to change a lot under the hood to be able to work faster and more efficient. Now we are removing parallel systems and complicated solutions. A common technology and product organization is created to work across the whole group and provide services on common scalable platforms. It will, over time, reduce our costs and make the wheels spin faster.

We are often seen as a technology company, which is of course true and we are proud of that, but we are also a service company, an advisor, a start-up and a retail chain. Back in 2014 we changed our strategy, which we have fine tuned along the way, and as a consequence we can see new services launched within areas like internet-of-things, security, smart home and entertainment. We offer flexible services for discerning customers via modern and future-proof networks.

IMPORTANT ACQUISITIONS

One of the highlights during the year was the acquisition of Bonnier Broadcasting, expected to be closed in the second half of 2019. Locally produced news and entertainment is highly sought after and together with our connected services, Telia Company will stand out of the crowd and be able to contribute something unique. We are prepared to meet a changed consumption pattern among viewers, while we can create attractive converged offerings to new and old customers.

In February 2019 a new unit, Telia Global, was created with the aim to increase focus on multinational customers, partners and innovation.

The acquisition of Get and TDC Norway means a paradigm shift for Telia in Norway. From being, a few years ago, a smaller company with only mobile services Telia Norway is now a full-service provider with fixed and mobile solutions as well as TV, to both enterposes and consumers. In addition to these extensive acquisitions further strengthened the B2B proposition by acquiring the ICT companies Cloud Solutions and Ainacom and we have also invested in a top modern data center in Finland as well as secured spectrum to be able to lead the development of 5G. As always, one of our unique competitive advantage is in our networks - that strength must be nurtured and strengthened. Together with our customers we enable the next technology leap and let companies become 5G pioneers in our region on our 5G partnership programs.

SUSTAINABILITY

Telia Company wholeheartedly supports UN's global goals for sustainable development and the Global Compact principles. It is comforting to see how states, organizations and companies jointly gather to handle problems and spread solutions. Not at least our own industry contributes to enabling sustainable business models and responsible resource utilization. At the same time as we see all the good we contribute to, we should not settle for or disregard our own environmental impact.

Telia Company should stop being on the planet's minus account to instead become part of the solution to the climate problem and the environmental impact. Under the current management, sustainability and responsibility have become one of the foundations on which the business rests. The more important our services become for the society to function, the greater responsibility can be required from us. We conduct a business that aims at social and economic value creation which is managed in a responsible and ethical manner. To these benchmarks, we are now making an ambitious and far-reaching effort to reduce our negative environmental impact, with the goal of reducing it to zero over time. In 2019 we will enhance the work that will make us one of the world's most environmentally friendly telecom operators.

Finally, I would like to extend my sincere thanks to our employees, partners and customers who make our joint journey possible. Thanks also to all 483,000 shareholders for your confidence in the company and for us leading it.

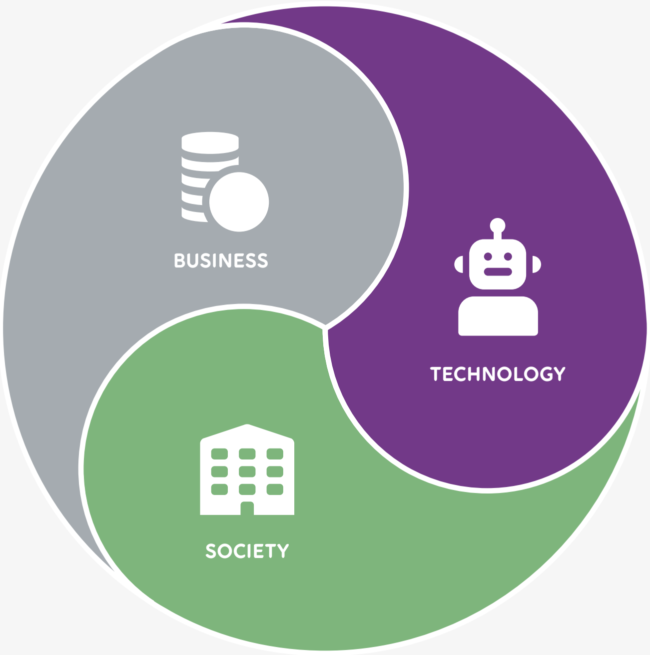
Stockholm, March 13, 2019

Johan Dennelind
President and CEO

As always, one of our unique competitive advantage is our networks - that strength must be nurtured and strengthened.

ENABLING DIGITALIZATION

Technology, society and businesses are under transformation. Cutting across this transformation is a constantly growing connectivity need. The Nordic and Baltic regions are leading the way globally in digitalization, changing and improving the ways our customers live, work and run their businesses. At the same time, there are societal and environmental challenges such as climate change and resource scarcity that require us to fundamentally rethink the way we become an enabler of digitalization for good.

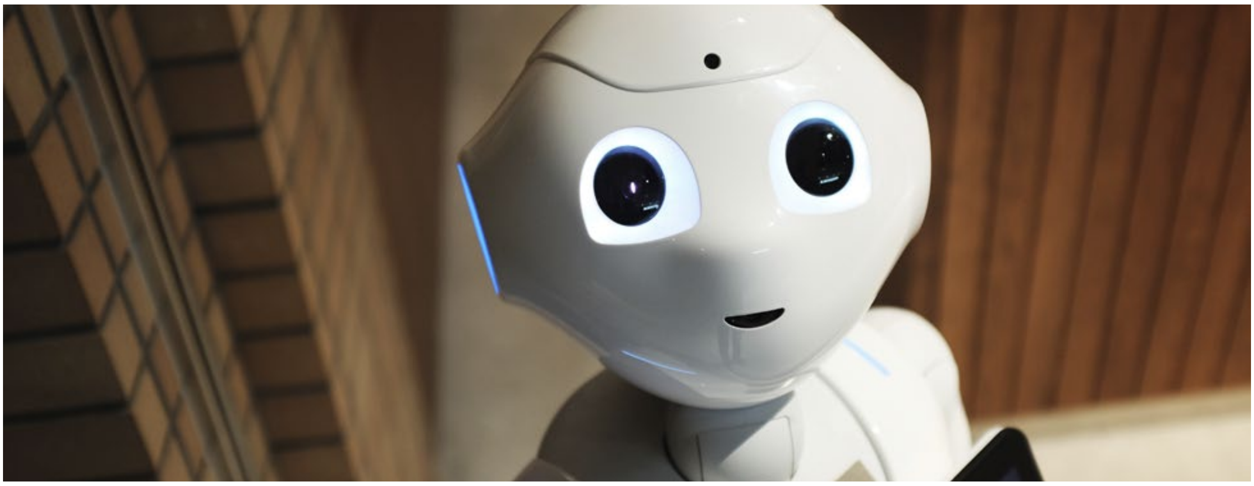


TECHNOLOGY

Softwarization
Key drivers of change are softwarization – replacing hardware with software – and servicefication – everything as a service. Softwarization creates extreme scale and flexibility advantages which benefits industry leaders in the cloud world, in turn changing the competitive landscape into one, where old operational models and business models are challenged by global ecosystem players.

AI and automation
Artificial intelligence and the internet of things (IoT) combined enable rapid growth of intelligent automation. This creates new demands on customer privacy and ethics in data management.

Augmented and virtual reality
The rise of amplified experiences through augmented and virtual realities, and their integration into our daily lives, bring new possibilities for how we sense and explore the world. Augmented and virtual reality are already coming into play beyond the consumer area and enable new ways to collaborate in companies, for example in remote conferencing.



SOCIETY

Always connected
The digital and physical worlds are converging and distinguishing between the two is becoming less and less meaningful. The paradigm of "always connected" is changing how our societies and customers spend their time and resources. Customer behavior has changed rapidly with focus on instant and personal. Customers are increasingly technology agnostic, taking connectivity for given and seeing it as an essential enabler of their daily lives. With better connection and easier solutions for working remotely, flexibility increases, but the lines between work and leisure become blurred. Despite positive overall economic growth, the financial pressure on businesses that comes from the expectation to get more for less will continue.

Sustainability in focus
Consumers and policy-makers are putting increasingly higher expectations and demands on companies to be transparent and to contribute positively to societal and environmental development. Security, privacy and ethical data use as well as reducing greenhouse gas emissions and waste are critical issues to manage. The sharing economy grows and having access to it becomes more important than owning physical assets.

Changing demographic
A growing aging population will drive an increased healthcare need and pressure on the public sector but also create a market with active and affluent elderly who will look for an ability for self-actualization and quality of life. An increased capability for managing increasing gaps between young and old, digital natives and laggards and more will be required from the public sector in all areas. As many jobs will disappear to be replaced by new technology the need for re-training and innovation grows.

BUSINESS

The impact of digitalization
Business models and processes are under rapid transformation driven in part by IT enablers including IoT. Many companies face the challenge of adapting their business to the demands of the digitalized world. In this world of rapidly evolving technologies, most companies want to buy services to enable digitalization.

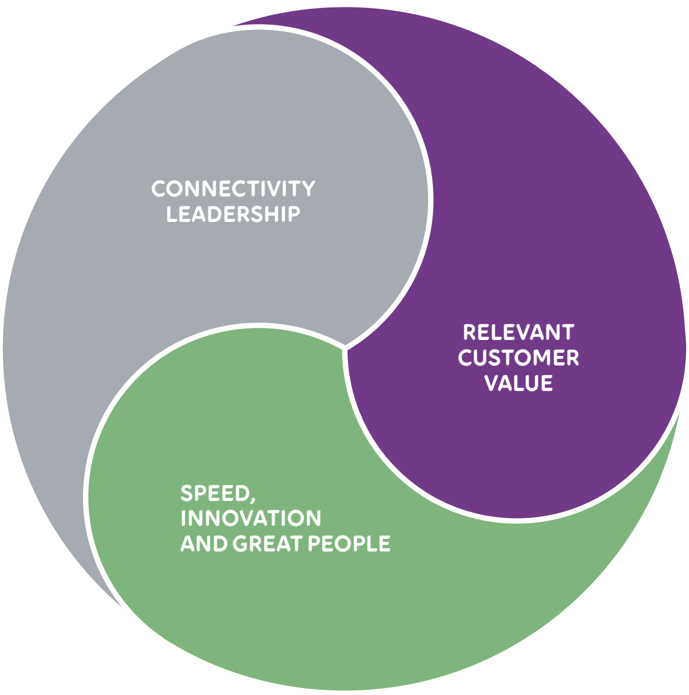
Digitalization and an increasingly connected online population create new competitive landscapes. New kinds of players with new business models are entering all industries and companies must adapt to new and increasing customer demands and expectations to survive. Customers expect an increasing variety of purchasing choices including ways to purchase in the most convenient manner to them.

Data enables new business model
To stay ahead, products and services must gather information about how they are used. This drives companies to connect their products to the internet. The pay-per-use model grows as products are turned into services. The core areas of value creation will stay in the companies but the enablers and supporting services are more likely to be bought from someone else as a service.

Value-driven branding
As an employer, it will be harder to attract new talent if your business and values are not aligned with sustainability, diversity and work-life balance.

OUR STRATEGY

Our strategy is based on continuous development of our core business combined with focused bets in areas that strengthen the core but also build new businesses in growing areas.



AMBITIONS

- The most loyal and satisfied customers in our markets
- Total shareholder return on par with the top relevant European peers
- Industry leader in delivering digital impact in accordance with the United Nations' Sustainable Development goals
- The most engaged employees

SPEED, INNOVATION AND GREAT PEOPLE

Great people, speed and innovation form the basis of our strategy execution
In addition to a strong governance framework with best in class ethics and compliance, our values dare, care and simplify drive our people behavior with self-leadership, customer passion and cost ownership as cornerstones.

To enable our strategy, we:
- Make a significant bet on analytics and insights driven go-to-market and customer interaction. Our aim is to significantly increase the relevance of every single interaction to drive value for our customers.
- Accelerate building a software-based, modular product portfolio and migrating from old to new products, to increase agility in production and provisioning.
- Capture synergies across the group through a stronger focus on developing and operating products and services on common platforms, as well as automation, robotization and strong internal analytics.

Digitalization partner of choice
For the enterprise segment we are the digitalization partner of choice, providing advice and offer solutions to help companies digitalize their business.

Our portfolio is geared towards meeting the following customer needs:
- Internal efficiency and mobile working
- Customer interaction
- Supporting building a connected business through IoT

Enabling partners with new business models
As an ecosystem player and enabler, we actively lead and participate in ecosystems and thereby enable partners to develop new business models, using combinations of different assets and platforms from us and other partners. By making selected bets, today exemplified by crowd analytics, smart cities, smart transport and broadening our IoT business – we are creating the foundation for future growth as our customers will benefit from the network effects that we provide. Through partnerships is how we can achieve the greatest positive societal impact.

CONNECTIVITY LEADERSHIP

Best network experience across platforms
We offer customers a seamless experience independent of which networks they are moving between, combined with an excellent customer experience that creates customer loyalty. As mobile and the fixed networks are converging, we optimize the transportation of data to secure both the experience and the production of data. Our leadership will be maintained in fiber and 4G into 5G.

We see opportunity in providing our distributed cloud capabilities to business customers. Security and end-to-end Quality of Service are crucial to ensure the best network experience. Telia Carrier will continue to be our way to secure global connectivity, key for multinational customers and for an excellent cloud experience. We add services on top of our connectivity to increase the relevance of our best network.

RELEVANT CUSTOMER VALUE

Hub to digital experiences in homes and offices
Our value proposition to win the home is based on our customers' need for convenience and safety. Our brand is strong and trusted to deliver home services. Media is a key pillar in our mass-market approach, where we provide unique offerings with exciting content delivered everywhere. For small companies there is a need for easy to use services ranging from connectivity to "Office in a box" and we will continue to deliver relevance in this mass-market area.

BOARD OF DIRECTORS' REPORT

Telia Company's operating model is based on geographical areas. The group's operations are managed and reported by the six operating segments: Sweden, Finland, Norway, Denmark, Lithuania and Estonia. The organization is country-based. Other operations are collectively reported comprising the Telia Carrier operations, operations in Latvia and Telia Company's shareholding in Turkcell (24 percent) as well as Group functions. Group functions include CEO Office, Communications, Corporate Affairs (including M&A), Finance (including Sourcing and Real Estate), Common Products & Services, and People and Brand.

As of February 1, 2019, a new unit, Telia Global, was created with the aim to increase focus on multinational customers, partners and innovation comprising Division X, Telia Carrier, Global Business and Telia Ventures. This new unit will be part of Other 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 C34.

In this Report, comparative figures are provided in parentheses following the operational and financial results and refer to the same item in the full year of 2017, unless otherwise stated.

GROUP DEVELOPMENT IN 2018

FINANCIAL HIGHLIGHTS

SEK in millions, except key ratios, per share data and changes	Jan–Dec 2018	Jan–Dec 2017[5]	Change (%)
Net sales	83,559	79,790	4.7
Change (%) local organic[1]	*-0.4*		
of which service revenues (external)[1, 4]	*69,552*	*67,657*	*2.8*
change (%) local organic	*-1.9*		
Adjusted[2] EBITDA[1]	26,649	25,151	6.0
Change (%) local organic	*1.0*		
Margin (%)	31.9	31.5	
Adjusted[2] operating income[1]	14,146	14,781	-4.3
Operating income	13,238	13,768	-3.9
Income after financial items	10,986	9,554	15.0
Net income from continuing operations	9,489	8,492	11.7
Net income from discontinued operations[3]	-6,399	1,751	
Total net income	3,090	10,243	-69.8
of which attributable to owners of the parent	*3,179*	*9,705*	*-67.2*
EPS total (SEK)	0.74	2.24	-67.1
EPS from continuing operations (SEK)	2.17	1.92	13.0
Free cash flow[1]	11,902	7,164	66.1
of which operational free cash flow, continuing operations[1]	*10,816*	*9,687*	*11.7*
CAPEX[1] excluding license and spectrum fees	14,984	14,849	0.9

1) See sections Alternative performance measures and Definitions.
2) See section Adjustment items.
3) For discontinued operations, see Note C34.
4) See Note C6.
5) Restated for comparability, see Note C1.

NET SALES

Net sales in continuing operations in reported currency increased 4.7 percent to SEK 83,559 million (79,790). The effect from exchange rate fluctuations was positive by 3.0 percent and the effect from acquisitions and disposals was positive by 2.1 percent, mainly related to acquisitions made in 2017 and 2018 in Finland and Norway. In Finland the main acquisitions were Nebula in 2017 and Inmics and Cloud Solutions in 2018. In Norway the acquisitions were Phonero in 2017 and Get and TDC Norway in 2018. Net sales in local currencies, excluding acquisitions and disposals, decreased 0.4 percent as lower service revenue mainly in Sweden and Telia Carrier was offset by higher equipment sales in most countries, although mainly in Sweden and Norway.

Service revenues in local currencies, excluding acquisitions and disposals, decreased 1.9 percent as mobile service revenue growth in five of seven markets was offset mainly by pressure on fixed telephony revenues in all markets, lower fiber installation revenues in Sweden, and a significant erosion of low margin voice revenues in Telia Carrier. Excluding the decline in Telia Carrier, service revenues in local currencies, excluding acquisitions and disposals, would have decreased by 1.2 percent.

Net sales SEK in millions	Jan–Dec 2018	Jan–Dec 2017[1]	Change (SEK million)	Change (%)	Change (%), of which Local organic	 M&A effects	 FX effects
Sweden	36,677	36,825	-148	-0.4	-0.5	0.1	0.0
Finland	15,512	13,742	1,769	12.9	-0.1	6.1	6.8
Norway	11,898	10,087	1,811	18.0	3.6	10.4	3.9
Denmark	6,167	5,945	223	3.7	-2.4	0.0	6.1
Lithuania	3,849	3,543	306	8.6	2.1	0.0	6.6
Estonia	3,077	2,824	253	9.0	2.6	-0.2	6.6
Other operations	8,743	9,025	-282	-3.1	-2.9	-3.6	3.4
Telia Carrier	5,542	5,956	-414	-7.0	-9.4	0.0	2.4
Latvia	2,200	1,931	269	13.9	7.0	0.0	6.9
Eliminations & other	1,001	1,138	-137	-12.0	21.9	-36.5	2.5
Eliminations & other	-2,364	-2,201	-163	7.4	10.8	-6.5	3.1
Total, continuing operations	**83,559**	**79,790**	**3,769**	**4.7**	**-0.4**	**2.1**	**3.0**

1) Restated for comparability, see Note C1.

Operating expenses SEK in millions	Jan–Dec 2018	Jan–Dec 2017[1]	Change (SEK million)	Change (%)
Goods and sub-contracting services purchased	-18,102	-16,755	-1,347	8.0
Interconnect and roaming expenses	-6,311	-6,978	667	-9.6
Other network expenses	-4,081	-3,792	-289	7.6
Change in inventories	-4,195	-3,528	-667	18.9
Personnel expenses (see also Note C31)	-12,745	-12,676	-69	0.5
Marketing expenses	-3,256	-3,134	-123	3.9
Other expenses	-8,430	-8,111	-319	3.9
Amortization depreciation and impairment losses	-13,603	-12,527	-1,076	8.6
Subtotal	**-70,724**	**-67,500**	**-3,224**	**4.8**
Other operating expenses	-1,263	-1,282	19	-1.5
Total, continuing operations	**-71,987**	**-68,782**	**-3,205**	**4.7**

1) Restated for comparability, see Note C1.

SUBSCRIPTION GROWTH

The total number of subscriptions in continuing operations grew by 0.8 million to 24.0 million driven by the acquisition of Get and TDC Norway. Excluding the impact from Get and TDC Norway the total number of subscriptions decreased by 0.2 million to 23.0 million driven by loss of fixed telephony subscriptions.

OPERATING EXPENSES

Cost of goods sold was SEK 32,689 million (31,053) equal to a 5.3 percent increase compared to 2017. The increase was mainly due to higher cost of equipment, driven by increased equipment sales, and the acquisition of Get and TDC Norway, partly offset by decrease in interconnect costs due to decrease in low-margin revenues in Telia Carrier and the synergies related to the acquisition of Phonero in Norway. Cost of goods sold in local currencies and excluding acquisitions and disposals decreased by 0.7 percent.

Personnel expenses increased 0.5 percent compared to 2017, driven by acquisitions in Finland and Norway, partly offset by increased operational efficiency in Sweden, and deconsolidation of Sergel.

Marketing expenses increased 3.9 percent compared to 2017, mainly driven by activities in Finland related to the broadcasting right for the Finnish Ice Hockey League and from the acquisition of Get and TDC Norway.

Amortization, depreciation and impairment losses increased 8.6 percent to SEK 13,603 million (12,527). In local currencies, excluding acquisitions and disposals, the increase was 1.6 percent.

ADJUSTMENT ITEMS

Adjustment items affecting operating income in continuing operations totaled SEK -908 million (-1,013) and were mainly related to restructuring charges within the Swedish operations, transaction costs related to the acquisition of Get and TDC Norway, as well as accelerated depreciation of assets in Skanova. 2017 was mainly impacted by capital gains/losses related to the disposals of Sergel, MegaFon and Turkcell shares, as well as write-downs and restructuring charges. For definition of adjustment items see section Definitions.

Adjustment items SEK in millions	Jan–Dec 2018	Jan–Dec 2017[3]
Within EBITDA	**-607**	**368**
Restructuring charges, synergy implementation costs, costs related to historical legal disputes, regulatory charges and taxes etc.:		
Sweden	-181	-268
Finland	-63	-84
Norway	-205	-143
Denmark	-41	-72
Lithuania	-19	-29
Estonia	-6	-23
Other operations	-148	-229
Capital gains/losses[1]	56	1,215
Within Depreciation, amortization and impairment losses	**-266**	**-438**
Within Income from associated companies and joint ventures	**-35**	**-942**
Capital gains/losses[2]	-35	-942
Total adjustment items within operating income, continuing operations	**-908**	**-1,013**

1) 2017 includes the capital gain of the disposal of Sergel.
2) 2017 includes the capital gain from disposal of 6.2 percent holding in MegaFon and the capital losses (including cumulative exchange loss in equity reclassified to net income) from the disposals of 14.0 percent holding in Turkcell.
3) Restated for comparability, see Note C1.

Adjusted EBITDA[2] SEK in millions	**Jan–Dec 2018**	**Jan–Dec 2017[1]**	**Change (SEK million)**	**Change (%)**
Sweden	13,162	13,627	-465	-3.4
Finland	4,757	4,218	539	12.8
Norway	4,492	3,531	961	27.2
Denmark	751	704	47	6.6
Lithuania	1,350	1,207	143	11.8
Estonia	1,001	871	129	14.9
Other operations	1,137	992	144	14.5
Telia Carrier	512	491	21	4.2
Latvia	694	592	102	17.3
Other and eliminations	-70	-91	21	-23.4
Eliminations	0	0	0	0.0
Total, continuing operations	**26,649**	**25,151**	**1,498**	**6.0**

1) Restated for comparability, see Note C1.
2) See sections Alternative performance measures and Definitions.

Adjusted Operating income[2] SEK in millions	**Jan–Dec 2018**	**Jan–Dec 2017[1]**	**Change (SEK million)**	**Change (%)**
Sweden	7,765	8,576	-811	-9.5
Finland	2,108	2,073	35	1.7
Norway	2,343	2,003	341	17.0
Denmark	-116	-52	-64	124.9
Lithuania	697	644	53	8.2
Estonia	444	360	84	23.3
Other operations	904	1,176	-272	-23.1
Eliminations	0	0	0	0,0
Total, continuing operations	**14,146**	**14,781**	**-635**	**-4.3**

1) Restated for comparability, see Note C1.
2) See sections Alternative performance measures and Definitions.

EARNINGS

In continuing operations, adjusted EBITDA increased 6.0 percent to SEK 26,649 million (25,151). In local currencies, excluding acquisitions and disposals, adjusted EBITDA increased 1.0 percent with positive development in all markets except Sweden. In Sweden the decline was driven by pressure on legacy revenues and lower fiber installation revenues. In Finland the adjusted EBITDA growth was driven by cost control while the adjusted EBITDA increase in Norway mainly was a result of realization of the synergies related to the acquisition of Phonero as well as cost control.

In continuing operations, adjusted operating income decreased 4.3 percent to SEK 14,146 million (14,781), mainly due to a decline in the Swedish operations as well as lower income from associated companies, following the divestment of the MegaFon holding and the lower share of ownership in Turkcell.

FINANCIAL ITEMS, TAXES AND NET INCOME

Financial items totaled SEK -2,252 million (-4,214) of which SEK -2,122 million (-2,933) related to net interest expenses. Previous year was negatively impacted by bond buy-back transactions affecting net interest expenses by SEK 805 million and the disposal of the 19.0 percent holding in MegaFon, classified as a financial asset prior to the disposal.

Income taxes amounted to SEK -1,496 million (-1,062). The effective tax rate was 13.6 percent (11.1). The effective tax rate was mainly impacted by the revaluation of deferred tax assets/liabilities due to reduced enacted tax rates in Sweden and Norway, respectively. Comparable figures previous year were mainly impacted by a revaluation of the withholding tax provision due to the disposal of shares in Turkcell and MegaFon.

Total net income amounted to SEK 3,090 million (10,243), of which SEK 9,489 million (8,492) from continuing operations and SEK -6,399 million (1,751) from discontinued operations. Total earnings per share was SEK 0.74 (2.24).

DISCONTINUED OPERATIONS

Former segment region Eurasia is classified as discontinued operations since December 31, 2015. Consequently, information on region Eurasia is presented on an aggregated level. During 2018 Azercell, Geocell, Ucell and Kcell were divested. For additional information on discontinued operations, see Note C34 to the consolidated financial statements.

Net sales fell 40.7 percent to SEK 6,687 million (11,275) mainly due to the divestments of Azercell, Geocell and Ucell during 2018 and also the devaluation in Uzbekistan in the third quarter of 2017. These items also affected adjusted EBITDA which fell 45.1 percent to SEK 2,341 million (4,262). Net income fell to SEK -6,399 million (1,751) also affected by net capital loss from the divestments of Azercell, Geocell, Kcell and Ucell. 2017 was positively affected by the adjustment of the provision related to the settlement with the authorities regarding the Uzbekistan investigations. See Note C34 for further information.

Discontinued operations SEK in millions except margins, operational data and changes	Jan–Dec 2018	Jan–Dec 2017[1]	Chg (%)
Net sales (external)	6,687	11,275	-40.7
Adjusted EBITDA[2]	2,341	4,262	-45.1
Margin (%)[2]	35,0	37,8	
Net income	-6,399	1,751	
CAPEX[2]	861	1,787	-51.8
CAPEX excluding license and spectrum fees[2]	823	1,782	-53.8

1) Restated for comparability, see Note C1.
2) See sections Alternative performance measures and Definitions.

FINANCIAL POSITION, CAPITAL RESOURCES AND LIQUIDITY

Financial position

Goodwill increased to SEK 71.5 billion (60.9), mainly due to acquisitions of Get and TDC Norway, Inmics and AinaCom affecting SEK 8.4 billion in total, as well as foreign exchange rate effects. Other intangible assets totaled SEK 21.5 billion (15.7), positively impacted by acquired operations totalling SEK 4.8 billion and CAPEX, but negatively impacted by amortization.

Property, plant and equipment, increased to SEK 78.2 billion (60.0) mainly due to the acquisition of Get and TDC Norway affecting SEK 16.3 billion and CAPEX. The increase was partly offset by depreciation.

Investments in associated companies and joint ventures, pension obligation assets and other non-current assets totaled SEK 14.3 billion (17.7). Pension obligation assets decreased to SEK 2.3 billion (4.1) due to remeasurements of defined benefit pension plans and compensation from the pension fund, partly offset by payments made. Other non-current assets decreased to SEK 2.5 billion (4.1), mainly due to the divestment of the holding in Spotify.

Long-term interest-bearing receivables and Short-term interest bearing receivables decreased to SEK 12.8 billion (18.7) and SEK 4.5 billion (17.3), respectively, mainly due to the net effect from investments, disposals and maturities of investment bonds.

Cash and cash equivalents increased to SEK 18.8 billion (15.6). Cash flow from operating activities, as well as changes in loans receivables and short-term investments and the disposals of the holdings in Spotify, Azercell, Geocell, Kcell and Ucell had a positive impact. These effects were partly offset by the acquisitions of Get and TDC Norway, Inmics and AinaCom. Cash and cash equivalents were also negatively impacted by investments in intangible assets and property plant and equipment, repurchase of treasury shares and dividend paid.

Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale decreased to SEK 4.8 billion (18.5) and SEK 0.6 billion (8.6), respectively, due to the disposals of Azercell, Geocell, Kcell and Ucell. See Note C34 for more information.

Equity decreased to SEK 102.4 billion (106.5), negatively impacted by dividends paid and acquisitions of treasury shares, whilst total comprehensive income affected positively.

Deferred tax liabilities increased to SEK 11.4 billion (9.0), mainly due to the acquisition of Get and TDC Norway affecting SEK 3.4 billion. The increase was partly offset by the revaluation of deferred tax liabilities due to enacted tax rate changes in Sweden and Norway.

Provisions for pensions and other long-term provisions decreased to SEK 6.7 billion (8.2), mainly due to reclassification of the provision for the settlement with the US and Dutch authorities to Short-term provisions.

Short-term borrowings increased to SEK 9.6 billion (3.7) mainly due to reclassifications from Long-term borrowings, new short-term financing, partly offset by repurchase and maturities of bonds.

Trade payables and other current liabilities, current tax payables and short-term provisions increased to SEK 28.8

billion (19.7), mainly due to increased trade payables under vendor financing arrangements, a reclassification of the provision for the settlement with the US and Dutch authorities, the acquisition of Get and TDC Norway affecting SEK 1.8 billion and increased short-term liabilities related to mobile licenses.

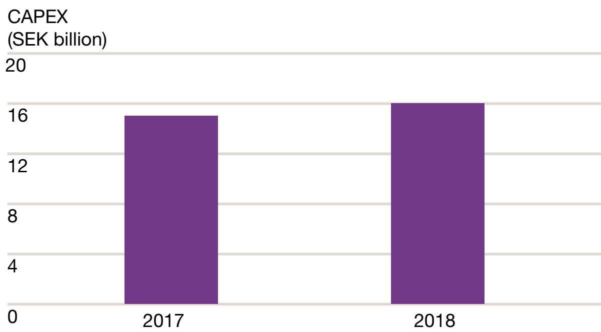
See Consolidated statements of financial position, Consolidated statements of changes in equity and related Notes to the consolidated financial statements for further details.

Condensed consolidated financial position SEK in millions	**Dec 31, 2018**	**Dec 31, 2017[1]**	**Change (SEK in millions)**	**Change (%)**
Goodwill and other intangible assets	93,018	76,652	16,366	21.4
Property plant and equipment	78,220	60,024	18,196	30.3
Investments in associated companies and joint ventures, pension obligation assets and other non-current assets	14,346	17,650	-3,304	-18.7
Deferred tax assets	2,670	3,003	-333	-11.1
Long-term interest-bearing receivables	12,768	18,674	-5,907	-31.6
Total non-current assets	**201,021**	**176,003**	**25,019**	**14.2**
Inventories	1,854	1,521	333	21.9
Trade and other receivables and current tax receivables	17,624	16,385	1,239	7.6
Short-term interest-bearing receivables	4,529	17,335	-12,806	-73.9
Cash and cash equivalents	18,765	15,616	3,148	20.2
Assets classified as held for sale	4,799	18,508	-13,709	-74.1
Total current assets	**47,570**	**69,365**	**-21,795**	**-31.4**
Total assets	**248,592**	**245,367**	**3,224**	**1.3**
Total equity	102,394	106,517	-4,123	-3.9
Long-term borrowings	86,990	87,813	-823	-0.9
Deferred tax liabilities	11,382	8,973	2,409	26.8
Provisions for pensions and other long-term provisions	6,715	8,210	-1,496	-18.2
Other long-term liabilities	2,169	1,950	218	11.2
Total non-current liabilities	**107,254**	**106,946**	**308**	**0.3**
Short-term borrowings	9,552	3,674	5,878	160.0
Trade payables and other current liabilities, current tax payables and short-term provisions	28,832	19,673	9,158	46.6
Liabilities directly associated with assets classified as held for sale	560	8,556	-7,997	-93.5
Total current liabilities	**38,943**	**31,904**	**7,040**	**22.1**
Total equity and liabilities	**248,592**	**245,367**	**3,225**	**1.3**

1) Restated for comparability, see Note C1.

CAPEX

In continuing operations, capital expenditure (CAPEX) increased to SEK 16,361 million (15,307). CAPEX, excluding licenses and spectrum fees, increased to SEK 14,984 million (14,849) as lower investments in Sweden was offset by effect from exchange rate fluctuations and CAPEX in acquired operations. Main CAPEX components were network related investments, fiber investments and investments in Helsinki Data Center in Finland. Further, telecom licenses and spectrum permits were acquired in Sweden and Finland in order to support the development of 5G networks.



Credit facilities

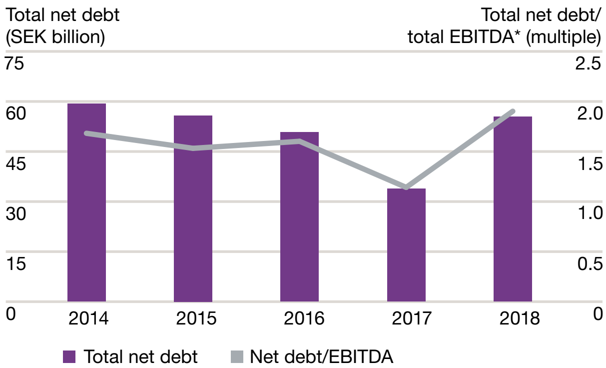
Telia Company believes its available bank credit facilities and updated open-market financing programs are sufficient for the present known liquidity requirements. In continuing operations, Telia Company's surplus liquidity (short-term investments, cash and bank, and certain securities with maturities exceeding 12 months but convertible to cash within 2 days) was in total SEK 26.5 billion at year-end. In addition, the total available unutilized amount under committed bank credit facilities as well as overdraft and short-term credit facilities at year-end was SEK 16.8 billion (41.2).

Telia Company shall target a solid investment grade long-term credit rating, defined as A- to BBB+. On October 23, 2018, Telia Company's long-term credit rating was downgraded by Standard & Poor's by one notch from A- to BBB+ with stable outlook. The short-term rating was affirmed and remains at A-2 with stable outlook. The downgrade was due to higher leverage following the acquisition of Get and TDC Norway, alongside the previously announced SEK 15 billion three-year share buy-back program. The Moody's credit rating of Telia Company remained unchanged during the fourth quarter with the long-term rating at Baa1 and P-2 as short-term rating, both with a stable outlook.

Telia Company normally arrange its financing through the parent company Telia Company AB. Most issuance are done under the company's existing EMTN (Euro Medium Term Note) program of EUR 12 billion. The primary means of external borrowing are described in Notes C20 and C26 to the consolidated financial statements. In 2018 Telia Company issued bonds in NOK at two occasions with a total amount equal to SEK 1 billion. In May, SEK 453 million of two bonds maturing in 2019 were bought back and and in June another SEK 308 million of outstanding bonds maturing in 2019 were bought back. The buy-backs were made at market terms and was not part of a public tender offer. In December, a short-term USD 400 million loan was raised as bridge financing related to the exit from region Eurasia. At year-end, the average time to maturity of Telia Company's overall debt portfolio was approximately 6.7 years (7.9).

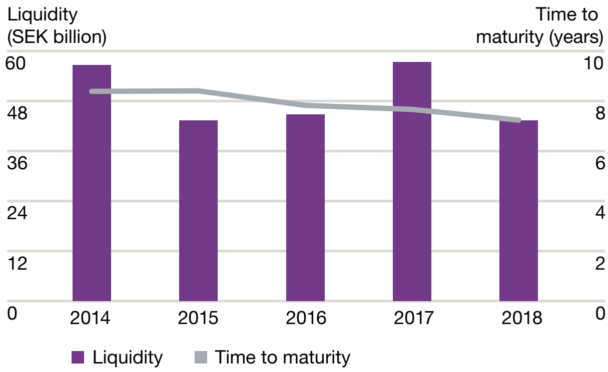
At the end of 2017 and 2018, no Commercial Papers were outstanding.

TOTAL NET DEBT AND TOTAL NET DEBT/TOTAL EBITDA[1, 2, 3, 4]



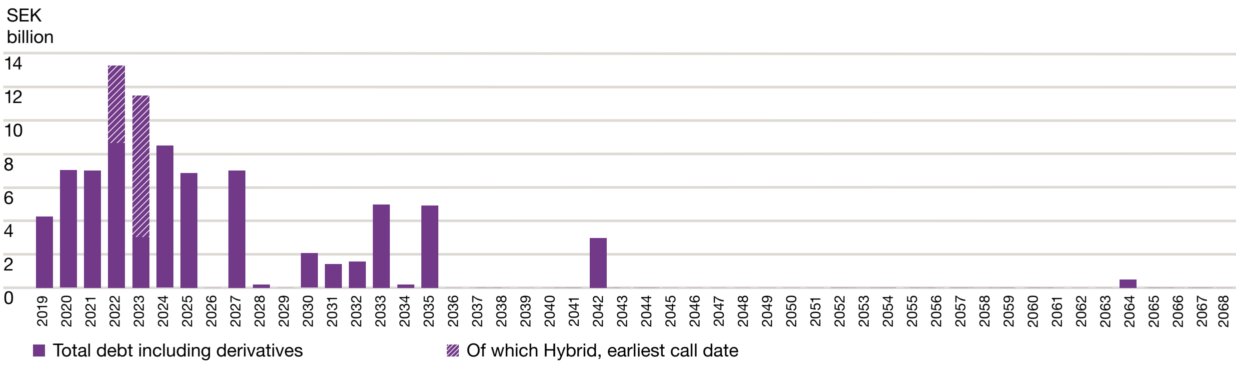
1) Excluding adjustment items.
2) Total Telia Company group including both continuing and discontinued operations.
3) 2017 restated for comparability, see Note C1.
4) 2014-2016 not restated for IFRS 15.

LIQUIDITY AND TIME TO MATURITY[1]



1) Liquidity includes cash balances, deposits, investment bonds and unutilized credit facilities.

DEBT PORTFOLIO MATURITY SCHEDULE – 2019 AND ONWARDS



Cash flow, continuing and discontinued operations
Cash flow from operating activities increased to SEK 26.7 billion (23.2) driven by improved working capital (comparable figures were impacted by the payment of the settlement regarding the Uzbekistan investigation) partly offset by lower received dividends from associated companies.

Operational free cash flow, in continuing operations, increased to SEK 10.8 billion (9.7) mainly due to positive development in adjusted EBITDA and working capital as well as received compensation from the pension fund and decreased cash CAPEX partly offset by higher paid interest and taxes.

Cash flow from investing activities, from continuing and discontinued operations amounted to SEK -14.0 billion (-9.8). Cash CAPEX decreased to SEK -14.8 billion (-16.0). Cashflow from operations and other equity instruments divested was SEK 8.7 billion (23.1), which mainly relates to the divestments of shares in Spotify and Azercell, Geocell, Ucell and Kcell. 2017 was affected by the reduced ownership in Turkcell and the disposals of MegaFon and Sergel. Cashflow from business combinations and other equity instruments acquired was SEK -25.3 billion (-4.4) and was mainly related to the acquisitions of Get and TDC Norway and Inmics and AinaCom in Finland. 2017 mainly refers to the acquisitions of Phonero and Nebula. The net cashflow from investments in bonds and matured bonds amounted to SEK 2.7 billion (-2.3) and cashflow from net changes in short-term investments was SEK 14.7 billion (-10.2). 2018 was mainly related to the acquisitions and disposals during the year while comparative figures were affected by investments of surplus liquidity from the disposals in 2017.

Cashflow from financing activities in 2018, totaling SEK -12.4 billion (-13.9), includes dividends paid to shareholders of the parent company of SEK -9.9 billion (-8.7) and to non-controlling interests of SEK -0.2 billion (-0.9). Net cashflow from new and repaid borrowings amounted to SEK 0.7 billion (outflow -2.6) where 2017 was mainly affected by the issue of hybrid capital offset by debt maturity and buy-back of outstanding bonds. Net of repurchase agreements amounted to SEK -0.7 billion (0.1) and net of other derivatives was SEK 1.7 billion (-1.9).

See Consolidated statements of cash flows and related Notes to the consolidated financial statements for further details.

ASSOCIATED COMPANIES

On March 29, 2018, Turkcell's Ordinary General Assembly was convened and a dividend of 1,900 million Turkish lira was declared. The payment of dividend was made in three equal instalments to the shareholders. First on June 18, second on September 17, and the third on December 17, 2018.

At the same Ordinary General Assembly, three individuals 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 at Telia Company. The Turkcell Board of Directors consisted of seven independent members, of which four are appointed by the Turkish Capital Markets Board (CMB) and three nominated by Turkcell Holding. For information regarding certain disputes related to shares in Turkcell Holding, see Note C29 to the consolidated financial statements.

For more information on acquired and disposed associated companies 2017, see Note C14.

Cash flow SEK in millions	Jan–Dec 2018	Jan–Dec 2017[1]	Change (SEK million)	Change (%)
Cash flow from operating activities	**26,696**	**23,204**	**3,492**	**15.0**
Cash CAPEX	-14,794	-16,040	1,246	-7.8
Free cash flow	**11,902**	**7,164**	**4,738**	**66.1**
of which operational free cash flow, continuing operations	*10,816*	*9,687*	*1,130*	*11.7*
Cash flow from other investing activities	753	6,290	-5,537	-88.0
Cash flow from investing activities	**-14,041**	**-9,750**	**-4,291**	**44.0**
Cash flow from financing activities	**-12,446**	**-13,905**	**1,459**	**-10.5**
Cash and cash equivalents, opening balance	**20,984**	**22,907**	**-1,923**	**-8.4**
Cash flow for the period	**209**	**-451**	**660**	
of which continuing operations	*-1,368*	*6,484*	*-7,852*	
Exchange rate differences	1,398	-1,472	2,870	
Cash and cash equivalents, closing balance	**22,591**	**20,984**	**1,607**	**7.7**
of which continuing operations	*18,765*	*15,616*	*3,148*	*20.2*

1) Restated for comparability, see Note C1.

SIGNIFICANT EVENTS IN 2018

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 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 9, 2018, Telia Company announced that Hélène Barnekow, Head of Telia Sweden resigned and left her position.

On April 10, 2018, Telia Company held its Annual General Meeting and announced that the ordinary members of the Board Susanna Campbell, Marie Ehrling, Olli-Pekka Kallasvuo, Nina Linander, Anna Settman and Olaf Swantee were re-elected members of the Board. Jimmy Maymann and Martin Tivéus were elected as new members of the Board. Marie Ehrling was elected Chair of the Board and Olli-Pekka Kallasvuo was elected Vice-Chair of the Board.

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. The reason is to return excess cash to shareholders and is a continued effort to optimize the capital structure of the company.

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 C31.

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 replaced 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.

On July 4, 2018, Telia Company announced that Dan Strömberg, currently CEO of Telia in Estonia, had been appointed CEO of Telia in Lithuania and will replace Kestutis Sliuzas who will leave the company. Robert Pajos has been appointed interim CEO of Telia in Estonia.

On July 12, 2018, Telia Company announced that Telia Company's President and CEO Johan Dennelind and the Prime Minister of Latvia, Maris Kucinskis, had signed a memorandum of understanding on improving their cooperation as shareholders in LMT and Lattelecom.

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.

On October 1, 2018, Telia Company announced that Telia in Finland had invested in 5G licenses and had secured 130 MHz frequencies in the 3.5 GHz band. The licenses granted for the 3.5 GHz band are valid for 15 years starting from January 1, 2019, and the price for the new frequency block is EUR 30.3 million including the administrative fees for the auction. The payment to Ficora will be made in five parts during five years.

On December 10, 2018, Telia Company announced that it had invested in frequencies in the 700 MHz band in Sweden for approximately SEK 1.4 billion including SEK 0.3 billion referring to coverage obligation.

On December 12, 2018, Telia Company announced that it had signed an agreement to acquire Turkcell's share in Fintur in a separate transaction to become the sole shareholder of the company, which enables Telia Company to repatriate cash from Fintur.

For information on acquired and disposed subsidiaries and associated companies, see section Acquisitions and Disposals.

ACQUISITIONS AND DISPOSALS

Telia Company's acquisitions and disposals of subsidiaries and associated companies during 2018 are summarized in the table below. For further information on acquisitions and disposals, see Notes C4, C14, C33 and C34.

Closing date	Country	Comments
January 2, 2018	Sweden	• Telia Company acquired all shares in Axelerate Solutions AB.
January 31, 2018	Finland	• Telia Company acquired all shares in Inmics Oy.
March 5, 2018	Azerbaijan	• Fintur Holdings B.V. (Fintur), jointly owned by Telia Company (58.55 percent) and Turkcell (41.45 percent) disposed its 51.3 percent holding in Azertel Telekommünikasyon Yatirim Dis Ticaret A.S. (Azertel).
March 9, 2018	Finland	• Telia Company acquired all shares in Cloud Solutions CS Oy.
March 20, 2018	Georgia	• Fintur Holdings B.V. (Fintur), jointly owned by Telia Company (58.55 percent) and Turkcell (41.45 percent), Turkish subsidiary Gürtel Telekomünikasyon Yatirim ve Dis Ticaret A.S. (Gürtel) disposed its 100 percent holding in Geocell LLC (Geocell).
May 2, 2018	Sweden	• Telia Company acquired all shares in Atrox Development AB.
June 1, 2018	Finland	• Telia Company acquired the majority of the shares in Assembly Organizing Oy.
July 10, 2018	Sweden	• Telia Company acquired all shares in Romelebygdens Kabel-TV AB.
October 15, 2018	Norway	• Telia Company acquired all shares in Get and TDC Norway.
November 5, 2018	Kazakhstan	• Telia Company completed the transfer of its holding in the associated company TOO Rodnik in Kazakhstan, which Telia Company consolidated to 50 percent.
December 3, 2018	Finland	• Telia Company acquired all shares in AinaCom Oy.
December 5, 2018	Uzbekistan	• Telia Company disposed its interest in Ucell in Uzbekistan.
December 21, 2018	Kazakhstan	• Telia Company, together with Fintur Holdings B.V. (Fintur), jointly owned by Telia Company and Turkcell, disposed their 75 percent holding in Kcell in Kazakhstan.

OUTLOOK FOR 2019

Free cash flow from continuing operations, excluding licenses and spectrum fees and dividends from associated companies, is expected to grow to between SEK 12.0 and 12.5 billion from the 2018 level (SEK 10.8 billion).

From 2019 the definition of operational free cash flow will be changed and include payments of lease liabilities, implying that the new accounting standard for leases, IFRS 16, will not have any material impact on this cash flow measure.

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.

CREDIT RATING TARGET

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

TELIA COMPANY SHARE

The Telia Company share is listed on Nasdaq Stockholm and Helsinki. In 2018 the share price in Stockholm rose 14.9 percent and closed at year-end 2018, at SEK 41.98 (36.55). During the same period, the OMX Stockholm 30 Index decreased 10.8 percent and the STOXX 600 Telecommunications Index decreased 13.4 percent.

At year-end 2018, Telia Company's market capitalization was SEK 181.8 billion. Besides Nasdaq Stockholm and Helsinki, the share was traded at other platforms with the major trading volumes on Chi-X and BATS.

Holdings outside Sweden and Finland increased slightly from 29 percent to 30 percent. Telia Company had 483,356 shareholders at year-end, of which one shareholder held more than 10 percent of the shares: the Swedish State with 37.3 percent. No other shareholder held more than 5 percent of the shares and votes.

As of December 31, 2018, Telia Company's issued share capital totaled SEK 13,856,271,299.20 distributed among 4,330,084,781 shares with a quotient value of SEK 3.20 per share. For further information, see sections "Share capital" and "Treasury shares" in Note C19 to the consolidated financial statements. All issued shares have been paid in full and apart from treasury shares carry equal rights to vote and participate in the assets of the company. At the general meeting of shareholders, each shareholder is entitled to vote for the total number of shares she or he owns or represents. Each share is entitled to one vote. As of December 31, 2018, Telia Company's Finnish pension fund held 366,802 shares and its Finnish personnel fund 668,249 shares in the company, respectively, in total representing 0.03 percent of the outstanding shares.

There are no provisions in either the Swedish legislation or in Telia Company AB's Articles of Association that would limit the possibility to transfer Telia Company shares. Telia Company is not aware of any agreements between major shareholders of the company regarding the Telia Company shares.

The Board of Directors does not currently have any authorization by the general meeting of shareholders to issue new shares but has the authorization to repurchase a maximum of 10 percent of the company's total number of outstanding shares before the Annual General Meeting 2019. In order to continue to provide the Board of Directors with an instrument to adapt and improve Telia Company's capital structure, the Board of Directors proposes that the Annual General Meeting on April 10, 2019, resolves to authorize the Board of Directors to acquire the company's own shares. The authorization may be exercised on one or more occasions before the Annual General Meeting 2020. The maximum number of treasury shares held by the company may not exceed 10 percent of all shares in the company.

In case of a change of control in Telia Company, the company might have to repay certain loans at short notice, since some of Telia Company's financing agreements contain customary change-of-control clauses. These clauses generally also contain other conditions including, for example, that the change of control has to cause a negative change in Telia Company's credit rating in order to be effective.

For 2018, the Board of Directors proposes to the Annual General Meeting (AGM) an ordinary dividend of SEK 2.36 (2.30), totaling SEK 10.0 billion (9.9), or 85 percent of free cash flow attributable to continuing operations, excluding licenses. The dividend should be split and distributed into two equal tranches of SEK 1.18, one in April 2019 and one in October 2019. The proposed dividend is based on the total number of shares as of December 31, 2018, which amounted to 4,330,084,781, reduced by the 99,277,963 shares that the company held as treasury shares not entitled to dividend. As the Company continuously is repur-

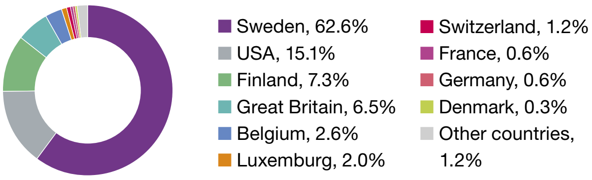
MAJOR SHAREHOLDERS, DECEMBER 31, 2018

Shareholder	Total number of shares	Percent of total number of shares	Percent of outstanding shares
Swedish State	1,614,513,748	37.3	38.2
BlackRock	135,225,311	3.1	3.2
Telia Company[1]	99,277,963	2.3	–
Swedbank Robur Funds	92,109,476	2.1	2.2
AMF Insurance & Funds	81,513,356	1.9	1.9
Vanguard	74,956,957	1.7	1.8
SEB Funds	51,990,587	1.2	1.2
XACT Funds	49,786,522	1.1	1.2
Mondrian Investment	41,112,340	0.9	1.0
Life insurance Skandia	36,795,254	0.8	0.9
Other shareholders	2,052,803,267	47.4	48.5
Total number of shares	**4,330,084,781**	**100.0**	**100.0**

1) As of December 31, 2018, Telia Company held 99,277,963 treasury shares (of which 2,030,000 not yet registered as of Dec 31, 2018) all acquired during 2018, representing 2.3 percent of the share capital. The total price for the repurchased shares during the twelve-month period was SEK 4,126 million and transactions cost was SEK 2 million. For further information see section significant events in 2018.

chasing its own shares, the number of treasury shares will be marginally higher, and the total amount for the dividend will be marginally lower, at the AGM. See also section Proposed appropriation of earnings.

SHAREHOLDINGS BY COUNTRY, DECEMBER 31, 2018 (% OF TOTAL NUMBER OF SHARES)



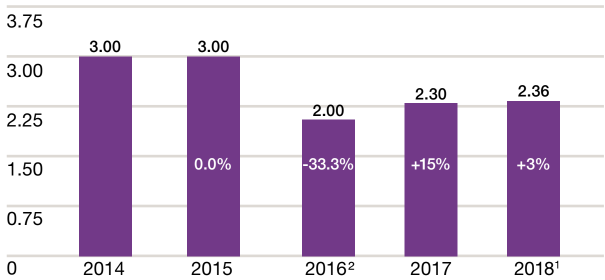
Quarterly updated shareholder information is available at: www.teliacompany.com/Shareholdings
(Information on the Telia Company website does not form part of this Report)

Share data	2018	2017
Paid year-end (SEK)	41.98	36.55
Highest paid during the year (SEK)	43.95	40.07
Lowest paid during the year (SEK)	36.66	34.70
Total number of shares at year-end (millions)	4,330.1	4,330.1
Number of shareholders at year-end	483,356	496,434
Earnings per share, total (SEK)	0.74	2.24
Earnings per share, continuing operations (SEK)	2.17	1.92
Dividend per share (SEK)[1]	2.36	2.30
Pay-out ratio (%)[2]	85	81
Equity per share (SEK)	23.01	23.38

1) For 2018 as proposed by the Board of Directors.
2) Based on free cash flow, excluding licenses.
Sources: Euroclear Sweden and Modular Finance.

ORDINARY DIVIDEND PER SHARE AND CHANGE YEAR-ON-YEAR (%)

Dividend per share (SEK)



1) For 2018 as proposed by the Board of Directors.
2) The dividend 2016 was reduced to reflect the return from continuing operations.

CUSTOMER INSIGHT

Brand love and trust are fundamental for business growth and delivering on our purpose of "Bringing the world closer." Our ambition is to have the most loyal and satisfied customers on our markets. To ensure customer value today and tomorrow our work with customer insight and foresight is critical.

Foresight – consumer trends

Technology, society and businesses are under transformation. Read more about the role of customer insight in Our company, sections Trends and Strategy.

Customers' expectations and behaviors are evolving rapidly, impacting the direction of what, how and why they consume. Customers are taking connectivity for given and see it as an essential enabler of their daily lives. Flawless network experience is expected and crucial to deliver upon. Solutions that enable and optimize the daily life, personalized experiences, innovation and ease are key experiential elements that have evolved and that our brand image and customer satisfaction rely upon. By combining macro- and consumer trends we see habits we need to meet to ensure customer value tomorrow. Three examples are:

- Convergence between the digital and physical world – better experiences when tech and reality are blurring
- Micro-managed experiences wherever we are – endless possibilities to optimize all parts of life, personalized products and services will be the expected customer experience
- Feeling exposed to tech and analytics – increased demand for transparency and control over your own data

Insight – customer understanding

To ensure customer value creation, we focus on bridging the "experience gap" by integrating customer insights. A metrics framework to monitor customer value allows us act on customer feedback and make customer-driven investments, thereby ensuring that we are delivering on customer needs over time and across markets and products.

A "brand scorecard" tool allows us to monitor our market position and measure how we deliver on our brand strategy. The results over the year showed that we are moving in the right direction towards establishing Telia as a trusted and loved brand.

We use Net Promoter Score (NPS) to measure and quantify customer loyalty and monitor the actual customer experience. The 2018 NPS results showed a positive trend in all markets. To further increase our focus on insight driven change we improved how we measure strategic-level customer experience. We validated and redesigned the content to cover key elements of the end-to-end experience to better match customers' changing needs. By identifying similarities and differences between markets and business units we can better understand major potential for driving synergies. We will continue to invest in and further develop this area to further enhance customer centricity.

INNOVATION, RESEARCH AND DEVELOPMENT

In Telia Company, all employees regardless of position have a role in driving innovation. We want innovation to cut across businesses and operations, from development of new products and services to process improvements and tweaks to our ways of working.

Division X is the emerging business unit tasked with spearheading and accelerating activities in emerging business areas such as Internet of Things (IoT) and Data Insights. Purple+, a part of Division X, drives innovation together with and across the entire group. Together they serve as catalysts that support and facilitate innovation efforts in operating units across the group, as explorers taking ideas to new business as well as incubators when there is a need to establish entirely new teams or business units.

Exploration, emerging bets and commercialization

The way Division X and Purple+ operate and drive business can be divided into three categories: Exploration, Emerging bets and Commercialization. All innovation efforts are prioritized in tight collaboration with operating units, outlining which innovation capabilities should be addressed to maximize impact. The strategy is straightforward: apply an insight-driven approach to customers and stakeholders' spoken or unspoken unmet needs and work from there.

Exploration – long term

Exploration is about identifying and exploring experiences supported by products and services, ecosystems and business models that will generate new business. For initiatives with strong business hypotheses we develop minimum viable products with just enough features to satisfy early customers and to be able to verify the hypotheses. Examples of initiatives currently in the exploration phase are connected to urban and home experience, trust and privacy, and data insights.

Emerging bets – medium term

These are more mature exploratory initiatives where development has been handed over to currently existing or newly created business units or teams. Examples of initiatives currently in the emerging bets phase are Telia Zone, and digital health solutions.

Commercialization – now

In the commercialization stage are initiatives which are ready for or have already been adopted for broad market and customer uptake. These include various IoT connectivity services.

Patents and R&D expenses

As of December 31, 2018, Telia Company had 333 patent "families" and 1,703 patents and patent applications, with no significant changes compared to the previous year. In continuing operations, Telia Company incurred R&D expenses of SEK 164 million in 2018 (286).

CATCHING THE NEXT WAVE DEPENDS ON MANAGING EMERGING BUSINESSES DIFFERENTLY

Incoming pipeline of internal and external ideas

	EXPLORATION Long-term horizon	EMERGING BETS Medium-term horizon	COMMERCIALIZATION Now
WHAT	• Create viable new business options	• Immature business in fast growing markets	• Mature business
HOW	• Research, test, explore business models, capabilities • Needs visionaries and champions • Most will not succeed • A few become viable bets	• Invest to grow • Detailed business plans for new ventures • Freedom to act and build • Significant profit 4–5 years away • Should complement or replace core business in a few years	• Protect and defend • Optimize to increase profitability • Line and market extension • Execution discipline • Annual planning and forecasting • Detailed planning to grow through adjacencies
KPI	• Project milestones • Conversion rate to emerging bets • Number of initiatives	• Customer acquisitions • Revenue growth • Market share gain	• Profitability • Return on capital employed • Productivity and efficiency

PEOPLE

Our cultural journey

We are in the midst of our cultural transformation journey to become a purpose driven and value-oriented company. The foundation to succeed in this transformation is common values, processes, systems and a cross-border support organization. During the year, we saw clear proof-points that we are on the right track in our cultural journey:

- 78 percent of our employees believe in our journey
- 74 percent have a strong confidence that we are providing a great foundation for driving change
- 79 percent have an openness to new ideas and drive for turning ideas into action

"Home to your next big opportunity" is our promise to employees and potential employees. We know that our employees want the responsibility to pursue their own path towards their next big opportunity; to be part of a workplace where they feel a strong sense of belonging, and access to great people, tools and technology that will create opportunities for impact in the societies in which we operate.

Supporting in creating employee engagement is the Younite employee volunteering platform. Read more in Note S19 to the Sustainability Notes.

YouFirst

YouFirst is our group-common approach to employee performance and development. It is a key component in ensuring that "What" and "How" are equally recognized and rewarded, that expectations and priorities are connected to the strategy, setting challenging goals and creating personal accountability for results. YouFirst is integrated in daily work through continuous leader-employee conversations which include coaching and feedback.

In 2018 the YouFirst approach included all full-time employees in all core markets and in Telia Carrier.

A sustainable workforce

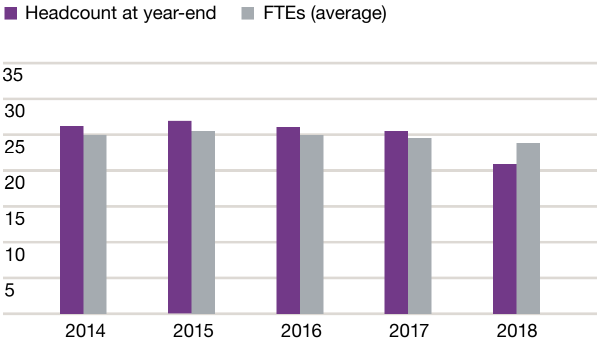
To be successful we focus on attracting and retaining the right workforce today and in the future. During 2018, we intensified the work to create a sustainable and future-proof workforce. We conducted strategic workforce planning in all core markets, based on our analysis of talent market trends, to ensure that we have the competence and capabilities we will need in place. The work led to employer branding and recruitment initiatives towards specific target groups holding key critical competencies, such as advanced analytics and AI/robotics.

We also strengthened our diversity work to further broaden our competence base. Read more in Note S15 to the Sustainability Notes.

Learning and development platform

By supporting our employees to develop into self-leaders, we further enable the cultural change. During the year, we made a large effort to further establish our learning and development platform with fit for purpose programs aiming to strengthen self-leadership and leadership skills, as well as develop high-performing teams. Since launch 2017, more than 7,000 employees have participated in our "purpose and values" workshops. Managers are offered further in-depth training through leadership action camps.

EMPLOYEES, TOTAL (THOUSANDS)

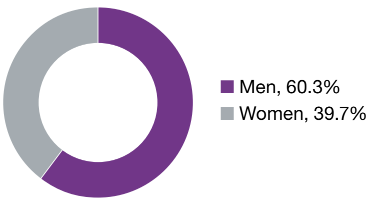


During 2018, the number of employees in continuing operations increased to 20,439 at year-end, from 20,276 at year-end 2017. The number of employees in discontinued operations decreased to 397 at year-end, from 4,745 at year-end 2017.

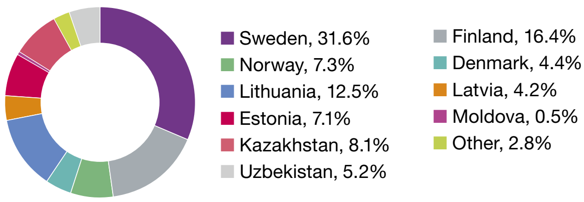
The total average number of full-time employees (FTE) in 2018 was 23,814 (24,468), of which in continuing operations 20,137 (19,632). In total, operations were during 2018 conducted in 27 countries (28), of which continuing operations in 21 countries (21).

EMPLOYEES, TOTAL (FTES, %)

BY GENDER



BY COUNTRY



Group Executive Management consisted of 18 percent (34) women at year-end. The extended leadership team, which consists of Group Executive Management members and other senior executives (approximately 130 persons) consisted of 34 percent (35) women.

For more information on workforce, labor practices and diversity, see Note C31 to the Consolidated financial statements and Notes S12 and S15 to the Sustainability Notes.

INFORMATION SECURITY

Telia Company regards customer and stakeholder trust as critical. Information security (IS) is a foundation of trust and in ensuring that we maintain customer privacy. Read more about our customer privacy work in Sustainability, section Customer privacy.

IS requirements are laid out in the group policy – Security. The requirements aim to control, facilitate and implement well balanced information security measures throughout the organization.

Telia Company has established and implemented an Information Security Management System (ISMS) which is certified according to ISO 27001. It covers the Group Information Security Governance and Enterprise Information Security Risk Management processes and their supporting systems, specifying requirements on IS and related risk management across all group functions and local organizations.

IS governance is coordinated by the group security function. IS awareness training is mandatory for all employees to participate in on an annual basis. The awareness program consists of an e-learning course as well as facilitated lectures to key functions and third parties. All work related to IS is performed in accordance with Telia Company's operational model and is fully aligned with the company's reporting structure. Internal and external audits are periodically performed to make sure that we have a proper security organization and measures in place and to work with continuous improvements.

To ensure full coverage of cyber security, a Global Security Operations Centre (GSOC) monitors and acts upon cyber security incidents at all times and with a group-wide reach. The GSOC is a member of the Forum of Incident Response and Security Teams (FIRST) and is a Trusted Introducer (TF-CSIRT).

REMUNERATION TO EXECUTIVE MANAGEMENT

Proposed remuneration principles for Group Executive Management 2019

The Board of Directors proposes that the Annual General Meeting on April 10, 2019, resolves on the following principles for remuneration to Group Executive Management. Group Executive Management is defined as the President and the other members of the Management Team.

Objective of the principles

The objective of the principles is to ensure that the company can attract and retain the best people in order to support the purpose and strategy of the company. Remuneration to Group Executive Management should be built on a total reward approach and be market relevant, but not leading. The remuneration principles should enable international hiring and should support diversity within Group Executive Management. The market comparison should be made against a set of peer group companies with comparable sizes, industries and complexity. The total reward approach should consist of fixed salary, pension benefits, conditions for notice and severance pay and other benefits.

Fixed salary

The fixed salary of a Group Executive Management member should be based on competence, responsibility and performance. The company uses an international evaluation system in order to evaluate the scope and responsibility of the position. Market benchmark is conducted on a regular basis. The individual performance is monitored and used as a basis for annual reviews of fixed salaries.

Pension

Pension and retirement benefits should be based on a defined contribution model, which means that a premium is paid amounting to a certain percentage of the individual's annual salary. When deciding the size of the premium, the level of total remuneration should be considered. The level of contribution should be benchmarked and may vary due to the composition of fixed salary and pension. The retirement age is normally 65 years of age.

Other benefits

The company provides other benefits in accordance with market practice. A Group Executive Management member may be entitled to a company car, health and care provisions, etc. Internationally hired Group Executive Management members and those who are asked to move to another country can be offered mobility related benefits for a limited period of time.

Notice of termination and severance pay

The termination period for a Group Executive Management member may be up to six (6) months (twelve (12) months for the President) when given by the employee and up to twelve (12) months when given by the Company. In case the termination is given by the Company the individual may be entitled to a severance payment. Remuneration during termination period and severance payment shall not exceed a maximum of twentyfour (24) months in total remuneration.

Severance pay shall not constitute a basis for calculation of vacation pay or pension benefits.

Remuneration during termination period and severance pay will also be reduced if the individual will be entitled to pay from a new employment or if the individual will be conducting own business during the termination period or the severance period.

The Board of Directors may deviate from the above principles if there in individual cases are special reasons for this. The 2018 remuneration policy is reproduced in Note C31 to the Consolidated financial statements.

Long-term incentive program 2018/2021

The Annual General Meeting held on April 10, 2018, resolved to launch a long-term incentive program (LTI) comprising of approximately 200 key employees. This program is not available for the members of Group Executive Management. The purpose of the program is to strengthen the company's ability to recruit and retain talented key employees, create a long-term confidence in and commitment to the group's long-term development, align key employees' interests with those of the shareholders, increase the part of the remuneration that is linked to the company's performance and encourage shareholding. The program rewards performance measured over a three-year period, is capped to a maximum value of 60 percent of the annual base salary and is equity based (delivered in Telia Company shares). A prerequisite for pay-out from the LTI program is the continuous employment during the length of the program.

Financial targets are earnings before interest, tax, depreciation and amortization (EBITDA) and total shareholder return (TSR). The final allotment of Telia Company shares will be based 50 percent on accumulated EBITDA and 50 percent on TSR compared to a corresponding TSR development of a pre-defined peer group of companies.

The maximum number of Performance Shares a participant can receive is based on 30 percent of the participant's annual salary and related to the share price. Accumulated EBITDA represents 50 percent of the Performance Shares (or 15 percent of the participant's annual salary):

- If 100 percent (or above) of the EBITDA target is met, 100 percent of Performance Shares under the EBITDA part will vest.
- If between 97.5 and 100 percent of the target is met, a proportionate amount of Performance Shares under the EBITDA part will vest.
- If 97.5 percent (or less) of the target is met, 0 percent of Performance Shares under the EBITDA part will vest.
- TSR part represents 50 percent of the Performance Shares (or 15 percent of the participant's annual salary).
- If the Company's TSR is ranked first or second compared to the defined peer group of companies, 100 percent of the Performance Shares under the TSR part will vest.
- If the Company's TSR is ranked third of fourth, 75 percent of the Performance Shares under the TSR part will vest.
- If the Company's TSR is ranked fifth or sixth, 50 percent of the Performance Shares under the TSR part will vest.
- If the Company's TSR is ranked seventh or lower, no Performance Shares under the TSR part will vest.

The program may be repeated annually. Similar programs were launched in 2010-2017. The prevalence of an LTI program is subject to the approval of the Annual General Meeting. For more information on Telia Company's LTI programs, see Note C31 to the Consolidated financial statements.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

In its normal course of business, Telia Company is involved in a number of legal proceedings. These proceedings primarily involve claims arising out of commercial law issues and matters relating to telecommunications regulations and competition law. For further information regarding legal and administrative proceedings see Note C29.

PARENT COMPANY

The parent company Telia Company AB (Corporate Reg. No. 556103-4249), which is domiciled in Stockholm, comprises group executive management functions including the group's internal banking operations. The parent company has no foreign branches.

Net sales were SEK 417 million (413), of which SEK 413 million (406) was billed to subsidiaries. Income before taxes increased to SEK 23,220 million (14,689) mainly driven by increased dividends from subsidiaries. Net income was SEK 22,657 million (14,153). Financial investments increased to SEK 20,128 million (4,110) and were mainly impacted by the acquisitions of Get AS and Inmics Oy.

Cash and cash equivalents totaled SEK 12,222 million (14,418) at year-end. Shareholders' equity was SEK 95,189 million (86,400), of which non-restricted equity SEK 79,477 million (70,687). The equity/assets ratio was 40.5 percent (36.9). The average number of full-time employees was 329 (262).

SIGNIFICANT EVENTS AFTER YEAR-END 2018

On February 12, 2019, Telia Company issued a bond of EUR 500 million in a 15-year deal maturing in February 2034 under its existing EUR 12 billion EMTN (Euro Medium Term Note) program. The Re-offer yield was set at 2.153 percent per annum equivalent to Mid-swaps +113 basis points.

On February 15, 2019, Stockholm District Court gave its verdict in the Uzbekistan bribery case, and the former Telia employees were acquitted from all charges and the forfeiture claim against Telia Company was dismissed. Telia Company's involvement in this court case has been about which country the disgorgements from the Uzbek business will be paid to – the Netherlands, Sweden or the US. The verdict means that USD 208.5 million will be paid to the Netherlands or the US. The amount to be paid will not have any additional net income effect for Telia Company since it was included in the global settlement that Telia Company reached in 2017 to pay fines and disgorgements in an aggregate amount of USD 965 million to the concerned authorities regarding historical transactions in Uzbekistan. The prosecutor has appealed the verdict. For more information see Note C34.

PROPOSED APPROPRIATION OF EARNINGS

The dividend should be split and distributed into two equal tranches, one in April 2019 and one in October 2019.

The Board of Directors has, according to Chapter 18 Section 4 of the Swedish Companies Act, assessed whether the proposed dividend is justified. The Board of Directors assesses that:

The parent company's restricted equity and the group's total equity attributable to the shareholders of the parent company, after the distribution of profits in accordance with the proposal, will be sufficient in relation to the scope of the parent company's and the group's business.

The proposed dividend does not jeopardize the parent company's or the group's ability to make the investments that are considered necessary. The proposal is consistent with the established cash flow forecast under which the parent company and the group are expected to manage unexpected events and temporary variations in cash flows to a reasonable extent.

The full statement by the Board of Directors on the same will be included in the AGM documents.

Proposed Appropriation of earnings

	SEK
Non-restricted equity excluding net income	56,820,604,123
Net income	22,657,116,171
Total	**79,477,720,294**

The Board proposes that this sum be appropriated as follows:

	SEK
SEK 2.36 per share ordinary dividend to the shareholders[1]	9,984,704,090
To be carried forward	69,493,016,204
Total	**79,477,720,294**

1) Based on outstanding shares as per December 31, 2018.

AGM related documents are available at:
www.teliacompany.com/AGM
(Information on the Telia Company website does not form part of this Report)

COUNTRY DEVELOPMENT IN 2018

SWEDEN – PRESSURE ON LEGACY REVENUES CONTINUED

Telia continued to execute on the customer centric strategy and received for the fourth consecutive year the award for best digital TV service according to the Swedish quality index (SKI). Telia also had the most satisfied B2B customers as well as B2C customers via the sub-brand Halebop. Furthermore, as part of the strategy to have the best network and in the future also be in the forefront when it comes to nationwide 5G, Telia acquired 2x10 MHz in the 700 MHz band. The fiber roll-out pace continued to come down also in 2018, and as a result fiber installation revenues fell by 14 percent to SEK 622 million.

In the B2C segment mobile revenues developed positively and grew 3.7 percent from both postpaid subscription base expansion and ARPU growth. The growth in mobile revenues was however not enough to compensate for a continued pressure on fixed telephony and fiber installation revenues. The B2B segment remained challenging due to continued price pressure within mainly the large enterprise part of the segment. In total, revenues in the enterprise segment decreased by 2.8 percent compared to last year.

Net sales decreased 0.4 percent to SEK 36,677 million (36,825) and the impact from acquisitions and disposals was positive by 0.1 percent. Net sales, excluding acquisitions and disposals, decreased 0.5 percent as growth in equipment sales was not enough to compensate for lower service revenues. Service revenues, excluding acquisitions and disposals, decreased 1.7 percent as mobile service revenue growth of 1.3 percent was not enough to compensate mainly for a 3.8 percent drop in fixed service revenues driven mostly by lower revenues from fixed telephony, business solutions and fiber installations.

Adjusted EBITDA, decreased 3.4 percent to SEK 13,162 million (13,627) and adjusted EBITDA, excluding acquisitions and disposals, decreased 3.5 percent. The main reason for the decline was a rather flat cost base twinned with a continued pressure on legacy and fiber installation revenues. The adjusted EBITDA margin decreased to 35.9 percent (37.0).

CAPEX, excluding license and spectrum fees, decreased to SEK 5,510 million (6,264), mainly driven by less fiber and mobile access network related CAPEX. The main CAPEX components were primarily related to fiber roll-out, mobile network capacity and overall efficiency improvements.

During the year, the number of TV subscriptions increased by 68,000 driven rather evenly by IPTV and OTT TV customers. Mobile subscriptions declined by 23,000 as a net addition of 75,000 postpaid subscriptions was more than offset by loss of prepaid subscriptions. Fixed broadband subscriptions increased by 1,000 due to the acquisitions of a few smaller city networks.

SEK in millions, except margins, operational data and changes	Jan–Dec 2018	Jan–Dec 2017[1]	Chg (%)
Net sales	36,677	36,825	-0.4
Change (%) local organic	*-0.5*		
of which service revenues (external)[2]	*30,833*	*31,317*	*-1.5*
change (%) local organic	*-1.7*		
Adjusted EBITDA[2]	13,162	13,627	-3.4
Margin (%)[2]	35.9	37.0	
change (%) local organic	*-3.5*		
Adjusted operating income[2]	7,765	8,576	-9.5
CAPEX excluding license and spectrum fees	5,510	6,264	-12.0
Subscriptions, (thousands)			
Mobile	6,095	6,118	-0.4
of which machine to machine (postpaid)	*1,020*	*944*	*8.0*
Fixed telephony	1,102	1,381	-20.2
Broadband	1,287	1,286	0.1
TV	865	797	8.6
Employees	6,100	6,619	-7.8

1) Restated for comparability, see Note C1.
2) See sections Alternative performance measures and Definitions.

FINLAND – FURTHER STRENGTHENING THE B2B PROPOSITION

Telia continued to significantly strengthen the B2B convergence proposition from acquiring the ICT companies Cloud Solutions, Inmics and Ainacom. Furthermore, the Telia Helsinki Data Center came on stream, adding one more dimension to the proposition towards Finnish B2B customers. In the B2C segment Telia successfully started to broadcast the Finnish ice hockey league "Liiga" and in connection to that Telia also launched several propositions which helped to boost TV subscriptions by 45,000 during the year.

Net sales in reported currency increased 12.9 percent to SEK 15,512 million (13,742) driven by acquisitions and a favorable exchange rate development. Net sales in local currency, excluding acquisitions and disposals, decreased 0.1 percent as a slight growth in equipment sales was offset by somewhat lower service revenues. Service revenues fell 0.2 percent in local currency, excluding acquisitions and disposals, as a 1.4 percent growth in mobile service revenues was offset mainly by lower fixed broadband revenues in the B2C segment.

Adjusted EBITDA in local currency, excluding acquisitions and disposals, increased 3.0 percent following good cost control, mainly related to resource costs. The adjusted EBITDA margin remained unchanged at 30.7 percent (30.7).

CAPEX, excluding license and spectrum fees, increased to SEK 3,305 million (3,066) and consisted mostly of investments in the mobile networks and SEK 1.2 billion associated with the Telia Helsinki Data Center. In 2017 CAPEX was SEK 1.1 billion associated with the acquisition of broadcasting rights for the Finnish ice hockey league "Liiga".

During the year, the number of TV subscriptions increased by 45,000 whereas mobile subscriptions remained unchanged and fixed broadband subscriptions decreased by 7,000.

SEK in millions, except margins, operational data and changes	Jan–Dec 2018	Jan–Dec 2017[1]	Chg (%)
Net sales	15,512	13,742	12.9
Change (%) local organic	*-0.1*		
of which service revenues (external)[2]	*12,914*	*11,748*	*9.9*
change (%) local organic	*-0.2*		
Adjusted EBITDA[2]	4,757	4,218	12.8
Margin (%)[2]	30.7	30.7	
change (%) local organic	*3.0*		
Adjusted operating income[2]	2,108	2,073	1.7
CAPEX excluding license and spectrum fees[2]	3,305	3,066	7.8
Subscriptions, (thousands)			
Mobile	3,278	3,278	0.0
of which machine to machine (postpaid)	*268*	*243*	*10.7*
Fixed telephony	38	50	-24.0
Broadband	457	464	-1.5
TV	553	508	8.8
Employees	3,238	3,107	4.2

1) Restated for comparability, see Note C1.
2) See sections Alternative performance measures and Definitions.

NORWAY - BECOMING A CONVERGENT OPERATOR

Telia acquired Get and TDC Norway which was consolidated from mid-October, creating a convergent operator and significantly strengthening Telia's presence mainly in the B2C segment. The impact on net sales and adjusted EBITDA from the acquisition amounted to SEK 884 million and SEK 405 million, respectively.

Net sales in reported currency increased 18.0 percent to SEK 11,898 million (10,087) driven by the acquisition of Get and TDC Norway in 2018 and Phonero in 2017, increased sales of equipment and a favorable exchange rate development. Net sales in local currency, excluding acquisitions and disposals, increased 3.6 percent due to higher equipment sales. Service revenues decreased 0.8 percent in local currency, excluding acquisitions and disposals, as growth in mainly wholesale and roaming revenues was not enough to compensate for pressure on mobile subscription revenues, driven by loss of subscriptions.

In total, the number of mobile subscriptions decreased by 22,000 including net additions of 30,000 subscriptions due to a customer base acquired from NextGenTel and 54,000 subscriptions from the Get and TDC Norway acquisition.

The adjusted EBITDA, in local currency, excluding acquisitions and disposals, grew by 8.5 percent, explained to some extent by good cost control but mostly due to the acquisition of Phonero in 2017 that resulted in significant cost synergies 2018 from the transfer of traffic to Telia's network. The adjusted EBITDA margin increased to 37.8 percent (35.0).

CAPEX, excluding license and spectrum fees, increased to SEK 1,484 million (1,041) mainly due to the acquisition of Get and TDC Norway as well as an increased level of investments referring to mobile network capacity and coverage, and in process improvements to increase efficiency.

SEK in millions, except margins, operational data and changes	Jan–Dec 2018	Jan–Dec 2017[1]	Chg (%)
Net sales	11,898	10,087	18.0
Change (%) local organic	*3.6*		
of which service revenues (external)[2]	*9,715*	*8,415*	*15.4*
change (%) local organic	*-0.8*		
Adjusted EBITDA[2]	4,492	3,531	27.2
Margin (%)[2]	37.8	35.0	
change (%) local organic	*8.5*		
Adjusted operating income[2]	2,343	2,003	17.0
CAPEX excluding license and spectrum fees[2]	1,484	1,041	42.6
Subscriptions, (thousands)			
Mobile	2,324	2,345	-0.9
of which machine to machine (postpaid)	*71*	*65*	*9.2*
Fixed telephony	59	11	
Broadband	417	–	
TV	504	–	
Employees	2,033	1,201	69.3

1) Restated for comparability, see Note C1.
2) See sections Alternative performance measures and Definitions.

DENMARK – STILL A CHALLENGING MARKET

Net sales in reported currency increased 3.7 percent to SEK 6,167 million (5,945) mainly driven by increased sales of equipment and a favorable exchange rate development. Service revenues decreased 5.0 percent in local currency, excluding acquisitions and disposals, driven by both lower mobile and fixed service revenues. Mobile revenues fell 3.5 percent mainly due to lower subscription revenues following loss of subscriptions, while fixed revenues declined 11.2 percent due to pressure on mainly fixed telephony and broadband revenues.

The adjusted EBITDA, in local currency, excluding acquisitions and disposals, grew by 0.4 percent as strong cost control more than compensated for the decline in service revenues. The adjusted EBITDA margin increased to 12.2 percent (11.8).

The number of mobile subscriptions decreased by 27,000 during the year, mainly driven by loss of B2C subscriptions. Fixed broadband subscriptions decreased by 10,000 and TV subscriptions fell by 7,000.

SEK in millions, except margins, operational data and changes	**Jan–Dec 2018**	**Jan–Dec 2017[1]**	**Chg (%)**
Net sales	6,167	5,945	3.7
Change (%) local organic	*-2.4*		
of which service revenues (external)[2]	*4,377*	*4,335*	*1.0*
change (%) local organic	*-5.0*		
Adjusted EBITDA[2]	751	704	6.6
Margin (%)[2]	12.2	11.8	
change (%) local organic	*0.4*		
Adjusted operating income[2]	-116	-52	-123.1
CAPEX excluding license and spectrum fees[2]	439	412	6.7
Subscriptions, (thousands)			
Mobile	1,451	1,479	-1.9
of which machine to machine (postpaid)	*69*	*49*	*40.1*
Fixed telephony	78	90	-13.3
Broadband	104	114	-8.8
TV	24	31	-22.6
Employees	877	1,026	-14.5

1) Restated for comparability, see Note C1.
2) See sections Alternative performance measures and Definitions.

LITHUANIA – SOLID ADJUSTED EBITDA DEVELOPMENT

Net sales in reported currency increased 8.6 percent to SEK 3,849 million (3,543) driven by higher equipment sales, mobile service revenues and a favorable exchange rate development. Service revenues decreased 0.6 percent in local currency, excluding acquisitions and disposals, as growth in mobile revenues of 14.1 percent more than offset lower fixed service revenues. The decline in fixed service revenues was mostly driven by a drop of low margin transit service revenues and to some extent also pressure on fixed telephony revenues.

Adjusted EBITDA, in local currency, excluding acquisitions and disposals, increased 5.1 percent, following solid cost control and a positive revenue mix shift with growth in mobile services and a lower share of low-margin transit service revenues. The adjusted EBITDA margin increased to 35.1 percent (34.1).

The number of mobile subscriptions increased by 37,000, fixed broadband subscriptions decreased by 1,000, and TV subscriptions remained unchanged.

SEK in millions, except margins, operational data and changes	Jan–Dec 2018	Jan–Dec 2017[1]	Chg (%)
Net sales	3,849	3,543	8.6
Change (%) local organic	*2.1*		
of which service revenues (external)[2]	*2,983*	*2,820*	*5.8*
change (%) local organic	*-0.6*		
Adjusted EBITDA[2]	1,350	1,207	11.8
Margin (%)[2]	35.1	34.1	
change (%) local organic	*5.1*		
Adjusted operating income[2]	697	644	8.2
CAPEX excluding license and spectrum fees[2]	575	552	4.1
Subscriptions, (thousands)			
Mobile	1,389	1,352	2.7
of which machine to machine (postpaid)	*157*	*141*	*11.2*
Fixed telephony	315	371	-15.1
Broadband	409	410	-0.2
TV	242	242	0.0
Employees	2,306	2,440	-5.5

1) Restated for comparability, see Note C1.
2) See sections Alternative performance measures and Definitions.

ESTONIA – STRONG DEVELOPMENT

Net sales in reported currency increased 9.0 percent to SEK 3,077 million (2,824) mainly following a positive service revenue development and a favorable exchange rate development. Service revenues increased 3.6 percent in local currency, excluding acquisitions and disposals, driven to some extent by a positive development within mobile service revenues but mostly due to a strong development in fixed service revenues.

The adjusted EBITDA, increased by 8.0 percent in local currency, excluding acquisitions and disposals, due to both revenue growth and good cost control. The adjusted EBITDA margin increased to 32.5 percent (30.9).

The number of mobile subscriptions increased by 61,000, fixed broadband subscriptions increased by 4,000, and TV subscriptions increased by 12,000.

SEK in millions, except margins, operational data and changes	**Jan–Dec 2018**	**Jan–Dec 2017**	**Chg (%)**
Net sales	3,077	2,824	9.0
Change (%) local organic	*2.6*		
of which service revenues (external)[1]	*2,399*	*2,182*	*10.0*
change (%) local organic	*3.6*		
Adjusted EBITDA[1]	1,001	871	14.9
Margin (%)[1]	32.5	30.9	
change (%) local organic	*8.0*		
Adjusted operating income[1]	444	360	23.3
CAPEX excluding license and spectrum fees[1]	567	452	25.5
Subscriptions, (thousands)			
Mobile	986	925	6.6
of which machine to machine (postpaid)	*248*	*214*	*15.9*
Fixed telephony	263	279	-5.7
Broadband	242	238	1.7
TV	212	200	6.0
Employees	1,794	1,871	-4.1

1) See sections Alternative performance measures and Definitions.

OTHER OPERATIONS

Other operations comprise Telia Carrier, Latvia, Telia Finance, Division X, Group functions as well as Telia Company's shareholding in the associated company Turkcell. During 2017, Sergel and the holding in the associated company MegaFon were disposed.

In reported currency, net sales decreased 3.1 percent to SEK 8,743 million (9,025), mainly due to the divestment of Sergel in 2017 and a significant drop in low-margin voice transit revenues in Telia Carrier, partly offset by higher net sales in Latvia. Service revenues in local currencies, excluding acquisitions and disposals, decreased 7.8 percent driven by the decline in revenues in Telia Carrier.

Adjusted EBITDA, in local currencies, excluding acquisitions and disposals, increased 18.2 percent, driven by higher EBITDA in both Telia Carrier and Latvia but mostly due to cost savings related to Group IT, Group Networks and other group functions.

In Telia Carrier, net sales in reported currency fell 7.0 percent to SEK 5,542 million (5,956) following lower voice transit revenues. Adjusted EBITDA in local currencies, excluding acquisitions and disposals, increased by 7.3 percent due to a more favorable revenue mix and cost efficiencies.

In Latvia, net sales in reported currency increased 13.9 percent to SEK 2,200 million (1,931) driven by a favorable exchange rate development and higher equipment revenues and mobile revenues from an expanding mobile subscription base. Adjusted EBITDA in local currencies, excluding acquisitions and disposals, increased 10.2 percent, due to revenue growth and lower costs. The adjusted EBITDA margin increased to 31.5 percent (30.6).

Income from associated companies increased to SEK 835 million (769). Previous year was impacted by the net capital loss from the disposals of shares in Turkcell and MegaFon, partly offset by income from MegaFon up until the disposal.

CAPEX, excluding license and spectrum fees, amounted to SEK 3,095 million (3,063) of which SEK 0.8 billion related to Telia Carrier and Latvia and the remaining to building and enhancing technology assets, such as IT systems, core network and product platforms managed on group level to benefit several countries.

SEK in millions, except margins, operational data and changes	**Jan–Dec 2018**	**Jan–Dec 2017[1]**	**Chg (%)**
Net sales	8,743	9,025	-3.1
Change (%) local organic	*-2.9*		
of which Telia Carrier	*5,542*	*5,956*	*-7.0*
of which Latvia	*2,200*	*1,931*	*13.9*
Adjusted EBITDA[2]	1,137	992	14.5
of which Telia Carrier	*512*	*491*	*4.2*
of which Latvia	*694*	*592*	*17.3*
Margin (%)[2]	13.0	11.0	
Income from associated companies	835	769	8.5
of which Russia	*–*	*2,700*	
of which Turkey	*685*	*-2,070*	
of which Latvia	*175*	*137*	*27.6*
Adjusted operating income[2]	904	1,176	-23.1
CAPEX[2]	3,095	3,063	1.0
Subscriptions, (thousands)			
Mobile Latvia	1,281	1,237	3.5
of which machine to machine (postpaid)	*313*	*285*	*10.0*
Employees	4,091	4,012	2.0

1) Restated for comparability, see Note C1.
2) See sections Alternative performance measures and Definitions.

SUSTAINABILITY

DIGITAL IMPACT

Digitalization is fundamentally changing most facets of life and is a key factor in positive societal development and sustainable economic growth. But there are risks and legitimate concerns related to the negative impacts of digitalization.

"Digital impact" is our stakeholder-driven approach to applying the UN Sustainable Development Goals (SDGs), enabling us to understand, manage and proactively communicate our positive and negative environmental and social impact. We strive to be fully transparent and accountable, highlighting our successes but also when we are not meeting expectations. Read more in Corporate Governance Statement, section Statement of materiality and significant audiences. For more information about sustainability governance including risk management, stakeholder engagement and materiality determination, see Notes S2 and S3 to the Sustainability Notes.

Digital impact relies on three critical success factors:
- Board and management commitment to creating long-term sustainable value for all key stakeholder groups and actively engaging in steering our sustainability work
- Employee engagement by enabling all employees to engage in how they can contribute to positive digital impact
- Ethics and compliance as the foundation for ensuring responsible business practices

Shared value creation
Shared value creation is about addressing societal and environmental challenges while creating business value. It is integrated in the business strategy and processes such as innovation. Considering our Nordic and Baltic footprint and core business, technological development and changing societal and customer needs and expectations, we believe our biggest positive impact and direct strategic fit is within:

- **SDG 9: Industry, innovation and infrastructure**

Our core markets make up the most connected region in the world which brings opportunities for businesses and public sector anywhere to innovate and go digital using cloud services or connected devices.

- **SDG 11: Sustainable cities and communities**

Sustainable urbanization requires careful concern for environmental impact and social equity. Proliferation of smart sensors and crowd analytics enables pin-point planning of everything from playgrounds to real-time traffic planning.

- **SDG 12: Responsible production and consumption**

Digitalization is key to disconnecting environmental impact from economic growth by enabling new approaches and circular business models to address unsustainable consumption patterns and resource use.

- **SDG 17: Partnerships for the goals**

Development and application of both broad-scale and cutting-edge networks and digital solutions require close collaboration and partnerships between companies, public sector and academia.

OUR APPROACH TO SUSTAINABILITY

Responsible business

Responsible business focuses on managing risk, minimizing negative impact and acting ethically and responsibly. Beyond our own operations, we have a global supply chain footprint to which these responsibilities extend. Key risks and impacts to manage are within:

- **SDG 5: Gender equality**

Ensuring fair and equal treatment of all employees and zero tolerance for discrimination, including in recruitment and other key processes.

- **SDG 8: Decent work and economic growth**

From "do less bad" to "do more good" by moving from strict due diligence to proactively engaging with and training suppliers on the most pressing labor issues.

- **SDG 12: Responsible production and consumption**

There is increasing pressure from all stakeholder groups to offer more sustainable, environmentally friendly products such as mobile phones. Consumers and business customers care about, and are increasingly willing to base purchasing decisions on, how products are produced, packaged and delivered.

- **SDG 13: Climate action**

We operate vast communications networks, large data centers and a global carrier network. Every day, thousands of employees travel to offices or stores, or connect remotely. All this creates a climate impact. Addressing our and our customers' climate impact is of fundamental importance since the outcome is likely to decide the world we will live in.

- **SDG 16: Peace, justice and strong institutions**

The telecommunications industry faces high corruption risk, and we see increasing challenges in respecting the rights of privacy and freedom of expression. Many users of our services are children which require particular care to how we develop, market and provide our products.

Responsible business is organized into seven focus areas:

- Anti-bribery and corruption
- Children's rights
- Customer privacy
- Environmental responsibility
- Freedom of expression and surveillance privacy
- Health and well-being
- Responsible sourcing

Read more about our Responsible business work in the following pages. Data such as greenhouse gas emissions, tax payments and sickness absence as well as information on other material topics can be found in the Sustainability Notes.

SIGNIFICANT EVENTS

Nordic CEO coalition for sustainability

In October, a group of Nordic-based CEOs announced a joint initiative to speed up the realization of the UN SDGs. Representatives from the group presented their shared ambitions to Norwegian Prime Minister Erna Solberg, co-chair of the UN's Global SDG Advocate group, during the 70th Nordic Council session in Oslo.

At launch, the group consisted of the CEOs of Equinor, Hydro, GSMA, Ìslandsbanki, Nokia, SAS, Swedbank, Telenor Group, Telia Company, Vestas and Yara. The CEOs have committed to aligning their business strategies with the SDGs and to exploring opportunities for collaboration. The arena will facilitate experience exchange, shared learning and explore how the companies can best measure effects and maximize impact of their efforts. The initiative also creates a platform for the Nordic Prime Ministers to engage directly with the CEOs of leading Nordic companies on how to best drive the common agenda and strengthen the leadership of Nordic countries in sustainability.

» The Nordic region is not just where we do business, it is our home. Coming together as CEOs and working across sectors to achieve the SDGs and build a more sustainable future is essential for citizens, employees and customers. I am proud that Telia Company is leading from the front and this is just the beginning. Further collaboration with our Nordic governments is essential in achieving more.

Johan Dennelind, President and CEO of Telia Company

Divestment of assets in region Eurasia

In 2015, Telia Company announced its ambition to, over time, leave region Eurasia. Considering the challenges related to human rights and corruption in the region, much effort has been put into ensuring a responsible exit. This has been done through:

- Establishing and over time strengthening the companies' own ethics and compliance programs, to make them well equipped and ready for divestment
- Gathering information and insights to be able to identify and choose responsible buyers willing to pay a fair price for the assets

During the year, four of the five remaining companies in region Eurasia were divested. Prior to the signing of the transaction agreements, we carried out extensive due diligence of the buyers covering the areas laid out in Note S18 to the Sustainability Notes. Both internal and external due diligence expertise were used.

Risks related to corruption and human rights violations were considered high in all transactions. The following key mitigating actions were taken to reduce these risks:

- Inclusion of an ethics and compliance clause in the share purchase agreement (SPA), stating that the buyer commits to a handover of the compliance program
- Required inclusion of a human rights clause in the SPA, clarifying the expectation on the buyer to respect human rights
- Identifying the flow of transaction funds
- Agreeing to a hand-over meeting with the buyer, to go through our expectations and processes regarding responsible business

Read more about the general process and requirements in due diligence in M&A, as well as other significant transactions during the year, in Note S18 to the Sustainability Notes.

HIGHLIGHT

"GO DIGITAL" - BRIDGING SWEDEN'S DIGITAL GAP

Out of Sweden's ten million inhabitants, around 500,000, most of them elderly and in rural areas, live their lives completely offline. The digital exclusion of seniors is a big hurdle for Sweden's municipalities in their digitalization efforts to increase the availability and efficiency of delivering public services.

Seeing the challenge and seizing the opportunity, Telia Sweden created the "Go Digital" (Mer digital) concept to partner up with municipalities in bringing the digital world closer and make it understandable for seniors who lack knowledge and trust in digital services.

In "Go Digital", young community members at age 14–15 act as coaches in the basics of digital usage with the digitally inexperienced seniors. Each three-hour event has 100 seniors, supported by one young person per two seniors. The seniors are taught how to use search engines, e-mailing, online bank services, mobile payment solutions, buying tickets online and more. Representatives from a local bank office and from Telia participate on site, helping seniors to quickly get started with new services.

Since its launch in January 2018, five out of Sweden's 290 municipalities conducted almost 30 events. Feedback was overwhelmingly positive, and interest grew rapidly. So far, 25 more municipalities have signed up for events in 2019 and more are expected to join, with several hundred workshops in the planning. Interest has also spread abroad, as many Norwegian municipalities face the same challenges and have shown interest in carrying out events.

Beyond the obvious positive effects for the municipalities, the events have created many positive ripple effects. Seniors who have participated are more confident in using digital services such as public e-services, in turn facilitating the necessary digitalization of Sweden's public sector. The participating young people have gained vital work experience and many municipalities are looking to hire them for summer or extra work. This is particularly important in rural municipalities where jobs are increasingly moving to urban areas. Peter Eriksson, the Swedish Minister for Digitalization in 2018, says:

"Digitalization is rapidly changing our society. Those with the know-how, will to learn and confidence in using digital services face a new world of opportunities, but those left behind have much more limited possibilities. Companies and government agencies have a great responsibility to invite and to teach everyone about the opportunities. Telia's "Go Digital" concept is a good example of how the private and public sector can cooperate to bridge the digital divide."

Further proof of the success of "Go Digital" came on November 19th, when Telia won the the European Commission's European Broadband Awards category "Cost reduction and co-investment in a future-proof infrastructure."

Positive business effects for Telia are increased local sales of fiber access, modern switchboard solutions and personal Telia technicians. This makes "Go Digital" a great example of shared value creation – business innovation to solve a societal challenge.

New long-term ambitions and goals

To better align the sustainability work with the overall strategy which was revised during the year, new long-term ambitions and goals were developed for all Responsible business focus areas. These ambitions and both quantitative and qualitative goals stretch until 2022 and can be found in this report. The previous ambitions and goals which stretched from 2015 to 2018 have, where relevant, been incorporated in the new ambitions and goals.

Going forward we will continuously develop and improve on ways of measuring and reporting on the goals, as well as revise them when needed to match the company's strategy, operational changes and stakeholder expectations.

Changes to sustainability reporting

We see continuously growing requirements and expectations mainly from institutional investors on sustainability reporting. We also see new standards and guidelines such as the UN Guiding Principles Reporting Framework and the Task Force on Climate-Related Financial Disclosures (TCFD) Principles gather momentum. We believe that applying the requirements of new and already established ESG reporting frameworks pose a challenge in terms of reporting on the most material topics using a format most suitable to stakeholders with whom we engage on ESG topics.

For these reasons, we decided to move away from reporting according to the GRI standards and instead adopt a company-specific sustainability reporting framework. During the process of developing the framework we consulted with some of our largest shareholders and the most critical issue raised was ensuring comparability with established frameworks. The reporting framework and Sustainability Notes therefore contain references to several other reporting frameworks.

Code of Responsible Business Conduct

The Code of Responsible Business Conduct defines the expectations and requirements how to conduct business responsibly and clarifies the importance of, and channels for, speaking up regarding actual or suspected unethical behavior or violation of laws or the company's guiding documents. Read more in Corporate Governance, section Group-wide governance framework.

The Code was launched in 2016 together with a mandatory e-learning course for all employees and subsequent new employees. The e-learning course focuses on the purpose of the Code, what is expected of employees and those working for Telia Company, as well as speaking up.

In late 2018, a new e-learning course was launched in four core markets, with roll-out planned for the remaining core markets in early 2019. The new course provides in-depth practical guidance on how to apply the requirements of the various areas of the Code through set of realistic scenarios, with guidance on how to resolve them. At year-end, around 8,000 employees had taken the course.

ANTI-BRIBERY AND CORRUPTION

Ambitions:

- Business conduct based on zero tolerance of corruption
- Employees and partners understand and enforce our anti-bribery and corruption (ABC) requirements and are confident in raising concerns

2018 PROGRESS

- Adopted new internal guidelines for ethics and compliance integration of acquired companies
- Integrated annual planning of sponsorships and donations in business approval process in region Eurasia
- Conducted ABC risk assessments in Telia Carrier, Kcell and Moldcell
- Around 2,000 employees completed ABC in-class and e-learning courses

2022 GOALS

- An ABC program designed to effectively detect and prevent corruption and violations of anti-corruption laws
- Demonstrate compliance with ABC requirements, and assurance of sufficient risk mitigation of corruption risks
- Robust framework for effective reporting, investigation and remediation of misconduct and corrupt practices
- Regular ABC training for employees and third parties in roles with a high corruption risk exposure

2019 PLANNED ACTIVITIES

- Test design, implementation and effectiveness of the ABC program
- Revise methodology for ABC risk assessments
- Train local ethics and compliance officers to strengthen risk assessment capacity
- Carry out ABC risk assessments in core markets and develop action plans

Our approach

For more information about the global settlement with US and Dutch authorities regarding historical transactions in Uzbekistan, see Board of Directors' Report, section Risks and uncertainties and Note C34 to the Consolidated financial statements.

This focus area is governed by the *Group policy – Anti-bribery and corruption* and related instructions on *internal reporting and non-retaliation, sponsorships and donations* and *interaction with authorities, administrations and other governing bodies*.

The ABC program

The anti-bribery and corruption (ABC) program provides a systematic way of implementing the ABC policy and related instructions. It allows us to understand and improve control of risks and contextual challenges primarily connected to some of our markets and to the industry itself, which is subject to high corruption risk. Program implementation is done through ensuring awareness of ABC risks, implementing control mechanisms, improving third-party engagement and other processes, and carrying out extensive training. The program is based on the assurance framework and includes key elements of an effective compliance program and adequate procedures. The ABC program is supported by the group-wide whistle-blowing process and Speak-Up Line.

The program is implemented using a risk-based approach. with focus during 2018 on region Eurasia and Telia Carrier. Core markets follow the same implementation framework but with appropriate adjustments for the level of risk.

Ethics and compliance network

The ABC program is managed by the group ethics and compliance office, which is responsible for program design and annual planning. The chief ethics and compliance officer oversees the progress and governance related to implementation of the program. Progress is regularly reported to Governance, Risk, Ethics and Compliance (GREC) meetings and to the Audit and Responsible Business Committee.

Local companies and group functions are responsible for implementing the program, supported by the ethics and compliance network. This network includes group and regional ethics and compliance officers as well as dedicated officers or coordinators in each local company who act as focal points for compliance activities including GREC meetings, and due diligence experts in high-risk markets.

The group special investigations office handles internal investigations related to potential corruption or fraud.

Work during the year

ABC risk assessments

Moldcell in Moldova conducted an ABC risk self-assessment and in Kcell in Kazakhstan, a corruption exposure assessment was carried out by an external advisor. Ucell in Uzbekistan continued to work on mitigating identified ABC risks. Progress of the work within the ABC program is monitored quarterly and reported to the regional GREC meetings.

Local companies in core markets except Telia Sweden carried out risk assessments during the fourth quarter of 2017 and followed up on related action plans during 2018. Progress on the action plans is reported in local GREC meetings. More training for local ethics and compliance officers in core markets is planned for 2019 to strengthen risk assessment capacity.

Telia Carrier carried out an ABC risk assessment which indicated some risks related to governance and resources. To mitigate these risks, an action plan was developed covering e.g. strengthened ABC controls and alignment with group-common due diligence processes.

Sponsorships and donations

Sponsorships and donations have been identified as a high corruption risk area in region Eurasia. Risk assessment of high-risk third parties was strengthened in region Eurasia by integrating annual planning and approval of sponsorships and donations in the regional business review. Local annual sponsorship and donation plans prepared at the beginning of the year included a risk assessment and results of documented due diligence. The annual plans were reviewed and approved by the Head of region Eurasia and the regional ethics and compliance officer.

Revised guidelines

The ABC policy was revised to include a new principle on extortion and solicitation. Additionally, new internal guidelines for ethics and compliance integration of acquired companies were adopted. Read more in Note S18 to the Sustainability Notes.

Certification and training

Country ethics and compliance officers are required to complete external anti-bribery or compliance certification. By year-end, five group and two country ethics and compliance officers a were certified. Around 2,000 employees in defined target groups completed ABC-specific in-class and e-learning courses.

Third-party due diligence

Local companies in region Eurasia established compliance forums that serve as an advisory body to the local CEO. The forum reviews identified red flags such as legal compliance and corruption risks and advises the CEO on risk mitigation activities.

Moldcell in Moldova carried out a retrospective due diligence project for existing suppliers and third-party engagements. The aim has been to understand and mitigate ABC risks in our supply chain and other high-risk third-party engagements entered into prior to implementing adequate ABC due care processes. The project resulted in contract termination of nine suppliers. Kcell in Kazakhstan and Ucell in Uzbekistan completed their projects in 2017.

Retrospective due diligence for site rentals and sales partners was carried out in all companies in region Eurasia and is now integrated in decision-making for new contracts.

FREEDOM OF EXPRESSION AND SURVEILLANCE PRIVACY

Ambitions:

- Know our impacts and enable, respect and support freedom of expression and privacy in the context of surveillance
- Promote transparency related to surveillance legislation as well as conventional and unconventional requests

2018 PROGRESS

- Published law enforcement disclosure report covering seven markets in March, and updated statistics in October
- Published information covering all main markets regarding local legislation on direct access and mandatory data retention for law enforcement
- Four countries covered with regard to information on local surveillance legislation
- Challenged more than half of the almost ten closed unconventional requests by being transparent and asking for clarifications
- Performed self-assessment of implementation of the Global Network Initiative (GNI) principles
- Actively contributed to the work of the GNI, including in Board and committees

2022 GOALS

- Law enforcement disclosure reporting with regard to number of conventional authority requests, information on local surveillance legislation on direct access and on data retention
- Implemented processes to assess impact on and promote, to the extent possible, freedom of expression and privacy in the context of surveillance in potentially unconventional requests
- Good faith efforts, including continuous improvement over time, to implement the GNI principles
- Actively contribute to the work of the GNI

2019 PLANNED ACTIVITIES

- Add statistics on blocking requests to law enforcement disclosure reporting
- Continue contributing to shared learning on subject matter, standardization and value of reporting and assessments within GNI
- Continue implementing the GNI principles, improving over time. GNI Board to determine level of commitment based on assessor's assessment
- Establish a "freedom of expression and surveillance privacy" issue type in the Speak-Up Line whistleblowing tool
- Assess freedom of expression and surveillance privacy risks and opportunities in TV and entertainment as well as in artificial intelligence (AI)

Our approach
This focus area is governed by ***the Group policy – Freedom of expression and surveillance privacy***.

The right to customer privacy is widely understood as fundamental to the right to freedom of expression. This means we have commitments both to surveillance privacy (when authorities mandate access to user data) and customer privacy (processing customer data for our own needs). Read more about our customer privacy work in the Board of Directors' Report, section Sustainability, *Customer privacy*.

Telecommunication enables access to information and the exchange of ideas in a way that supports openness and transparency. However, issues related to freedom of expression and surveillance privacy pose a high risk to users of telecom services globally. There is ongoing debate and diverging external pressure as policymakers seek to introduce additional surveillance measures to fight crime, terrorism, hate speech and more.

Our responsibility and commitment is to respect freedom of expression and privacy in the context of surveillance as outlined in the UN Guiding Principles for Business and Human Rights. Our objective is to limit potential harm to individuals by seeking active measures to support the rights of individuals where we believe these are at risk. Our work is guided by ***the Global Network Initiative "Principles on freedom of expression and surveillance privacy***."

Assessment and escalation of unconventional requests
Our Group instruction sets out practical steps regarding assessments and escalation to be carried out whenever a local company receives a request or demand that may have potentially serious impacts on the freedom of expression and privacy in the context of surveillance of individuals ("unconventional request").

Guidance is provided in a form for assessments and escalation, a tool that we have shared publicly and that is included in the GSMA's Policy Handbook. Unconventional requests are to be assessed by the local company and escalated within Telia Company for informed decision-making. This includes considerations from outside the often-complex and stressed specific local context on if, and if so how, to perform a "point of challenge". This means adhering to local legislation while at the same time seeking to carry out measures to respect and support the rights of individuals. We aim to publicly share as much information as possible about requests.

Through legislation and decisions by authorities, states define the scope of surveillance of communications and limitations to the free flow of information. This means that while our point of challenge process is intended to identify and mitigate potential violations to individuals' freedom of expression and privacy in the context of surveillance, the actual outcome depends heavily on local legislation and the safety and capabilities of local employees.

Work during the year

Global Network Initiative

We are an active member of *the Global Network Initiative* (GNI). This multi-stakeholder organization brings together ICT companies, human rights and freedom of press groups, academics and investors to protect and advance global free expression and privacy in the ICT industry. Shared learnings and joint leverage are at the core of its work. Telia Company serves on the Board and participates in various committees. In 2018, the GNI increased its membership and became more global. Substantial progress was made in defining GNI positions for joint leverage in areas such as intermediary liability, surveillance and network disruptions.

Companies signing up to the GNI principles are assessed for a GNI Board determination on whether the company is implementing the GNI principles in good faith, improving over time. Using a GNI-specific assessment tool, we performed a self-assessment that was provided to a GNI-accredited assessor for its assessment report to the GNI Board. During the second quarter of 2019, the GNI Board will determine whether Telia Company is making good faith efforts improving over time to implement the GNI principles.

Law enforcement disclosure reporting

We believe that transparency on surveillance activities contributes to stronger enforcement of freedom of expression and surveillance privacy. For this reason, we publish Law Enforcement Disclosure Reports (LEDR).

The most recent report, released alongside this Annual and Sustainability Report, includes statistics on conventional ("day-to-day") requests in seven countries. Statistics of the number of authority requests as well as the number of unconventional government requests are included in the limited assurance of this Annual and Sustainability Report. See Note S8 to the Sustainability Notes for the statistics and information on the scope and limitations.

The LEDR also includes links to national laws that provide governments with direct access to information about our customers and their communication without having to request information from Telia Company. Regarding governments' direct access, i.e. signals intelligence (intelligence gathering through analysis and processing of communication signals) and real-time access without requests (technical systems for more extensive monitoring of telecommunications), Telia Company has no insight into the extent (when, who and what) of such surveillance and cannot provide any statistics beyond those provided in the LEDR.

As a step towards broadening our scope of transparency, links to national laws on mandatory data retention for law enforcement were added, starting with the March 2018 LEDR.

Our reporting on countries' local laws on freedom of expression and surveillance privacy in telecommunications is carried out through contributions to *the GNI database on country legal frameworks*.

Unconventional requests

In addition to reporting statistics on conventional requests, we aim to publish information on unconventional requests or demands from governments. During 2018, we closed around ten such requests or demands across our operations, including region Eurasia. Requests included, for example, the application of laws on direct access and nation-wide blocking of websites. To ensure consistency, group-level experts facilitated local assessments and escalations. Points of challenge were established in more than half of the cases, most often by being transparent and publishing information on Telia Company's newsroom or requesting clarification from the requesting authority. The points of challenge were defined jointly by local companies and representatives of Group Executive Management.

There are several challenges related to transparency on unconventional requests. Local laws that sometimes lack full clarity determine what can be published. There may be confidentiality provisions and/or constraints based on our duty to protect the safety of our employees. Issues regarding direct access are closely related to national security and are therefore complex and challenging to communicate. Counting the number of unconventional requests can be difficult and subjective as they range from demands to block one or several websites or shutting down a network locally, to requests regarding direct access.

CUSTOMER PRIVACY

Ambitions:

- Respect and protect our customers' privacy
- We are regarded as the most trusted actor among our peers when it comes to handling personal data on the customer's terms

2018 PROGRESS

- Launched processes for handling GDPR end-user requests such as "right of access" in core markets, thereby providing sufficient information about how personal data is being processed
- Updated and developed new common GDPR legal interpretations
- Improved "privacy by design" approach to facilitate that new processes and changes in processes that include processing of personal data are covered by data privacy impact assessments

2022 GOALS

- Have a well-functioning governance model in place to monitor, measure and audit that GDPR compliance work remains at a level acceptable for Telia Company
- Ensure that awareness of GDPR is embedded in daily activities and business for all relevant employees

2019 PLANNED ACTIVITIES

- Improve customers' overview of how their data is used based on new external requirements
- Evaluate training of employees in key functions and update as needed

Our approach

This focus area is governed by the *Group policy – Privacy and data protection*. The policy was revised during the year to align with GDPR requirements. Changes included the addition of information about processing employees' personal data.

Information security is a prerequisite for upholding customer privacy. Read more about our work on information security in *the Board of Directors' Report, section Information security.*

Group-wide GDPR program

Work during the year focused on meeting the requirements of the EU General Data Protection Regulation (GDPR) that came into effect on May 25, 2018. After May, work focused on further enhancing our GDPR solutions and processes based on practical experience and new guidelines and information from various European authorities.

Most of the GDPR-related work was done under the umbrella of the group-wide GDPR program that was chaired by a Group Executive Management member. Group functions and local companies in core markets ran organization-specific GDPR projects reporting to the group-wide GDPR program. The program uses group-common legal interpretations of GDPR requirements and internal best practice on how to fulfill GDPR requirements. There is one defined list of common purposes for processing personal data in both core markets and on group level. Among other things, this approach enables sufficient handling of personal data processed by common systems.

A Group Data Protection Officer (DPO) office consisting of DPO's from core markets and group functions handles GDPR governance work. The objective of the office is to monitor GDPR compliance and carry out reviews and controls of GDPR fulfillment in core markets. The Group DPO office will regularly report on GDPR compliance to Group Executive Management and the Board.

The work in region Eurasia is focused on ensuring legal compliance.

Work during the year

In 2017, a law firm performed two in-depth audits of the local companies in core markets and group functions on their readiness to comply with GDPR by May 2018. Based on these audits, a number of compliance gaps were identified. Detailed plans were made by all GDPR projects in the group to address how to close the gaps and follow up with clear milestones. During 2018, a number of milestones were reached by revising both processes and IT solutions. The group-wide GDPR program steering committee followed the progress of closing gaps in all projects on a monthly basis.

As a telecom operator and as a result of the EU e-privacy directive, we are obliged to report personal data breaches to the national telecom regulator. During the year, we implemented a common process and common tool to manage personal data breaches within core markets, improving tracking and follow-up. The new process also allows us to meet the new GDPR personal data breach reporting obligations. Additionally, we increased awareness of personal data breaches and losses of customer data by training key employees.

498 personal data breaches were reported to authorities in core markets, a significant increase compared to 105 cases in 2017. We believe that the large increase is attributable mainly to increased awareness and capability of identifying cases as well as reporting cases that would earlier have gone unreported. This is in large thanks to both general awareness raising and the adoption of the common tool for managing personal data breaches. Most cases related to human errors or failures that resulted in customer data being made available to other customers or sent to the wrong customer. In all reported cases, local companies cooperated with national supervisory authorities to correct inaccuracies.

After GDPR came into effect, we saw increased interest in how we process personal data. Both employees and customers exercised their rights under the GDPR. By improving transparency in accordance with Article 29: Guidelines on consent and through improved processes such as new privacy notices for handling processing of personal data, we provided data subjects with a better understanding of what we do with their personal data and gave them better control over it. Customers' rights are generally managed through customer portals where they can get information on how we process data as well as exercise their rights.

Supporting our "privacy by design" approach, we revised our data protection impact assessment (DPIA) template and clarified the process for using it. Changes included putting clearer tollgates in place to ensure that the DPIA is used and raising awareness among those who have obligations to carry out DPIA.

CHILDREN'S RIGHTS

Ambitions:

- Know our impacts and respect children's rights in relevant business activities
- Support children's rights through employee engagement, advocacy and partnerships

2018 PROGRESS	2022 GOALS	2019 PLANNED ACTIVITIES
• Children's Advisory Panels on privacy and a healthy life online • Children visited and shared perspectives with the Board • Published cases on how we work with children's rights • Trained 700 employees in Telia Sweden on children's safety online • Continued to detect and block child sexual abuse material (CSAM) • Pledged to advance children's rights in our business • Announced Swedish telecom coalition against sexual exploitation of children online	• Continuously assess impacts on children's rights in relevant business activities • Block websites containing CSAM • Detect and report CSAM in own IT systems • Regularly engage with children through Children's Advisory Panel • Provide tools for customers and employees to support children's rights • Actively contribute to relevant initiatives related to supporting children's rights	• Conduct impact assessment of our marketing and communication • Develop our approach to fighting CSAM • Spread information about children's advice on a healthy life online • Engage with children through Children's Advisory Panel and Younite school workshops • Participate in Global Child Forum's pledge follow-up pilot program and GSMA mPower Youth initiative

Our approach

This focus area is governed by the *Group policy – Human rights*. Requirements related to suppliers are governed by the Supplier code of conduct. Read more about our work to abolish child labor in Note S17 to the Sustainability Notes.

Telia Company's commitment is to recognize, respect and support children's rights with focus on participation, protection and well-being. Our biggest challenges relate to understanding and managing impacts and stakeholder expectations regarding balance between protection and empowerment of children online. In this work, we have adopted the Children's Rights and Business Principles (CRBP) framework. Most of the practical implementation of our commitments is carried out in local companies, with group-level oversight and coordination as well as regular updates to Group Executive Management and the Board.

Self-regulatory industry initiatives

We are a signatory of several self-regulatory industry initiatives covering areas including child safeguarding services, child sexual abuse content, education and awareness. This includes the "Alliance to better protect minors online," a self-regulatory initiative of the European Commission. In spring 2018, we also pledged to advance children's rights in our business, initiated and managed by the Global Child Forum.

Work during the year

Increasing internal awareness

To increase internal awareness of children's rights, during the year, training was offered to employees in relevant functions as well as anyone wanting to learn more. For example, 700 employees in Telia Sweden attended the #Netsmart training course on how to promote children's safety online.

Promoting children's rights in business

Throughout the year, we shared experiences from working with children's rights and child participation with various Swedish and international businesses and organizations in sustainability conferences and round-table events. Telia Company's CEO Johan Dennelind also attended the Global Child Forum to promote the business value of working with children's rights.

Fighting child sexual abuse material (CSAM)

We actively participate in the fight against CSAM online. We continued blocking websites in core markets defined by law enforcement as illegal for hosting CSAM. Since we stand for and promote an open internet, this is the only area where we have taken an active stand for voluntary blocking.

In our core markets, we apply a technical solution that provides alerts if CSAM is detected anywhere in Telia Company's own IT systems. If such is detected, a police report is filed and a criminal investigation is carried out. A number of detections and subsequent police reports were filed during the year, some of which resulted in criminal investigations.

We cooperate with industry peers, law enforcement and NGOs such as ECPAT and Childhood to further develop the work against child sexual abuse. During the year, a Swedish coalition between telecom operators and ECPAT against sexual exploitation of children online was announced.

Children's voices

We launched a workshop concept for school classes to work on awareness around children's privacy. The concept was developed with input from the Children's Advisory Panel (CAP) where together with children's rights organizations and in collaboration with schools we ask young internet users about their lives online.

During the fall, CAP collected advice from children on how to live a healthy life online. The advice will be communicated to young people and adults alike to promote a better online lifestyle.

HIGHLIGHT

CHILDREN'S ADVICE FOR A HEALTHY LIFE ONLINE

On the UN Universal Children's Day on November 20, Telia Company published children's own advice for a healthy life online that we had collected through our Children's Advisory Panel. Advice for younger children on five themes was collected from more than 770 12-year-olds through animated films created during CAP workshops in the Nordic and Baltic countries.

Children have a largely positive view of the internet and the possibilities it offers, especially when it comes to friendship. More than half of the children agreed that the internet has helped them make new friends. Their main advice to younger children is to use the internet to make new social connections and to include others and act kindly online.

CHILDREN'S ADVICE FOR A HEALTHY LIFE ONLINE

FRIENDSHIP	TRUST ONLINE	SCHOOLWORK	WELL-BEING	FAMILY
• If you're lonely, don't give up – you can always find friends online • Be nice to other people online • It's easy to include others online – so just do it	• Don't believe everything you read, hear and see online • Talk to a parent before you meet an online contact offline or click on an insecure link • Don't spread false rumors or entice others to click on untrusted or harmful links	• Don't forget that schoolwork is more important than having fun on the internet • Turn your phone off or leave it in another room while you are doing your homework	• Enjoy your online gaming and don't make it too competitive • Control your anger when losing a game and don't take it out on others • Internet makes you happy as long as you use it moderately	• Take a break from technology and hang out with your family • Involve your parents in your online life and experience

To gain more direct insight into children's perspectives as well as to ensure that children participate in decision-making processes on matters that affect them, the Board was joined for a strategy session by children at age between 14 and 17.

Child safeguarding services
In our core markets, we offer child safeguarding services that enable caregivers to set time restrictions for browsing and block websites and TV programs with inappropriate content.

Online safety training and information
In many of our markets, we educated children and parents on how to deal with online safety including respectful behavior through information in our stores and educational activities in schools. During the year, we interacted with an estimated 22,000 children about online safety.

Child helplines
In our core markets, we continued to support national helplines with anonymous, free-of-charge phone services for children.

Partnerships
Telia Company is a co-founder of the World Childhood Foundation. The focus of the partnership is to keep children safe and in control online. We have also formed country-level partnerships with NGOs regarding child safety issues.

Through our partnership with Save the Children Finland, we launched a website with a proposal to other companies on how to integrate children's rights in their business by describing our own approach through cases and stories.

RESPONSIBLE SOURCING

Ambitions:

- Responsible sourcing as a mindset and behavior
- Proactive approach to managing sourcing risks
- Value-adding industry and supplier collaboration

2018 PROGRESS	2022 GOALS	2019 PLANNED ACTIVITIES
• Updated Supplier code by revising and adding requirements on e.g. conflict minerals • Expanded scope of the group-wide mandatory due care process • Strengthened region Eurasia local due care capacity, updated local sourcing handbooks • Around 3,900 sustainability due diligence assessments carried out • 85 on-site audits carried out, and an additional 116 audits carried out by Joint Audit Cooperation (JAC)	• Sourcing sustainability processes fully aligned with a sourcing supplier life cycle process • Implemented processes for risk-based audit planning • 75 percent of critical and major audit non-conformities followed up or closed within twelve months	• Revise due care process to further facilitate risk-based supplier management including audit planning • Roll out Supplier code e-learning course to sourcing managers and suppliers • Close 70 percent of audit non-conformities registered at year-end 2018

Our approach

This focus area is governed by the *Supplier Code of Conduct* and *Group policy – Source-to-pay*. In addition, "black and grey lists" which define substances that are *prohibited* or *should be avoided* and *Security directives* that specify IT security requirements for suppliers handling customer data are used for certain products and services.

Responsible sourcing model

To meet the focus area ambitions and goals, we use a responsible sourcing model to guide our work. The model consists of three pillars:

People

Aim: Responsible sourcing as a mindset and behavior.
How: By raising awareness and building knowledge among key employees and suppliers.

Processes

Aim: Proactive approach to managing sourcing risks.
How: A common due care process and requirements on suppliers to implement a structured management approach for material risks and impacts.

Partnering

Aim: Value-adding industry and supplier collaboration.
How: Cooperating in the industry, for example, through the industry collaboration Joint Audit Cooperation (JAC) and close dialog with suppliers.

Work is coordinated by group sourcing which is responsible for developing guiding documents and tools, training group and local sourcing teams in core markets, and coordinating and conducting supplier due diligence and audits. Critical audit findings and deviations from the Supplier code are reported weekly for decision-making on mitigating activities via the Sourcing initiative board to group sourcing management, and in exceptional cases to the Group Executive Management.

Due care process

The due care process is our risk-based approach to supplier sustainability management. Sourcing managers are responsible for initiating due diligence and on-site audits as well as following up on supplier performance if necessary. Exceptions to the Supplier code requirements can be approved by the Sourcing initiative board if a supplier has demonstrated that corresponding or stricter requirements are already in place.

Suppliers are categorized based on, for example, the region where the company is registered, the type of product or service provided or how critical the supplier is to our operations and if previous deviations from our Supplier code have been identified through audits or due diligence. Categorization facilitates designing appropriate risk mitigation activities, such as further due diligence steps, before contracting as well as when conducting on-site audits to evaluate a supplier's sustainability performance.

In October, the due care process was made mandatory for suppliers group-wide including region Eurasia. It is also available for third-party agreements such as sponsorships and roaming/interconnect agreements which are not handled by the sourcing organization and where associated risks are unknown.

In addition, we use an "ethical compass" that is applied in due diligence and on-site audits. The compass helps in ensuring that suppliers are evaluated in a consistent manner and in assessing the severity of identified risks, including how to mitigate or avoid identified risks.

Work during the year

Due diligence and on-site audits

Around 3,900 sustainability due diligence assessments were carried out. The results showed that the assessed suppliers' main challenge remains to understand and interpret the requirements of the Supplier code.

Around 110 of assessed suppliers were not recommended for contracting due to the high risk involved for Telia Company, mainly as a result of non-conformities with the Supplier code, refusal to provide ownership information or ownership by a high-ranking local public official. A small number of suppliers with non-conformities were given conditional approval.

85 on-site audits were carried out, of which 34 were IT security audits. These were complemented by 116 audits and 18 worker surveys carried out within Joint Audit Cooperation (JAC). In total, 55 audit non-conformities were closed and 200 new were registered. Major areas of the non-conformities were health and safety, environment and working hours.

Strengthened region Eurasia capacity

We continued working to improve and increase due care capacity in region Eurasia by training and hiring additional local due diligence officers. To establish local auditing capacity for Supplier code audits, training of local auditors was conducted, and local sourcing handbooks were updated to provide harmonized guidance on sourcing practices.

Updated Supplier code

An updated Supplier code was rolled out throughout the group. Changes include more stringent requirements in areas such as human rights and responsible sourcing of minerals. An e-learning course based on the Supplier code will be rolled out to suppliers and sourcing managers in 2019.

DUE CARE PROCESS

Expectations	Pre-qualification	Performance assessment and supplier development		
Requirements	**Due diligence**	**Audits**	**Corrective actions**	**Supplier dialog**
• Supplier code of conduct • Security directives • Prohibited substances ("black and grey lists")	• Supplier self-assessment • Risk categorization • In-depth risk analysis • Information research	• Telia Company audits • JAC audits	• Corrective action plan management	• Supplier training • Follow-up

ENVIRONMENTAL RESPONSIBILITY

Ambitions:

- A structured and science-based approach to assessing and managing the negative environmental impacts of our operations
- Proactively communicate the positive environmental impacts of our products and services

2018 PROGRESS

- ISO 14001 certification of Telia in Estonia, Finland, Lithuania and Sweden. Local certification of Telia in Norway
- Buy-back programs in all core markets, 122,000 devices collected
- 42 tons network equipment reused and resold
- 29.0 (29.9) kWh per subscription equivalent
- 1.0 (1.6) kg CO_2e emissions per subscription equivalent
- Used 931 (822) GWh renewable electricity, 93 (87) percent of electricity consumption in core markets
- Commitment to develop science-based targets

2022 GOALS

- Local companies ready for ISO 14001 management system certification
- 5 percent lower energy consumption per subscription equivalent
- 5 percent lower CO_2e emissions per subscription equivalent
- Implemented processes for buy-back of mobile devices and reuse or resale of network equipment
- Actively participate in research, public policy and debate on the positive environmental impacts of digitalization

2019 PLANNED ACTIVITIES

- Establish emissions base line for the supply chain as part of commitment to science-based targets
- Develop a group-wide energy strategy
- Train employees on sustainable travel (e.g. replacing traveling with virtual tools)

Our approach

This focus area is governed by the *Group policy – Environment*. Environmental requirements on suppliers are outlined primarily in the Supplier code of conduct.

Energy, greenhouse gas (GHG) emissions and waste, particularly electronic waste, are the key environmental impacts we need to manage in our own operations. Most of our energy and waste footprint is connected to running, expanding and maintaining mobile networks and data centers. Our customers and stakeholders expect us to act responsibly by minimizing our negative footprint, and are increasingly interested in understanding how digital services like connected transportation and remote meetings, can help reduce their own impacts.

To ensure continuous improvement, core markets are required to implement the ISO 14001 environmental management system (EMS) or equivalent. Local companies are responsible for EMS implementation, with coordination by the group environmental manager who is responsible for overall goal setting, planning and reporting to Group Executive Management and the Board. Training, either specific or as part of the Code of responsible business conduct training, is carried out locally to meet EMS requirements.

Work during the year

Commitment to science-based targets

To better account for the GHG emissions generated in our value chain, we committed to developing science-based targets. In 2019 we aim to get a better understanding of scope 3 emissions other than business travel on which we already report.

The environmental case for connectivity

The latest findings from a long-term research project by Ericsson and Telia Company, based on a data set collection from the global ICT and entertainment and media sectors including telecom operators covering 40 percent of mobile subscribers and 15 percent of fixed subscribers, were published. The research shows that increasing data volumes are not a catalyst for the sectors' energy consumption and operational GHG emissions. Instead, footprint has flattened out and started to decrease despite the continuous increase in data volumes.

Exponential Climate Action Roadmap
Following the Telia Company/Ericsson study, we were part of compiling "The Exponential Climate Action Roadmap" published at the Global Climate Action Summit in San Francisco in September. The roadmap outlines the global economic transformation required by 2030 to meet the Paris Agreement on climate and highlights the role of digitalization in the transition to a low-carbon economy.

ISO 14001 certification
Parts of or all operations in Estonia, Finland, Lithuania and Sweden are ISO 14001 certified. Additionally, Telia in Norway is certified according to the national standard "Miljöfyrtårn" (Eco-lighthouse). During the year, Telia Carrier and Telia Estonia began implementing the ISO 50001 energy management system.

Renewable electricity
To reduce scope 2 GHG emissions, local companies in core markets use renewable electricity through Guarantees of Origin (GoO). In contracts where we are the tenant or co-host, we strive to influence the electricity contract owner to use renewable electricity. In 2018, we used a total of 931 (822) GWh of renewable electricity which accounted for 93 (87) percent of total electricity consumption in core markets. This represents an abatement of 327 (289) ktons scope 2 CO_2e emissions.

Reducing e-waste
We approach e-waste management from the principle of reuse-reduce-recycle and consider recycling only when equipment can no longer be used.

Buy-back programs, which are also known as take-back or upgrade programs, extend the life of product usage of consumer mobile devices that are often in good working condition. All core markets have buy-back programs in place and during the year, 93,000 (68,000) mobile devices were bought back. Through leasing agreements, Telia Finance took back another 29,000 (31,000) mobile devices, computers and other hardware. The devices are sold to local partners who either wipe the data and resell them or send them to recycling. Recycling partners in all core markets are ISO 14001 certified.

In the second quarter we launched a network equipment reuse/resell program that not only helps reduce cost and e-waste but also generates revenue. Through a partner, surplus mobile network equipment is shipped to a central warehouse, thus reducing local warehouse cost. At the partner's warehouse it is recycled or data wiped and refurbished for further use, either re-allocated to another core market's network or sold to another company. In total, around 42 tons of equipment was reused internally or resold.

Telia Company in Sweden does not conduct any operations subject to environmental permits from authorities according to the Swedish Environmental Code, Chapter 9.

HIGHLIGHT

CROWD INSIGHTS ENABLE SUSTAINABLE COMMUTING

The neighboring cities of Helsinki are Espoo are closely connected, with considerable car commuting between the workplaces in Helsinki and residential areas in Espoo. To improve the traffic situation and support future growth of both cities, the Helsinki Regional Transport Authority (HRT) invested close to EUR 1.2 billion mainly to extend the subway network to Espoo.

Ahead of the launch of the subway line in November 2017, HRT together with Telia Finland Crowd Insights screened millions of trips to identify hot spots for deploying "feeder" bus lines to the subway in Espoo. Already from the start a significant share of commuters from more remote parts of Espoo chose to use the feeder buses and subway instead of cars. Partly as a result of this smart planning, car traffic between Espoo and Helsinki was reduced by 8 percent in the period November 2017 to January 2018.

More cities in Finland are looking at taking a data-driven approach to public transportation planning. This makes Crowd Insights and other data analytics tools key components of sustainable commuting and urbanization in Finland, supporting in particular UN Sustainable Development Goals 11: Sustainable cities and communities and 13: Climate action.

» Online technologies influence the decisions of three billion people daily through e-commerce, search and social media and are at the heart of business and investor decisions. These existing technologies and the companies behind them have the potential to influence whether we live on a +1.5–2°C or +3°C planet.

The Exponential Climate Roadmap

HEALTH AND WELL-BEING

Ambitions:

- Provide a workplace and ways of working that are physically and psycho-socially safe
- Provide the tools and resources needed to meet personal goals and create engagement

2018 PROGRESS	2022 GOALS	2019 PLANNED ACTIVITIES
• Sickness absence rate: 2.5 percent • Lost-time injury frequency: 0.14 (0.37) • No fatal accidents (0) • Local companies in Denmark, Estonia, Finland, Lithuania, Moldova and Norway OHSAS 18001 certified • OHSAS 18001 implemented in Telia Sweden • Health and well-being index: 77 percent	• Local companies ready for ISO 45001 management system certification • All employees covered by regular performance management approach • Sickness absence rate lower than national industry average • 80 percent "Health and well-being index" score in employee engagement survey • Implemented processes for supplier reporting on occupational health and safety performance and related corrective actions	• Transition first companies to ISO 45001 • Roll-out a group-level supplier incident reporting process • Develop the health and well-being index and take action on the 2018 survey results

Our approach

This focus area is governed by the *Group policy – People.* Requirements on suppliers are outlined in the Supplier code of conduct.

We believe that a healthy and active work environment helps create employee engagement. Our group-wide approach to health and well-being focuses on:

- Promoting good health and safe work conditions
- Preventing occupational risks and ill health
- Rapidly reacting to injuries and unsafe conditions

Our employees generally work in offices and retail environments where health risks relate mainly to psycho-social well-being and ergonomics. The major health and safety risks such as working at heights or doing electrical work relate to network construction and maintenance, which are generally carried out by contractors.

To lower these risks, we include the Supplier code of conduct in all construction, installation and maintenance agreements, promote open communication and reporting from suppliers and carry out on-site audits. We currently have local channels for suppliers to report incidents and accidents while working for us and we are working to implement a common tool for group-wide incident reporting.

Local companies use a common health and well-being model that aims to create a safe workplace and promote work-life balance. Among other things, the model includes:

- A continuous and data-driven improvement approach to occupational health and safety through the use of OHSAS 18001 or ISO 45001 management systems
- Preventive actions such as risk assessments and employee surveys
- Health and well-being as part of regular check-ins in YouFirst, the group-common approach to employee performance and development

Work is coordinated by the group health and well-being manager who reports progress to Group Executive Management and the Board. All local companies have one or several health and well-being coordinators who report to the local management team and the group manager.

Work during the year

Policy revision

During the year, the Group policy – Occupational Health and Safety was merged with the Group policy – People, to govern all requirements and expectations on employees and on Telia Company as an employer in one policy. The policy and related instructions include safety measures and requirements for our employees, contractors and sub-contractors regardless of work environment.

OHSAS 18001 certification

During the year, Telia Sweden implemented OHSAS 18001. At year-end, local companies (except Telia Sweden) in core markets as well as Moldcell in Moldova were certified according to OHSAS 18001. In the coming years, we will transition to the new ISO 45001 management system.

Measuring health and well-being

In 2018, a new health and well-being index was created in the employee engagement survey, Purple Voice. The additional questions focus on work conditions and recovery, work demands and work environment. The index score was 77 percent, which served as baseline for setting the 2022 goal of 80 percent. The scores were positive overall, with most areas scoring around ten percentage points better than the comparable external benchmark. Local health and well-being coordinators will support team leaders to identify and implement improvement actions, particularly related to recovery between periods of high workload.

Focus on sickness absence

We continued to see the consistently highest sickness absence rates in customer support functions including call centers. Local health and well-being coordinators continued to work with these teams by supporting the team leaders with better visibility on data and focusing on the physical work environment. In early 2018, we implemented a new employee management system that provide team leaders with instant updated statistics for tracking sickness absence.

HUMAN RIGHTS

Our responsibility and approach

Telia Company recognizes its responsibility and is committed to respecting and supporting human rights throughout its operations.

Our approach is to know, show and act

Know: By being aware of our human rights impacts, risks and opportunities, applying due diligence and using human rights impact assessments.
Show: By making assessments and other information public in corporate reporting and through other means such as transparency regarding government requests.
Act: By using insights to prevent and address adverse human rights impacts.

Grievance and remedy

We strive to promote and ensure channels for transparent and open communication where all internal and external stakeholders can raise concerns without fear of retaliation or reprisal and to provide fair investigation and grievance mechanisms. We will seek to provide for or cooperate in human rights remedy. Telia Company's grievance mechanism Speak-Up Line is available to both employees and external stakeholders and includes human rights issue types. For more information on the Speak-Up Line and cases during 2018, see Corporate Governance, section Group-wide governance framework and Note S13 to the Sustainability Notes.

Policy commitments

Our Statement of materiality references a number of international guidelines on human rights and establishes our intention to engage with stakeholders in a way that ensures the highest degree of ethical business practices and behavior. Read more in Corporate Governance Statement, section Statement of materiality and significant audiences.

Our human rights approach is summarized and governed by the *Group policy – Human rights*, adopted by the Board in May. The policy clarifies our human rights commitments by referencing commitments in other group policies governing our Responsible business focus areas. It also added commitments to e.g. grievance mechanism and remedy to explicitly include human rights as well as conducting regular human rights due diligence, training on human rights issues, upholding human rights in the value chain and recognizing, respecting and supporting children's rights.

Commitments related to human rights as part of the Responsible business focus areas are further outlined in the Code of responsible business conduct. All employees are required to be familiar with the contents of the Code and are planned to undergo training. Human rights requirements for suppliers are covered in the Supplier code of conduct which is mandatory in all contracts.

These policy commitments apply to Telia Company, its subsidiaries and joint operations as their own binding commitments. Telia Company strives to fully adopt the

HIGHLIGHT

HUMAN RIGHTS AS PART OF ETHICAL APPROACH TO AI

To contribute to artificial intelligence (AI) as a tool to extend and complement human abilities, rather than lessen or restrict them, Telia Company has published Guiding Principles on Trusted AI Ethics. The principles provide guidance to Telia Company's operations and employees in design, implementation, testing and follow-up of AI solutions.

OUR GUIDING PRINCIPLES ON TRUSTED AI ETHICS

Responsible and Value Centric	Human Centric	Rights Respecting
Control	Accountable	Safe and Secure
Transparent and Explainable	Fair and Equal	Continuous Review and Dialogue

A basic inclusion in these principles is the link to our commitment to respect human rights. The third principle – Rights respecting – states that:

"We aim to know and show how we respect human rights. We seek to identify, prevent, mitigate and account for how we address our impacts on human rights and how we manage human rights risks and opportunities, such as privacy, children's rights and anti-discrimination. Aggregation and use of data shall always be clear and serve a useful purpose towards our customers and employees."

Our human rights due diligence processes cover both adverse human rights impacts that we may cause or contribute to through our activities, or which we may be directly linked to. We will need to ascertain that assessments of actual and potential human rights impacts are part of our processes for development and deployment of AI.

policy commitments in all operations over which we have management control.

In developing the policy, we engaged with external stakeholders and received feedback which was partially incorporated in the policy.

SDGs and human rights

The UN Sustainable Development Goals (SDGs) provide a lens for us to put our human rights risks, opportunities and work into context. Risks and opportunities include:

RISKS	OPPORTUNITIES
SDG 8: Decent work and economic growth – poor working conditions in the supply chain	**SDG 5:** Gender equality – our work to create gender balance and eliminate unconscious bias against girls and women as technology professionals
SDG 12: Responsible production and consumption – the social and environmental life cycle impact of consumer electronics, particularly in production and waste management	**SDG 13:** Climate action – mitigating climate change by reducing our climate impact and helping customers reduce theirs
SDG 16: Peace, justice and strong institutions – violation of the right to privacy and freedom of expression through surveillance	**SDG 16:** Peace, justice and strong institutions – enabling basic internet access
	SDG 17: Partnerships for the goals – communicating on our work, and encouraging industry peers and other companies, to support and promote children's rights

Both risks and opportunities are generally managed through the work within the Responsible business focus areas. For more information on how we manage risks related to salient human rights issues, see Board of Directors' Report, section Risks and uncertainties.

Organization

Overall responsibility of human rights, including policy commitments, lies with the Board. On the group level, work is coordinated by a cross-functional working group that facilitates policy coordination, shared learning, analysis of human rights initiatives and developments, business integration and alignment of efforts and outreach to decision-makers and other stakeholders, among other things.

Human rights matters are reported regularly either specifically or as part of risk reporting to the group Governance, Risk, Ethics and Compliance (GREC) forum, or as part of reporting on the Responsible business focus areas to Group Executive Management and the Board.

Local companies with support from group functions are responsible for communicating, implementing and ensuring compliance with human rights-related policies. They are also responsible for ensuring that employees and relevant contractors, third parties and suppliers have sufficient training to adhere to the commitments and are aware of whistle-blowing mechanisms in place for reporting actual or suspected human rights violations.

Human rights impact assessments

We undertake human rights due diligence and more in-depth human rights impact assessments (HRIAs) as appropriate to better understand local and group-level impacts, risks and opportunities.

In 2015, Telia Company commissioned the independent non-profit organization BSR to carry out HRIAs of the companies in region Eurasia as part of ensuring local human rights due diligence and a responsible divestment process in the region. BSR undertook these HRIAs between October 2015 and May 2016 using a methodology based on the UN Guiding Principles on Business and Human Rights. We further commissioned BSR to carry out HRIAs for operations in Lithuania and Sweden, which were finalized in 2016. Based on the HRIA reports, action plans for local companies were developed. More information on the BSR HRIAs, including findings and recommendations, is available in the Annual and Sustainability Report 2016 and at www.teliacompany.com/en/sustainability/responsible-business/human-rights/

During the year we made progress on BSR's recommendations for Telia Sweden, including advancing our work with children's rights. Actions taken by local companies in region Eurasia included the launch of parent control services, supporting internet safety awareness campaigns and carrying out equal pay reviews.

Salient issues

Telia Company has formalized most of its work on salient issues in the Responsible business focus areas. While each focus area has a human rights element, some have larger impacts or risks. Below is a summary of the key human rights topics, the most salient issues and our response and stakeholder engagements within these focus areas.

The topics, issues, responses and stakeholder collaboration did not change significantly during the year. Other or new human rights issues discussed and escalated to senior management and the Board during the year not specifically covered by the Responsible business focus areas included diversity and inclusion, non-discrimination and artificial intelligence (AI).

All focus areas are considered relevant for each of Telia Company's markets. The external context accentuates certain issues in certain regions, e.g. anti-corruption and surveillance issues in markets where public indices show a high degree of corruption and a low degree of freedom of expression.

Key topics and salient issues need to be managed also in relevant stages of the acquisition or divestment of companies. For more information on human rights due diligence in acquisitions and divestments, see Note S18 to the Sustainability Notes.

AREA	KEY TOPICS AND MOST SALIENT ISSUES	OUR RESPONSE AND STAKEHOLDER ENGAGEMENT
Anti-bribery and corruption	• Risk mitigation and remediation of corruption and unethical business practices • Corruption risks related to land rights and site acquisitions • Most salient issue: Correlation between corruption and risks to human rights	• Robust anti-bribery and corruption program • Continuous review of standards and controls • Corruption risk assessments of acquiring mobile network sites
Children's rights	• Understanding how children's rights are impacted by our operations • Fighting child sexual abuse material (CSAM) online • Most salient issue: Availability of CSAM on the internet	• Implementation of the Children's Rights and Business Principles • Actively blocking CSAM in internal and external networks • World Childhood Foundation • Alliance to better protect minors online
Customer privacy	• Continue to meet GDPR requirements • Most salient issue: Customer privacy and AI solutions	• All legal customer privacy work managed in one function covering all core markets and group functions • Governance work such as reviewing and assessing privacy processes • Providing proactive privacy advice ensuring compliant and customer friendly solutions for new advanced services

Freedom of expression and surveillance privacy	• Measures to counter terrorism, hacking and hate speech
	• Transparency on government surveillance powers and requests including:
	  • Lawful interception
	  • Governments' direct access to our networks and systems
	  • Mandatory data retention for law enforcement
	• Most salient issue: Government surveillance of individuals through direct access to networks and systems
		• Group-common process for escalation and challenging, including transparency of unconventional requests
		• Law Enforcement Disclosure Reporting as to conventional requests and legislation on direct access and data retention
		• Global Network Initiative (GNI)

Responsible sourcing	• How suppliers meet basic requirements, particularly in health and safety • Safe third-party customer data handling • Most salient issue: Health and safety	• Supplier code of conduct and specific supplier IT and Security directives • On-site audits and supplier training • Joint Audit Cooperation (JAC) • The Global Deal
Employer practices	• Employee, management and Board diversity • Health and well-being • Awareness and processes enabling non-discrimination and equal opportunity • Most salient issue: Discrimination	• Clear policy statement on desired behavior • Employee engagement surveys with follow-up and action plans based on findings • Employee and manager training in unconscious bias • Cooperation with employee representatives and labor organizations • Membership in local diversity charters

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 is used to aggregate and categorize risks identified across the organization with the risk management framework.

TELIA COMPANY'S RISK UNIVERSE

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

Risk management is an integrated part of Telia Company's business planning process and monitoring of business performance. Risks and uncertainties that could specifically be impacted by Telia Company's operations include, but may not be limited to the following:

Strategic and emerging risks

Risk	Description	Mitigating activities
Investments in business transformation and future growth	Telia Company is currently investing in business transformation and future growth through, for example, initiatives to increase competitiveness and reduce cost as well as to improve capacity and access. In order to attract new customers, Telia Company has previously engaged in start-up operations and may decide to do so also in the future, which would require additional investments and expenditure in the build-up phase. Further, Telia Company normally has to pay fees to acquire new telecom licenses and spectrum permits or to renew or maintain existing ones. **Potential impact** Success in business transformation and growth will depend on a variety of factors beyond Telia Company's control: the cost of acquiring, renewing or maintaining telecom licenses and spectrum permits, the cost of new technology, availability of new and attractive services, the costs associated with providing these services, the timing of their introduction, the market demand and prices for such services, and competition. Failing to harvest synergies from acquisitions and reach the targets set for business transformation, customer attraction and future growth may negatively impact the results of operations.	• Cost savings and business transformation programs ensuring competitive cost levels as well as ensuring capabilities for future growth • Recent acquisitions: signing an agreement to acquire Bonnier Broadcasting, and the acqusition of Get and TDC in Norway

Strategic and emerging risks

Risk	Description	Mitigating activities
Emerging markets	In September 2015, Telia Company announced its decision to reduce the presence in, and over time leave, region Eurasia where significant investments had been made in Kazakhstan, Azerbaijan, Uzbekistan, Tajikistan, Georgia, Moldova, Nepal, and Afghanistan. Telia Company had also made significant investments in Russia and Turkey. Historically, the political, economic, legal and regulatory systems in these countries have been less predictable than in developed markets. The nature of these markets, including potential government intervention, combined with the fact that Telia Company's assets are not fully owned and there are undertakings and obligations in various shareholder agreements, reputational issues regarding the assets and fewer potential buyers than in more mature markets, makes the complexity of these disposals processes high. **Potential impact** The political situation in these emerging markets may remain or become increasingly unpredictable, even to the extent that Telia Company will be forced to exit a country or a specific operation within a country. There may be unexpected or unpredictable litigation cases under civil or tax legislation. Foreign exchange restrictions or administrative issues may effectively prevent Telia Company from repatriating cash, e.g. by receiving dividends and repayment of loans, or from selling its investments. Another risk is the potential establishment of foreign ownership restrictions or other formal or informal possible actions against entities with foreign ownership. Such negative developments or weakening of the local economies or currencies may have a negative effect on Telia Company's results of operations. Turkey experienced significant financial turbulence with material decreased value of the Turkish lira as a consequence. The nature of these markets with uncertainties and complexity may affect the sales process regarding both expected outcome and timing. The sanctions against the Russian Federation may negatively affect the Russian ruble and the Russian economy, which in turn may impact countries whose economies are closely linked to the Russian economy, such as a number of region Eurasia countries.	• A decision has been made to dispose our operations in Eurasia. The disposal process is ongoing and all markets except Moldova have been exited, significantly reducing this risk • Companies disposed to date: Ncell April 2016, Tcell April 2017, Geocell January 2018, Azercell March 2018, Ucell December 2018, Kcell December 2018 • In 2017 Telia Company disposed the Russian associated company MegaFon and reduced the ownership in the Turkish associated company Turkcell • Efforts to ensure tax, legal and regulatory compliance at local level, with compliance oversight at regional and group level

Financial risks

Risk	Description	Mitigating activities
Associated companies and joint operations	Telia Company conducts some of its activities through associated companies, the major one being Turkcell in Turkey, in which Telia Company does not have full ownership or controlling interest and are due to that not in full control but still have significant influence over the conduct of these businesses. Telia Company also has holdings in LMT and Lattelecom, the leading Latvian mobile and fixed operators. In turn, our associated companies own holdings in numerous other companies. Under the governing documents for certain of these associated companies, Telia Company's partners have control over or share control of key matters such as the approval of business plans and budgets, and decisions regarding timing of payments of decided dividends, as well as protective rights in matters such as approval of dividends, changes in the ownership structure and other shareholder related matters. The risk of actions outside Telia Company's or its associated companies' control and adverse to their interests is inherent in associated companies and jointly controlled entities. **Potential impact** The financial performance of these associated companies may have a significant impact on Telia Company's short- and long-term results.	• Monitoring of the associated companies' performance • Active board work in our associated companies, driving issues of key importance to Telia Company • Continuous work to solve the deadlock between the main shareholders of Turkcell • During 2017 Telia Company disposed its ownership in MegaFon and reduced its shareholding in Turkcell
Impairment losses and restructuring charges	Factors generally affecting the telecom markets as well as changes in the economic, regulatory, business or political environment may negatively change management's expectation of future cash flows attributable to certain assets. Telia Company may then be required to recognize asset impairment losses, including but not limited to goodwill and fair value adjustments recorded in connection with historical or future acquisitions. **Potential impact** Significant adverse changes in the economic, regulatory, business or political environment, as well as in Telia Company's business plans, may affect Telia Company's financial position, and results of operations, impairment losses, restructuring charges, which may adversely affect Telia Company's ability to pay dividends.	• Management constantly reviews and refines the business plans, and may make exit decisions or take other actions in order to effectively execute on business strategy
Competition and price pressure	Our industry is undergoing an historical transformation and is subject to new and substantially increasing competition and price pressure. Transition to new business models in the ICT industry may lead to structural changes and different competitive dynamics. **Potential impact** Failure to anticipate and respond to industry dynamics, and to drive a change agenda to meet mature and developing demands in the marketplace, may affect Telia Company's customer relationships, service offerings and position in the value chain. Competition from a variety of sources, including current market participants, new entrants and new products and services, may also adversely affect Telia Company's results.	• Actively monitor changes in customer and market behavior to create and execute mitigation plans • Business transformation programs and new business initiatives in line with our business strategy • Continuously exploring opportunities close to our core services to create new revenues

For information on management of capital and credit, liquidity, currency, interest rate and refinancing risks as well as insurable risks, see Note C26. Pension obligation risks are described in Note C21.

Operational and societal risks

Risk	Description	Mitigating activities
Customer service and network quality	Telia Company's ability to deliver high-quality, secure services and networks is fundamental to our customers and critical for our commercial success. Cyber-attacks aimed directly at Telia Company and our customers are becoming more sophisticated and threaten the loss of data or damage to our equipment or infrastructure. Service interruption can also result from physical threats like extreme weather conditions, logical threats such as equipment failure or disruptions in our supply chain. **Potential impact** Failure to meet our customers' quality requirements and expectations may have an adverse impact on customer retention and may also result in missed opportunities to grow and stay ahead of our competition. If our protective measures fail to prevent or contain a major continuity or security incident we might incur regulatory fines, contract penalties, significant financial loss, damage to our reputation and loss of market share.	• Continuous investment in our cyber defence program including development of cyber security skills and improved technology and processes for scanning, monitoring and logging to identify intrusion and detect anomalous data traffic • Ensuring network resilience through a combination of sound risk management, business continuity planning and incident management • A group wide crisis management organization handles unexpected and critical incidents negatively affecting operations • Continuous work to improve internal as well as outsourced operational processes to fulfil customer expectations • Customer satisfaction is continuously measured both to improve understanding of, and fulfil, customers' expectations
Customer privacy	Ensuring the privacy of our customers' data is vital for our business. Vast amounts of data are generated in and through Telia Company's services and networks and we have a responsibility to protect this data from misuse, loss, unauthorized disclosure or damage. New ways of connecting and data-driven business models increase the complexity of understanding and retaining control over how data is collected and used. **Potential impact** Actual or perceived issues related to data network integrity, data security and customer privacy might lead to adverse impact on the privacy rights of users which may lead to an unfavorable perception of how Telia Company handles these matters, which in turn may impact business. Not meeting national and EU legislation may cause significant financial penalties.	• Implementation of the EU General Data Protection Regulation (GDPR) • Mandatory training on data security and privacy awareness for all employees • Privacy officers appointed throughout the organization
Freedom of expression and surveillance privacy	In the telecommunications industry, there is a high risk for the freedom of expression and surveillance privacy of users. Risks relate to how national laws and regulations on surveillance of communications or shutdown of networks can be overly broad in ways that violate human rights, and complicity by ICT companies in violations linked to major and problematic government requests. Telia Company may be legally required to comply and, like other operators, only have limited possibility to investigate, challenge or reject such (often strictly confidential) requests. **Potential impact** Actual failure in respecting freedom of expression and privacy may first and foremost damage rights holders by limiting their freedom of expression and surveillance privacy. Actual or perceived failure may also damage the perception of Telia Company, leading to exclusion from procurement or institutional investment processes. Network shutdowns and blocking limits core business, which may negatively affect revenues.	• Building leverage to influence national laws and regulations with peer companies and joining efforts with multi stakeholder Global Network Initiative (GNI) • Transparent reporting on statistics of day-to-day conventional authority requests (Law Enforcement Disclosure Reports) and of unconventional requests ("major events")

Operational and societal risks

Risk	Description	Mitigating activities
Protection of children	Children and young people are active users of Telia Company's services. However, children are particularly vulnerable to online threats such as cyber bullying and inappropriate content. Telia Company's services may also be used for distributing or accessing child sexual abuse material (CSAM). **Potential impact** Telia Company may indirectly be complicit in violating children's rights if products and services as well as network filters are not properly assessed. Actual or perceived failure to create a safe online experience for children and young people may negatively affect brand perception, incurring loss of business.	• Blocking CSAM and implementing systems for detecting and reporting CSAM in internal IT systems • Regular follow-up of our performance against a number of industry self-regulatory initiatives in the area of protection of children online • Understanding children's perspectives on online life through a Children's Advisory Panel (CAP) • Assessing impact on children's rights in all relevant business activities
Ability to recruit and retain skilled employees	People are at the core of everything we do at Telia Company and their talents enable us to execute on our strategy. The demand and competition for talents in the ICT area is getting increasingly tougher. In order to secure the right talent Telia Company needs to attract, recruit, and retain highly skilled employees. **Potential impact** Failure to recruit and retain necessary skilled employees may impact the ability to develop new or high growth business areas and thereby deliver on the strategy.	• Attract talents through strong employer branding • An efficient global recruitment process • Providing internal growth opportunities • Continuous improvements and activities resulting from follow up of yearly employee survey
Corruption and unethical business practices	Some of the countries in which Telia Company operates are ranked as having high levels of corruption. The telecommunications industry is particularly susceptible to a range of corrupt practices as it requires government approvals and necessitates large investments. Key areas where the threat of corruption is significant include the licensing process, market regulation and price setting, the supply chain, and third-party management and customer services. **Potential impact** Actual or perceived corruption or unethical business practices may damage the perception of Telia Company and result in financial penalties and debarment from procurement and institutional investment processes. Related fraud may significantly impact financial results. Ongoing disposal processes may in themselves pose risks of corruption, fraud and unethical business practices. Corruption is also linked to higher risks for human rights violations.	• Anti-bribery and corruption (ABC) program, based on Telia Company's assurance framework, implemented in all parts of the organization • "Responsible exit" plan for region Eurasia and handover containing actions to ensure continued third-party due care activities to prevent, detect and remedy ABC risks • Education and communication efforts on ABC to targeted audiences, specifically high-risk roles • Review standards and controls, and corruption risk assessments of acquiring cell tower sites

Operational and societal risks

Risk	Description	Mitigating activities
Responsible sourcing	Telia Company relies on a vast number of suppliers and sub-suppliers, many of which are located in countries or industries with challenges in upholding ethical business practices, human and labor rights, health and safety and environmental protection. Despite efforts to conduct due diligence and onsite audits, suppliers and sub-suppliers may be in violation of Telia Company's supplier requirements and/or national and international laws, regulations and conventions. **Potential impact** Failure or perception of failure of Telia Company's suppliers to adhere to these rules and regulations may damage customers' or other stakeholders' perception of Telia Company. Violations of laws and regulations puts suppliers and sub-suppliers at risk of needing to limit or terminate their operations, which may negatively affect how Telia Company is able to deliver its services. Severe violations may lead to Telia Company needing to seek new suppliers, which may negatively impact sourcing costs and delivery times.	• A standardized risk-based supplier due diligence process implemented and performed prior to signing new or renewed contract • Supplier code of conduct, which stipulates our expectations on sustainable business practices, is included in new supplier contracts • Security directives are included in contracts where supplier handle customer data
Environment and climate change	Telia Company's own operations and its value chain generate negative environmental impacts, particularly greenhouse gas emissions and electronic waste. There is increasing pressure from customers, policy-makers and others to manage these negative impacts through e.g. increased resource efficiency, using renewable energy and adopting circular business models. Climate change mitigation and adaption measures become increasingly important to implement as the world is not on a trajectory to sufficiently limit the activities that exacerbate climate change, and the effects of climate change such as more extreme weather becomes increasingly impactful. Natural resource scarcity increases industry competition particularly over rare minerals used in consumer and network hardware. **Potential impact** Natural resource scarcity may lead to increasing cost of network equipment and other hardware such as mobile devices. Increasing energy prices and greenhouse gas emissions taxation may lead to higher operational expenses. Climate change adaption and mitigation activities such as additional capacity and redundancy to ensure network quality because of more extreme weather may drive the need for additional investments.	• Operational medium-term goals related to reducing e-waste and greenhouse gas emissions, and increase energy efficiency • ISO 14001 environmental management system implementation in the Nordic and Baltic markets • Programs for buy-back of consumer hardware and reuse/resale of network equipment • Requirements on suppliers to adopt a structured management approach to reducing negative environmental impact • We purchase over 90 percent renewable electricity in the Nordic and Baltic markets

Operational and societal risks

Risk	Description	Mitigating activities
Labor practices	The Nordic and Baltic countries where most employees are employed are considered to have a very low risk of labor rights violations. Telia Company employees work mainly in office or retail environments where health and safety risks relate mainly to psychosocial well-being and ergonomics. There are increasing expectations on active measures to increase diversity, particularly gender diversity, and to ensure non-discrimination and equal opportunity for all employees. Restructuring and lay-offs may have significant impacts on affected individuals. **Potential impact** Failure to maintain a healthy and safe work environment may lead to increasing sickness absence and more accidents and injuries, incurring increased costs and potential loss of critical competence. Failing to maintain constructive relations with labor unions, employee representatives etc. may lead to strikes or other conflict measures. Discrimination, harassment or other violations of labor rights may lead to fines and will likely have a negative impact on employee engagement and Telia Company's reputation as an employer.	• Implementation of OHSAS 18001 and ISO 45001 health and safety management system • All employees are free to join labor unions • European Work Council (EWC) established in the Nordic and Baltic markets • Additional non-statutory parental leave and lay-off compensation • Measures to increase diversity, for example training to eliminate unconscious bias for managers and employees working with recruitment, and gender pay-gap reviews

Legal and regulatory risks

Risk	Description	Mitigating activities
Regulation and licenses	Telia Company operates in a highly regulated industry, and regulations impose significant limits on Telia Company's flexibility to manage its business. In a number of countries, Telia Company entities are designated as a party with significant market power in one or several telecom submarkets. As a result, Telia Company is required to provide certain services on regulated terms and prices, which may differ from the terms on which it would otherwise have provided those services. Effects from regulatory intervention may be both retroactive and prospective. **Potential impact** Changes in regulation or government policy affecting Telia Company's business activities, as well as decisions by regulatory authorities or courts, including granting, amending or revoking of telecom licenses and spectrum permits, may adversely affect Telia Company's possibility of carrying out business and subsequently results of operations.	• Proactive work in shaping the new EU Telecom Framework, by sharing detailed solutions with relevant stakeholders within the EU • Continuously exploring options to mitigate increased costs and loss of revenues due to regulatory changes

Legal and regulatory risks

Risk	Description	Mitigating activities
Review of Eurasian transactions	On September 21, 2017, Telia Company announced that a global settlement had been reached with the US Department of Justice (DoJ), Securities and Exchange Commission (SEC) and the Dutch Public Prosecution Service (Openbaar Ministerie, OM) relating to previously disclosed investigations regarding historical transactions in Uzbekistan. As part of the settlements, Telia Company agreed to pay fines and disgorgements to the SEC, DoJ and OM in an aggregate amount of USD 965 million (SEK 7.7 billion at that point in time), whereof USD 757 million (SEK 6,129 million) were paid during the third quarter. The disgorgement amount will be offset by up to USD 208.5 million against any future disgorgement obtained by the Swedish Prosecutor. Telia Company has committed to continue to cooperate with the authorities in any other related investigations. Further, Telia Company has committed to during a three-year period report any potential corruption and to continue to enhance its compliance program and internal controls. The global settlement that has now been reached brings an end to all known corruption related investigations or inquiries into Telia Company by the Dutch and US authorities. Also, in May 2016 the Swedish prosecutor made a public statement that it had decided not to investigate any other of Telia Company's operations in Eurasia. There is of course always a risk that actions may be taken by the police, prosecution or regulatory authorities in other jurisdictions against Telia Company's operations or transactions, or against third parties, whether they be Swedish or non-Swedish individuals or legal entities, and that this might directly or indirectly harm Telia Company's business, results of operations, financial position, cash flows or brand reputation. On September, 22, 2017, the Swedish Prosecution Authority announced that it has decided to prosecute a number of former Telia Company employees and to initiate legal proceedings against Telia Company for a disgorgement. The disgorgement amount in the Swedish proceedings is already included in the global settlement of USD 965 million that Telia Company has reached with US and Dutch authorities. For more information, see section Events after the reporting period in Note C4.	• Telia Company has reached a global settlement with the US Department of Justice (DoJ), Securities and Exchange Commission (SEC) and the Dutch Public Prosecution Service (Openbaar Ministerie, OM) relating to previously disclosed investigations regarding historical transactions in Uzbekistan. This brings an end to all known corruption related investigations or inquiries into Telia Company by the Dutch and US authorities • Telia Company will fully comply with all of its obligations under the global settlement and will continue to cooperate with the authorities and enhance its compliance program and internal controls • The disgorgement amount in the pending Swedish proceedings is already included in the global settlement that Telia Company has reached with US and Dutch authorities • A decision has been made to dispose our operations in Eurasia. The disposal process is ongoing. Companies disposed to date: Ncell April 2016, Tcell April 2017, Geocell January 2018, Azercell March 2018, Ucell December 2018, Kcell December 2018

CORPORATE GOVERNANCE STATEMENT

STATEMENT OF MATERIALITY AND SIGNIFICANT AUDIENCES

Telia Company AB is registered in Sweden and is bound by the Swedish Companies Act (2005:551). The act requires the Board of Directors to govern the company in a way that is profitable and creates value for its shareholders. It is Telia Company's firm belief that the best way of ensuring sustainable growth and profitability is integrating sustainable, responsible business practices into all parts of business and strategy, to create long-term shared value for the company, its stakeholders and society.

Telia Company has adopted a stakeholder-based approach to identify and manage the most material business aspects, including related risks and opportunities. The approach involves engaging with significant stakeholder groups to understand Telia Company's current and future impact on its stakeholders, the environment and society. Material aspects guide how Telia Company develops and drives its business strategy, including how the company contributes to the fulfillment of the UN Sustainable Development Goals. Telia Company monitors and discloses the progress on these material aspects through this combined Annual and Sustainability Report.

Significant stakeholder groups include:

- Consumers
- Business customers
- Employees
- Shareholders and investors
- Suppliers and partners
- Society

The Annual General Meeting is the primary forum for shareholder engagement. Telia Company continuously engages with other stakeholder groups in many ways.

Telia Company is committed to a number of international guidelines on human rights, labor rights, anti-corruption and environmental responsibility. These include:

- The UN Universal Declaration of Human Rights
- The core conventions of the International Labour Organization (ILO)
- The OECD Guidelines for Multinational Enterprises
- The UN Global Compact
- The UN Guiding Principles on Business and Human Rights
- The Children's Rights and Business Principles

These guidelines form the foundation of the Code of Responsible Business Conduct which is approved by the Board. The requirements set by the Code, which go beyond legal compliance and apply to all employees, lay out how to engage with stakeholders in a way that ensures the highest degree of ethical business practices and behavior.

CORPORATE GOVERNANCE

This Corporate Governance Statement was adopted by the Board of Directors at its meeting on March 13, 2019. It was prepared according to the Swedish Corporate Governance Code and the Swedish Annual Reports Act and has been examined by the external auditors. The Statement presents an overview of Telia Company's corporate governance model and includes the Board's description of the internal control environment and risk management regarding financial reporting.

It is the opinion of the Board that Telia Company in all respects complied with the Swedish Corporate Governance Code during 2018. Further, there was no infringement of applicable stock exchange rules and no breach of good practice on the securities market reported by the Nasdaq Stockholm Disciplinary Committee or the Swedish Securities Council.

Updated information required by the Swedish Corporate Governance Code is available at: www.teliacompany.com/en/about-the-company/corporate-governance/ (Information on the Telia Company website does not form part of this Statement).

GOVERNING BODIES

Telia Company's main governing bodies are:

- The Shareholders at the General Meeting
- The Board of Directors
- The CEO, assisted by Group Executive Management

SHAREHOLDERS

Telia Company is a Swedish public limited liability company and is bound by the Swedish Companies Act, the Nasdaq Stockholm Rule Book for Issuers, the Swedish Corporate Governance Code and the company's Articles of Association. The Annual General Meeting is the company's highest decision-making forum where the owners exercise their shareholder power.

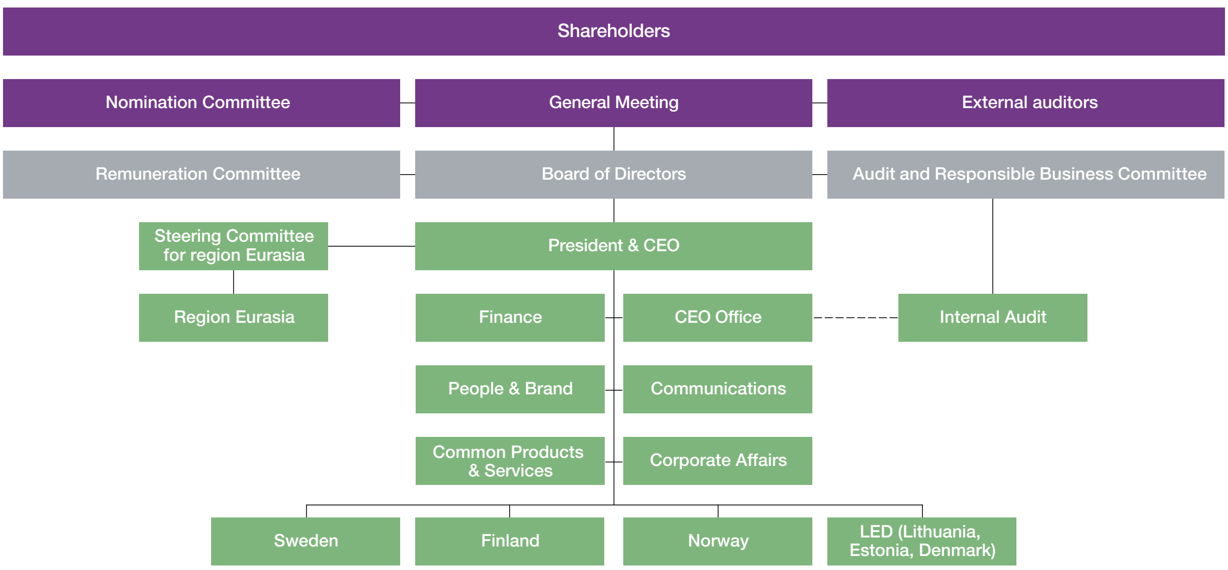
For further information see: Swedish Companies Act (2005:551), Annual Reports Act (1995:1554), Securities Market Act (2007:528) at www.riksdagen.se/en, www.government.se – Nasdaq Stockholm (issuer rules and surveillance) at www.business.nasdaq.com/list/listing-options/European-Markets – Swedish Corporate Governance Code and specific features of Swedish corporate governance at www.corporategovernanceboard.se.

Telia Company has one type of shares. Each share represents one vote at the Annual General Meeting. As of December 31, 2018, Telia Company had 483,356 shareholders.

The Swedish State is the largest shareholder, owning 37.3 percent of total shares at year-end 2018. For companies with State ownership, the Swedish Government has issued an ownership policy, which sets forth requirements related to, inter alia, responsible business, diversity and gender balance. In companies where the State does not have a majority ownership, the State acts in dialogue with other owners to promote application of the policy.

The Telia Company share is listed on Nasdaq Stockholm and Nasdaq Helsinki. For more information on the Telia Company share and the shareholder structure, see the Board of Directors' Report.

TELIA COMPANY'S GOVERNING BODIES



Annual General Meeting 2018

The Annual General Meeting 2018 was held in Stockholm on April 10, 2018, and decided, among other issues, on the following:

- Approval of the income statement and balance sheet
- Discharged the members of the Board and CEO from liability
- Composition of the Board
- Election of auditors
- Composition of the Nomination Committee
- Appropriation of earnings
- Remuneration policy for the executive management
- Long-term incentive program for key employees
- Authorization for the Board to decide on repurchase of the company's own shares, within certain limits, and transfer of the same shares

Telia Company's Articles of Association are available at: www.teliacompany.com/en/about-the-company/corporate-governance/articles-of-association/, and AGM minutes and related documents at: www.teliacompany.com/en/investors/annual-general-meeting/ (Information on the Telia Company website does not form part of this Statement)

NOMINATION COMMITTEE

Telia Company's Nomination Committee shall consist of representatives of the four largest shareholders in terms of votes at the turn of the month before the notice of the Annual General Meeting and who also wish to participate in the nomination process ("Nominating Shareholders"), and the Chair of the Board. The members of the Nomination Committee carefully consider potential conflicts of interest before accepting the assignment. The Nomination Committee presently consists of:

- Daniel Kristiansson, Chair (the Swedish State)
- Erik Durhan (Nordea Funds)
- Jan Andersson (Swedbank Robur Funds)
- Anders Oscarsson (AMF and AMF Funds)
- Marie Ehrling, Chair of the Board

In accordance with its instruction as adopted by the Annual General Meeting, the Nomination Committee shall:

- Propose the number of Board members elected by the Annual General Meeting
- Nominate the Chair, the Vice-Chair and other members of the Board
- Propose the Board remuneration that is divided among the Chair, the Vice-Chair and other members, and remuneration for serving on committees
- Nominate the Chair of the Annual General Meeting
- Nominate the external auditors and propose remuneration payable to the auditors
- Nominate members of the Nomination Committee until the next Annual General Meeting

The Nomination Committee performs interviews and receives information from the Chair of the Board, other board members, including employee representatives, and the CEO on internal work of the Board, Telia Company's position and strategic direction, and other relevant circumstances. Based on this information, the Nomination Committee assesses the functioning of the Board and the competences needed in the Board as a whole. The Nomination Committee has concluded that competences currently needed are experiences from:

- The telecommunications industry and industries closely related to it
- Digitalization
- Relevant markets
- Consumer oriented operations and markets
- Sustainability work
- Board work in listed companies
- Work in executive positions
- Structural changes and change processes
- Finance

On the basis of these competence needs, the Nomination Committee evaluates the competences of the present board members and the composition of the Board. Taking into account the competences needed in the future, diversity, the gender balance on the Board, the competences of present board members and the present board members' availability for re-election, the Nomination Committee nominates board members to the Annual General Meeting.

The Nomination Committee has reported that it complies with the provisions of the Swedish Corporate Governance Code and that it intends to report its activities on the company's website. In its deliberations, the Nomination Committee has specifically discussed the Corporate Governance Code's requirements on diversity and equal gender balance in the Board. In its work, the Nomination Committee applies rule 4.1 of the Swedish Corporate Governance Code as its diversity policy. The objective of the policy is for the Board to have a composition appropriate to the company's operations, phase of development and other relevant circumstances; that the board members collectively are to exhibit diversity and breadth of qualifications, experience and background; and to strive for gender balance. The Nomination Committee specifically discussed gender balance in the Board as part of its efforts to compose the most competent Board.

The Annual General Meeting 2018 resolved to appoint board members in accordance with the Nomination Committee's proposal. Four (4) of the board members elected by the general meeting are women and four (4) are men, i.e. an equal representation of women and men. The Nomination Committee reviews its instruction annually and as necessary proposes changes thereto to the Annual General Meeting.

Shareholders are welcome to send nomination proposals to the Nomination Committee. Proposals can be sent by e-mail to: forslagtill-styrelseledamot@teliacompany.com

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the organization of the company and the administration of the company's affairs. The Board regularly assesses the company's and the group's financial position and ensures that the company is organized so that accounting, management of funds and the company's financial conditions in general are controlled in a satisfactory manner.

The tasks of the Board include, among other things, to:

- Establish business objectives and strategy
- Appoint, continuously evaluate and, if required, remove the CEO from office
- Ensure that there are effective systems in place for monitoring and controlling of the group's operations and financial position compared to its stated objectives
- Ensure that there is satisfactory control of the company's compliance with laws and other regulations applicable to the company's operations
- Ensure that policies to govern the company's and the group's ethical conduct are adopted
- Ensure that the company's external disclosure of information is transparent, correct, relevant and reliable, by way of, among other things, adopting a communication policy

Instructions for the work of the Board are set forth in its rules of procedure, which are reviewed and adopted annually. The rules of procedure set out the number of ordinary board meetings, agenda items and matters to be addressed at ordinary board meetings, the duties of the Chair of the Board and the allocation of responsibilities between the Board and the CEO, including the CEO's reporting to the Board. It also includes instructions for the work in Board Committees, inter alia stipulating the Committees' duties, the number of Committee meetings, matters to be addressed at the meetings and reporting to the Board.

Members and independence

The Board consists of eight members elected by the Annual General Meeting, serving one-year terms, and three employee representatives (with three deputies) from the Swedish operations. A Finnish employee representative, without voting right, is present at the board meetings. Marie Ehrling is Chair of the Board. The other members of the Board elected by the Annual General Meeting are Olli-Pekka Kallasvuo (Vice-Chair), Susanna Campbell (left January 2019), Nina Linander, Jimmy Maymann, Anna Settman, Olaf Swantee and Martin Tivéus.

The board members are presented in more detail, including meeting attendance, remuneration and holdings of Telia Company shares, at the end of this Statement.

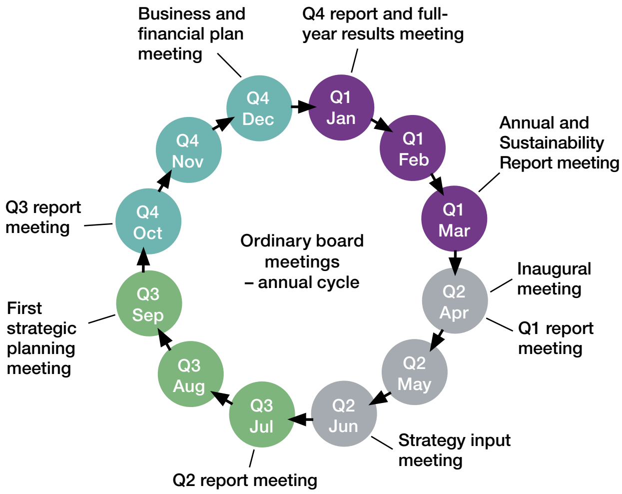
In accordance with the guidelines of the Swedish Corporate Governance Code, all board members elected by the Annual General Meeting 2018 are considered independent in relation to the company, to the administration of the company and to major shareholders.

Annual work cycle

The work of the Board follows an annual cycle, enabling the Board to appropriately address each of its duties and to keep strategic issues, risk assessment and value creation high on the agenda.

Board meetings are normally held in Stockholm, Sweden, but the Board's ambition is to hold at least one meeting elsewhere to be able to discuss local issues more deeply, make specific site visits, etc. In 2018, the board meeting in December was held in Oslo, Norway.

THE BOARD'S ANNUAL WORK CYCLE



Board meetings

The annual board cycle starts and ends at the Annual General Meeting. During the year approximately seven ordinary meetings are held, including the inaugural meeting and a two-day strategy meeting. The meetings address, among other things:

- Approval of financial reports and review of risk reports
- Approval of management business and financial plan
- Strategy review and evaluation
- Evaluation of corporate governance and policies and approval of updated governance documents
- Capital structure and allocation, including dividend proposal
- Self-assessment of board work and board members
- Notice to the Annual General Meeting
- Target setting for Group Executive Management
- Approval of the Annual and Sustainability Report

In addition, ordinary Board meetings include the following:

- An integrated management report by the CEO commenting on status and progress on high-priority matters
- Updates on progress towards the long-term ambitions in terms of customers, shareholders, people and sustainability
- Financial performance and operational updates regarding competitors, commercial, technology, people, and legal issues

- Updates on strategy issues and on M&A activities, internally as well as industry developments
- Reports on Committee work by the respective Committee Chair
- A closed session without management being present

Board work in 2018

In 2018, the Board held eleven (11) ordinary meetings (whereof one inaugural meeting) and nine (9) extra meetings. In addition to following up on the day-to-day business of the group, the Board paid special attention to:

- Strategic options, with specific review of the changing business environment in the telecom industry
- Follow-up of major strategic initiatives within the business operations
- Operating model and organizational issues
- Assessment of discontinued operations in Eurasia, focusing both on business and compliance issues
- Follow-up and review of the Telia Company's exit process from Eurasia
- Review of the overall sustainability risks for the group, including decisions on new or updated group policies
- Monitoring of the court proceeding related to corruption and money-laundering allegations against former employees and disgorgement claim against the company related to the investments in Uzbekistan
- Monitoring of the global settlement of the investigations by the US Department of Justice, the US Security and Exchange Commission and the Dutch prosecutor
- Acquisitions of Get and TDC Norway as well as acquisition of Bonnier Broadcasting, divestment of Telia Company's entire holding in Spotify and divestment of the Eurasian subsidiaries Kaztranscom, Azercell, Geocell, Ucell, Kcell as well as other M&A activities
- Review of efficiency initiatives and cost-reduction programs
- Regulatory developments in the telecom industry
- Potential acquisitions, joint ventures and increase of ownership in subsidiaries
- Investments in telecom licenses and spectrum permits
- Follow-up of CAPEX, in particular related to network investments
- Developments in Turkcell in Turkey
- Capital structure of the group, including the share buy-back program
- Human resources related issues, in particular succession planning and performance management

Further, the Board evaluated its internal work during 2018 by external assessment and the result was reported to the Nomination Committee.

Board Committees

To improve board work efficiency, the Board has appointed a Remuneration Committee and an Audit and Responsible Business Committee. The Committees prepare recommendations for the Board and make proposals on matters that require the Board's approval. The Committees also continuously give reports to the Board in relation to its work.

ORGANIZATION OF THE BOARD

Board of Directors
11 members (of which 3 employee representatives)
Marie Ehrling, Chair of the Board

Remuneration Committee
3 members
- Marie Ehrling (Chair)
- Susanna Campbell (left January 2019)
- Olli-Pekka Kallasvuo

Audit and Responsible Business Committee
4 members
- Nina Linander (Chair)
- Marie Ehrling
- Anna Settman
- Olaf Swantee

Remuneration Committee

The Remuneration Committee handles issues regarding salary and other remuneration to the CEO and Group Executive Management, incentive programs that target a broader group of employees and succession planning. The Remuneration Committee has the authority to approve remuneration to the members of Group Executive Management, except for the CEO remuneration which is decided by the entire Board.

Audit and Responsible Business Committee

The Audit and Responsible Business committee assists the Board in fulfilling of its responsibility in relation to financial reporting, internal control, internal and external audit, enterprise risk management and the company's process for monitoring compliance with laws and regulations within financial reporting, the Swedish Corporate Governance Code, Nasdaq Stockholm exchange rules or the Swedish Securities Council as well as monitoring efficiency and results of the company's compliance program.

Remuneration Committee work in 2018

Marie Ehrling is Chair of the Remuneration Committee. In 2018, the Committee held six (6) meetings. Its work included, among other things:

- Structure for target model and financial targets
- Succession planning
- Performance management
- Variable pay and long-term incentive programs
- Remuneration to the CEO and Group Executive Management

Audit and Responsible Business Committee work in 2018

Nina Linander is Chair of the Audit and Responsible Business Committee. In 2018, the Committee held seven (7) meetings. Its work included, among other things:

- Supervision and monitoring of financial reporting procedures related to annual accounts and review and approval of accounting principles pertaining to financial reporting
- Review of the corporate governance statement and external sustainability reporting

- Review of risks and monitoring of the enterprise risk management processes and reporting
- Monitor the efficiency of the internal control and the internal control systems
- Review of assessments concerning asset valuation, treasury and operational risks (including assessment of, and actions taken in response to, whistle-blower reports)
- With regards to the external auditors: reviews of audit reports and follow-up of recommended actions, assessment and approval of audit plans, closed sessions without management being present, independence and performance assessment and submitting a nomination proposal for auditor election to the Nomination Committee
- With regards to the internal auditors: reviews of audit reports and follow-up of recommended actions, assessment and approval of audit plans, closed sessions with Head of Internal Audit without management being present, and performance assessment
- With regards to the Ethics & Compliance department: reviews of developments in the compliance area to set direction, ambition and priorities for the company's Ethics & Compliance program, monitor the efficiency of the compliance program including testing of its performance and efficiency, reporting of investigation regarding speak-up line cases, closed sessions with head of Ethics & Compliance without management being present
- Review of certain group policies before approval by the Board

As part of the Board's overall assessment, the Remuneration Committee and the Audit and Responsible Business Committee evaluated its internal work during 2018 by self-assessment.

CEO AND GROUP EXECUTIVE MANAGEMENT

The CEO is responsible for the company's business development and leads and coordinates the day-to-day operations in accordance with the Board's instructions for the CEO and other decisions made by the Board.

Headed by the CEO, the Group Executive Management comprises of CEO, CFO, General Counsel and Head of Corporate Affairs, Head of People and Brand, Head of Communications, Head of Common Products and Services, Head of CEO Office, Head of Telia Sweden, Head of Telia Norway, Head of Telia Finland and Head of Cluster (LED - Lithuania, Estonia, Denmark).

As of February 1, 2019, a new unit, Telia Global, was created with the aim to increase focus on multinational customers, partners and innovation comprising Division X, Telia Carrier, Global Business and Telia Ventures.

Group Executive Management meets monthly and the meetings are devoted to follow-up on strategic and business performance, major change programs, risks and other issues of strategic nature and group-wide importance.

In addition, there is a separate steering committee for region Eurasia, chaired by the CEO. The steering committee has the overall strategic responsibility for region Eurasia. The Head of region Eurasia presents the operations of the region to the steering committee. The model ensures continued strong governance and alignment within the group, while allowing Group Executive Management to focus on the current strategic core markets in the Nordics and Baltics.

The members of Group Executive Management are presented in more detail, including remuneration and holdings of Telia Company shares, at the end of this Statement.

GROUP-WIDE GOVERNANCE FRAMEWORK

Telia Company's group-wide governance framework is approved by the Board. Its purpose is to ensure that operational results correspond to decisions made, and is structured to encourage all employees to strive, within set boundaries, towards the same goals, with a common clear understanding of the group's purpose, values, roles, responsibilities and authority to act.

GROUP-WIDE GOVERNANCE FRAMEWORK

1 Deciding what we shall achieve
- Purpose
- Strategic priorities
- Operational and financial targets

↓

2 Setting the boundaries for how we act
- Set of values
- Code of responsible business conduct
- Sustainability work governance
- Policy framework
- Organization
- Delegation of obligations and authority

↓

3 Follow-up of our performance
- Business reviews
- Risk and compliance reviews
- Individual performance management – YouFirst

Deciding what we shall achieve

In order to provide overall guidance to the employees, the Board has approved a purpose statement: "Bringing the world closer." Further, the Board has adopted a strategy, setting more specific directions for the coming years as well as yearly operational and financial targets. Operational and financial targets are set for the group as a whole and for each country and business unit. Read more about the strategy in Our company.

Setting the boundaries for how we act

The Board and Group Executive Management set the boundaries for how the employees shall act. Telia Company's values – "Dare, Care and Simplify" – are the compass for how to act and behave in the daily work. Key elements are Telia Company's values, the Code of Responsible Business Conduct, group policies, group instructions, assurance framework, organizational structure and Delegation of obligations and authority.

Sustainability governance

Sustainability in Telia Company covers how the company accounts for its long-term impact on society and the environment. The work is focused on ensuring ethical, responsible business practices and on creating shared value by contribution to business and the UN Sustainable Development Goals. Telia Company has adopted a stakeholder-based approach to identify and manage the most material business aspects, including related risks and opportunities, see Statement of materiality and significant audiences. Group Executive Management and the Governance, Risk, Ethics and Compliance (GREC) meetings are the primary decision-making forums for sustainability related topics. The ultimate responsibility for sustainability oversight lies with the Board. For more information on Telia Company's sustainability work, see Board of Directors' Report, section Sustainability, and Sustainability Notes.

Code of Responsible Business Conduct

The Code of Responsible Business Conduct, issued by the Board, provides guidance on Telia Company's policy framework. It defines a common ethical compass, setting clear standards and expectations on how to act and helps in recognizing that doing business with integrity is a shared responsibility. The 17 chapters of the Code reflect group policies and group instructions and provide practical and instructional information with respect to its interpretation. The Code applies to all Telia Company employees, directors and board members. All contractors and consultants working as part of Telia Company's operations must also follow the Code. The Code is available at dontdothisatwork.teliacompany.com, in 12 languages in a printed newspaper format document, as an app and on the intranet.

The Code of Responsible Business Conduct is reviewed on an annual basis to establish if revisions are necessary. The review is led by the Group Ethics and Compliance Office and includes appropriate subject matter experts.

Policy framework

The policy framework consists of the governance documents group policies, group instructions and the document "Policy framework description and General Principles for Governance Documents."

The heads of group functions secure that necessary group policies and group instructions are issued within their respective area of responsibility. All group policies and group instructions are binding for all entities in which Telia Company has management responsibility. Companies in region Eurasia implement localized versions of group policies and instructions. Considering the ongoing divestment process, GREC together with the Head of region Eurasia decide, on a case-by-case basis, which revised policies and instructions shall be implemented.

Group policies are approved by the Board, at least on an annual basis, after being reviewed at a group GREC or Group Executive Management meeting. The Board has delegated to the CEO to issue instructions for more detailed governance in areas of overall importance for the operations. Group instructions are reviewed, and updated if considered necessary, annually and approved by the CEO or the head of the relevant group function, also after being reviewed at a group GREC or Group Executive Management meeting.

Compliance is measured against the requirements in the group instructions. All group policies and group instructions are stored and published in a common database available to all employees and certain categories of contingent workers.

Group policies are publicly available at: www.teliacompany.com/en/about-the-company/public-policy (Information on the Telia Company website does not form part of this Statement)

Organization – country based and group functions

For management purposes, the group is divided into countries and group functions. Also, a separate steering committee, chaired by the CEO, has the overall strategic responsibility for region Eurasia.

The country organizations and group functions work in close cooperation, providing advice and guidance in order to maintain high technical and commercial skills, ensure good management and regulatory compliance, use economies of scale, as well as achieve a business that is sustainable long-term. The country organization is primarily responsible for running the business operation within its geographical area. Group functions are responsible for driving development within their respective areas to ensure efficiency and cross-border, cross-functional synergies.

Delegation of Obligations and Authority

The CEO has issued a Delegation of Obligations and Authority (the DoA), which defines how the CEO delegates obligations and authority to Group Executives and describes its governance principles. The document also provides general descriptions of obligations and authority, and expectations on the Group Executives.

Follow-up of our performance

Performance follow-up is essential in order to be able to take corrective measures and plan for the future. Performance follow-up is applied on organizational units as well as on individuals. Individual performance management is described in Board of Directors' Report, section People.

GROUP POLICIES

Group Policy	Description
Anti-Bribery and Corruption	To set the standards for ethical business practices throughout the operations
Communication	To ensure that all communication of the group is accurate and provided in a professional and timely manner
Electromagnetic fields (EMF)	To ensure that Telia Company fulfils its commitment to take an earnest approach to electromagnetic fields (EMF)
Enterprise risk management	To describe the enterprise risk management framework
Environment	To ensure that we proactively manage environmental impacts throughout the full life cycle of delivering our products and services
Financial accounting and reporting	To describe our aim to follow relevant accounting standards, report financial information accurately and completely, and have appropriate internal controls and processes to ensure that accounting and financial reporting comply with legislation, regulations and listing requirements
Financial management	To set the rules for managing financial risks and for counterparty credit ratings
Freedom of expression and surveillance privacy	To define our commitments in relation to requests or demands with potentially serious impacts on freedom of expression and surveillance privacy
Human rights	To respect and support human rights, to avoid complicity in human rights abuse and violations and to seek to provide for or cooperate in their remediation
Inside information and Insider trading	To ensure a high standard of ethical behavior towards the capital markets by defining trading and reporting rules
People	To provide our employees with an overview of our company values and expectations in relation to people. It gives also employees at all levels the prerequisites to act in line with these values and expectations. It also sets the framework for providing and constantly improving a safe and healthy workplace by ensuring safety in work processes, preventing and reacting to conditions of ill-health and supporting measures to promote health and well-being.
Privacy and data protection	To respect and safeguard privacy and data protection by setting high and consistent standards
Quality	To define our commitment to consistently provide products and services with high quality that meet customer needs
Remuneration	To set the strategic direction and clarify the approach on designing and implementing remuneration practices for employees at all levels
Security	To describe the governance as well as control, facilitation and implementation of security measures
Source-to-pay	To provide a single point of reference and direction for sourcing activities and a clear understanding of the sourcing principles

Business reviews

The CEO sets goals for the operations based on the decisions of the Board. To ensure performance, managers have annual targets for their respective operation. The target for each business are followed-up on a monthly basis and complemented with quarterly forecasts.

Business reviews are meetings held on a monthly basis and include financial and operational reviews for the reporting period and forecast period as well as reviewing of risks and operations performance metrics on customer service levels, network quality, etc. The business reviews allow for frequent follow-up of operational key performance indicators (KPIs) on country level. The operational KPIs are a key part of the follow-up and consist of several measurements which give management a good overview of current state and progress over time. The Net Promoter Score (NPS®) framework is used to monitor and improve the customer experience that Telia Company provides.

At the country review meetings, the CEO, CFO, COO, Head of Financial Planning and Analysis, Head of Investor Relations and selected members of Group Executive Management attend, in addition to the respective country management.

The Board receives reports on operational performance on a monthly basis, and at each ordinary board meeting the group's operational and financial performance is presented in detail by the CEO and the CFO, respectively. See also section "Board of Directors."

Risk and compliance reviews

Governance, Risk, Ethics and Compliance (GREC) meetings are the primary governing body for risk and compliance follow-up. For further information, see section Governance, Risk, Ethics and Compliance meetings.

ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK

Risks and uncertainties

Operating in a broad range of geographical product and service markets in the highly competitive and regulated telecommunications industry, Telia Company is subject to a variety of risks and uncertainties. Telia Company has defined risk as anything that could have a material adverse effect on the achievement of Telia Company's goals. Risks can be threats, uncertainties or lost opportunities relating to current or future operations or activities. Risks and uncertainties related to business and sustainability as well as to shareholder issues are described in "Directors' Report section Risks and uncertainties" and financial risks in Note C26 to the Consolidated financial statements.

Combined assurance

Telia Company has adopted a model of combined assurance where the Enterprise Risk Management, Ethics & Compliance and Group Internal Audit communities work together on planning, executing and reporting assurance activities to ensure that there is adequate coverage across the control environment with a level of independent testing. Information gathered through the combined assurance process is provided to the relevant committees to support decision making. It also helps senior management to understand the overall risks, current levels of control and mitigation including the risk culture of the business.

Risk management – three lines of defense

Telia Company's risk management may be illustrated as a three-line defense being an integral part of the group's operational activities, business planning process and monitoring of business performance. Risks are identified and assessed, and measures are implemented to mitigate and monitor these risks.

The defense-line roles and responsibilities include:

- ***First line of defense:*** The line organization owns its operational risks and is responsible and accountable for assessing, controlling and mitigating the risks as well as for internal control activities and assurance.
- ***Second line of defense:*** Comprises the group-level enterprise risk management (ERM) function, the group risk area coordinators, the internal controls function within Group Finance, the Group Ethics and Compliance Office in CEO Office and the GREC meetings.
- ***Third line of defense:*** The group internal audit function provides independent assurance on the risk management process and internal control environment.

In addition, external parties, such as the external auditors and regulatory bodies, provide assurance related to specific statutory requirements, e.g. information presented in the consolidated financial statements or reported to the Swedish Financial Supervisory Authority.

The objective of the continuous risk management process is that all risks that may help or hinder the achievement of Telia Company's objectives are regularly assessed, managed and monitored. Risk management shall be fully integrated into the business processes. The risk management procedures shall be transparent, feasible and traceable. Management shall ensure that a personal sense of responsibility and common view on and awareness of risk is established among the employees, as well as facilitate accountability for risks in daily decision-making. Risk reporting is integrated into the business planning process and risks shall be reviewed at business reviews and escalated through the line organization.

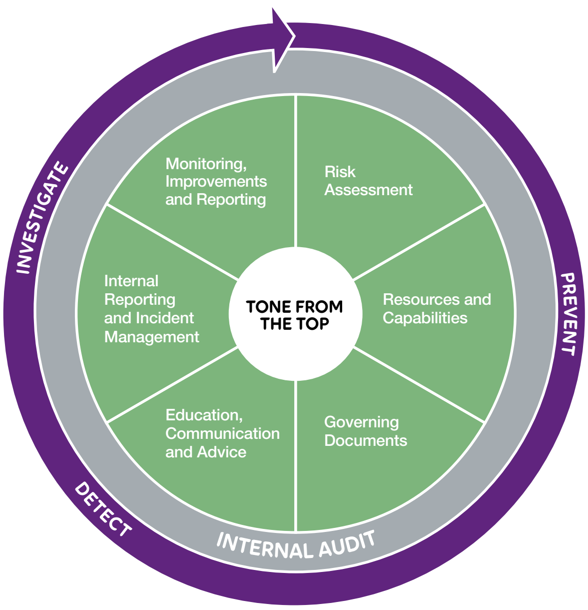
Management shall conduct risk and compliance evaluations and assessments proactively, regularly and timely in order to ensure that all employees are aware of and take steps to comply with the relevant requirements. Compliance means conforming to external as well as internal requirements, such as:

- Applicable legislation and regulation
- Customer agreements
- International standards and norms
- Group policies and group instructions

Assurance framework

Also supporting first-line defense, Telia Company has adopted an assurance framework to enable an aligned and systematic approach to assurance. The assurance framework consists of six elements that are founded on a sound and clear tone from the top. It is designed to adhere to international standards and is based on the principles prevent, detect and investigate. The framework is used to establish assurance that key risks in our risk universe are being managed properly.

ASSURANCE FRAMEWORK



Prioritized risk areas are identified based on risk assessments and materiality analysis. Currently the combined assurance work is focused on six prioritized risk areas:
- Bribery and corruption
- Security
- Customer privacy
- Business continuity management
- Sanctions and export control
- Financial reporting

Financial reporting risks are included due to its already mature control framework which will be reused for other risk areas.

Quarterly risk reporting

Quarterly, the Audit and Responsible Business Committee and the Board receive a consolidated risk report, aligned with the Board's annual work cycle. The consolidated report is divided into four categories:
- Strategic and emerging risks
- Financial risks
- Operational and societal risks
- Legal and regulatory risks

In addition, the Audit and Responsible Business Committee quarterly receives a consolidated litigation report with short-form details of ongoing, pending and threatened major legal and administrative proceedings. Each case description also includes nominal and estimated financial impact when possible and a probability grading.

Group-level enterprise risk management (ERM) function

The Head of the ERM function, within group function CEO Office, acts as the owner of the group-common ERM process to ensure a structured approach towards risk management, compliance and reporting within the group. Function responsibilities include:
- Own, govern, coordinate and monitor the ERM process to ensure a structured approach towards risk management, compliance and reporting in the group
- Own the group framework for ERM, policies and instructions within his/her areas of responsibility and to monitor compliance herewith and support group-wide implementation
- Oversee the operational effectiveness of the ERM processes across the group and propose actions for improvement
- Monitor the risk level as well as the nature of specific risk matters across the group. As part of that responsibility, the CRO will collect and aggregate the respective reports from countries and group functions in order to give the CEO and the Board a consolidated and holistic view on the group's risk level and individual, material risks
- Facilitate and organize the governance forum for risk management and compliance (GREC) on group level

Governance, Risk, Ethics and Compliance (GREC) meetings

The purpose of the GREC meetings is to act as the primary governing bodies within risk and compliance and to evaluate risk levels and propose risk-mitigation actions.

At the GREC meetings, which are held at least quarterly, management meets to update, discuss, decide and follow-up on ongoing activities and initiatives within the different risk areas and Responsible business focus areas.

GREC meetings are held on group and country level as well as in selected group functions and subsidiaries. On group level, the GREC meeting is chaired by the CEO and consists of Group Executive Management extended with the Head of region Eurasia, the Head of ERM, the Chief Ethics and Compliance Officer as well as the Head of Group Internal Audit. The purpose, agenda and participants of local GREC meetings mirror the group-level meetings.

Whistle-blowing and Speak-up line

2018 was the fourth year of operation of Telia Company's Speak-up line, the whistle-blowing tool available in 13 languages, enabling employees and others to anonymously and confidentially report violations of proper accounting, reporting or internal controls, as well as non-compliance with local laws or breaches of Telia Company's Code of Responsible Business Conduct, group policies and group instructions. Telia Company has a group-wide standard for performing internal investigations. The guiding principle is to ensure that investigations are conducted objectively and impartially; are carried out in a way to swiftly establish the facts with minimum disruption to the business or the personal lives of employees; and to make sure that confidentiality and non-retaliation are respected at all times. Consolidated case reports have been presented to the Audit and Responsible Business Committee throughout the year. The reports included allegations of certain significance, progress of investigations and the final results of the investigations.

For more information about whistle-blowing reports, internal investigations and disciplinary decisions during 2018, see Note S13 to the Sustainability Notes.

To the reader of this Statement: If you believe there are deficiencies in Telia Company's financial reporting or if you suspect any misconduct within the Telia Company group, you may report your concerns at: www.speakupline.ethicspoint.com.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with the Swedish Companies Act and the Swedish Corporate Governance Code, the Board is responsible for internal controls over financial reporting. The Board continuously reviews the performance of internal controls and initiates activities to foster continuous improvement of internal controls.

Telia Company's risk management framework includes internal controls over financial reporting and is in line with the COSO framework for internal controls. It consists of inter-related areas, which are control environment, risk assessment, control activities, information and communication, and monitoring. To establish a consistent approach to and a group-common view of risks related to incorrect financial reporting, group-wide risk catalogues have been implemented in all major entities in which Telia Company has management responsibility. The internal control function within Group Finance is responsible for developing and maintaining the IT-based tool for managing the risk catalogues.

Internal control is an integral part of Telia Company's corporate governance and enterprise risk management which involves the Board, Group Executive Management and employees on all organizational levels. It is a process which includes methods and processes to:

- Safeguard the group's assets
- Ensure the reliability and correctness of financial reporting
- Secure compliance with applicable legislation and guidelines
- Ensure that objectives are met and continuous improvement of operational efficiency

The objective of Telia Company's financial reporting is to be in line with the highest professional standards and to be full, fair, accurate, punctual and understandable.

Control environment

The most essential elements of Telia Company's control environment are the group policies with related group instructions as well as detailed group directives. Management at all levels is responsible for ensuring that the organization complies with the Delegation of Obligations and Authority issued by the CEO, the financial governing documents, the reporting framework and other group requirements. Group Finance is responsible for monthly monitoring and, if significant, communication of changes in legislation, listing requirements and financial reporting standards affecting financial group instructions or directives.

Management in each entity or group function is responsible for ensuring that:

- Monthly and quarterly financial statements comply wit- Telia Company's accounting policies
- Financial reports are delivered on time
- Activities to mitigate the risks, as specified in the group risk catalogues, have been implemented and are performed
- Material business and financial risks are identified and reported

The financial shared services unit of Telia Company supports harmonized and standardized financial accounting processes and controls across large wholly-owned business units.

Risk assessment

Telia Company has a risk-based approach towards internal controls over financial reporting. Risk management related to financial reporting is incorporated in the group-common risk management framework as described in Enterprise risk management (ERM) framework. As such, assessment and management of risks that may result in inaccurate financial reporting is a natural part of the daily work. The group risk catalogues are used as a baseline. Risk assessments are performed from both a top-down and a bottom-up perspective. The results of the risk assessments are documented in the group risk catalogues.

Control activities

All business processes across Telia Company include controls regarding the initiation, approval, recording and accounting of financial transactions. Major processes, including related risks and key controls, are described and documented in a common and structured way, based on the requirements set in the group risk catalogues. Controls are either automated or manual and designed to ensure that necessary actions are taken to either prevent or detect material errors or misstatements and to safeguard the assets of the company. Controls for the recognition, measurement and disclosure of financial information are included in the financial closing and reporting process, including controls for IT applications used for accounting and reporting.

Information and communication

Group policies, instructions and directives, the reporting framework guidelines and other requirements regarding accounting and reporting as well as performing internal controls are made accessible to all employees concerned, through the use of Telia Company's regular internal communication channels. Employees at group level continuously engage in internal training activities to ensure harmonization within important areas such as revenue recognition, distinction between capital and operating expenditure, etc.

Telia Company promotes an open, honest and transparent flow of information, especially regarding the performance of internal controls. Control performers are encouraged to disclose any issues concerning their controls in the reporting, so that a problem can be taken care of before it, possibly, causes errors or misstatements.

Monitoring

Telia Company has implemented a structured process for performance monitoring of internal controls over financial reporting. This process includes countries and group functions and consists of self-assessments of the risk mitigating activities. The internal controls function within Group Finance monitors the process on a monthly basis.

On behalf of Group Executive Management, the internal controls function carries out an annual risk-based compliance review of key risks in order to evaluate the quality of self-assessments, risk mitigation and the overall internal control environment.

The results of the self-assessments and the compliance review are communicated to the management of all relevant entities and to the Audit and Responsible Business Committee. The Committee also receives reports directly from both external and internal auditors. The reports are discussed and follow-up observations are made by the Committee. Both the external and internal auditors are present at the Committee meetings.

At least once a year, the entire Board meets with the external auditors, in part without the presence of management.

GROUP INTERNAL AUDIT

The Group internal audit function provides independent, objective assurance and advisory services designed to add value and improve Telia Company's operations. Internal Audit assists Telia Company in accomplishing its objectives by bringing a systematic, disciplined and agile approach to evaluate and improve the effectiveness of the organization's governance, risk management and internal control.

The direction of the work of the internal audit function is stated in the annual audit plan. In order to reflect the overall business objectives and risks, the audit plan is aligned with the group strategy and business plans. The audit plan determines priorities and resource allocation. It is approved by the Audit and Responsible Business Committee and presented to the external auditors on an annual basis. Within the audit plan, the detailed audit assignments are defined on a quarterly basis. The quarterly audit assignments are discussed with the external auditors in order to share risk assessments and audit findings.

In 2018, audits were performed in group functions and all countries. Important focus areas were:

- Transformation to new generation telco
- Information security and privacy
- Mergers & acquisitions and integration
- Supply chain
- People management
- Responsible business

The Head of Group Internal Audit reports administratively to the Head of CEO Office and functionally to the Audit and Responsible Business Committee. The results from each specific audit assignment are reported to the line manager responsible for the audited area or unit, to relevant members of Group Executive Management, and to the external auditors. A summary of audit findings is reported to the Committee on a quarterly basis.

AUDITORS

Number of auditors and duties

According to its Articles of Association, Telia Company AB shall have no less than two and no more than three auditors and no more than the same number of deputy auditors. The Annual General Meeting can also appoint only one auditor if the auditor in question is a public accounting firm. The auditors' report to the shareholders at General Meetings.

The task of the external auditor is to examine Telia Company's annual accounts and accounting practices, as well as to review the Board and the CEO's administration of the company. The duties of the auditors include among other:

- Presenting the planning, scope and content of the annual audit to the Audit and Responsible Business Committee
- Audit of the financial statements in accordance with international standards on auditing and generally accepted auditing standards in Sweden which among other includes assessment of adherence to applicable financial reporting standards and review of internal controls over financial reporting
- Conducting a statutory examination of this Corporate Governance Statement
- Conducting an examination of the statutory sustainability report

In addition, the auditors perform an annual limited assurance of the Telia Company Sustainability Report.

Besides the audit report submitted to the shareholders at each Annual General Meeting, the auditors also issue a review report on the second-quarter consolidated interim financial statements. The auditors' report procedures performed in relations to the review of Telia Company's financial statements to the Audit and Responsible Business Committee and Group Executive Management on a quarterly basis. In November each year, the auditors' report on internal controls within financial reporting and IT. For further information on the contacts between the Board and the auditors, see sections Board of Directors and Internal controls over financial reporting, respectively.

When the auditors are retained to provide services other than the audit, it is done in accordance with rules decided by the Audit and Responsible Business Committee pertaining to pre-approval of the nature of the services and the fees. The auditors present non-audit services performed, the consideration paid and other issues determining the auditors' independence to the Audit and Responsible Business Committee on a quarterly basis.

Current auditors and fees

At the Annual General Meeting 2018, Deloitte AB was elected as auditor until the end of the Annual General Meeting 2019. Deloitte AB has appointed Jan Nilsson (born 1962), Authorized Public Accountant, to serve as auditor in charge. Deloitte AB is often engaged by Telia Company's largest shareholder, the Swedish State, for both audit and advisory services. Jan Nilsson does not hold any shares in Telia Company.

For information on fees paid for audit-related and other services, see Note C32 to the Consolidated financial statements.

BOARD OF DIRECTORS

Marie Ehrling

Born 1955. Chair of the Board. Elected to the Board of Directors in 2013. Ms. Ehrling was President of TeliaSonera's Swedish operations between 2002 and 2006. During 1982–2002, she worked for SAS Group, holding various executive positions including Deputy CEO and Head of SAS Airline. Ms. Ehrling is Chair of Securitas AB, Vice-Chair of Axel Johnson AB and board member of Axel Johnson International. She is elected member of Royal Swedish Academy of Engineering Sciences (IVA) and Chair Advisory Board Stockholm School of Economics. Ms. Ehrling holds a BSc in Business and Economics and an Honorary Doctorate at SSE.

Shares in Telia Company: 30,000

Olli-Pekka Kallasvuo

Born 1953. Vice-Chair of the Board. Elected to the Board of Directors in 2012. Mr. Kallasvuo was CEO and board member of Nokia Oyj from 2006 to 2010. Previously, he held various executive positions at Nokia, including the positions of COO, CFO, Head of Mobile Phones Division and Head of Nokia Americas. Mr. Kallasvuo is Chair of Veikkaus Oy, Chair of Zenterio AB and Vice-Chair of SRV Group Plc., and he is also a board member of Entrada Oy and Limestone Platform AS. Mr. Kallasvuo holds a Master of law and an honorary doctorate.

Shares in Telia Company: 35,896

Nina Linander

Born 1959. Elected to the Board of Directors in 2013. Ms. Linander is former partner at Stanton Chase International between 2006 and 2012 and prior to that SVP and Head of Treasury at Electrolux AB during 2001–2005. Nina Linander is Chair of Awa Holding AB and a board member of AB Industrivärden, Skanska AB and Castellum AB. Ms. Linander holds a BSc degree in Economics and a MBA (IMD) degree.

Shares in Telia Company: 5,700

Jimmy Maymann

Born 1971. Elected to the Board of Directors in 2018. Jimmy Maymann is a Danish entrepreneur and investor specializing in digital advertising, digital technology and new media strategy. He is Chair of the boards in TV2 Denmark, AirHelp Inc. and The Museum for the United Nations - UN Live Online. Mr. Maymann has served as Executive Vice President and President at AOL Content & Consumer Brands and as Chief Executive Officer of the Huffington Post. Jimmy Maymann has an EMBA and a Master of Science.

Shares in Telia Company: 0

Anna Settman

Born 1970. Elected to the Board of Directors in 2016. She is CEO of Liber AB and Chair of the board of Dreams Nordic AB. She has extensive experience from start-ups as founder of the investment company The Springfield Project as well as experience from the media sector, mainly from Aftonbladet where she served as CEO. Ms. Settman studied marketing strategy and economics at the Berghs School of communications and completed the IFL Executive Management Program at the Stockholm School of Economics.

Shares in Telia Company: 0

Olaf Swantee

Born 1966. Elected to the Board of Directors in 2016. Mr. Swantee is CEO of Sunrise and previously he was the CEO of the UK's mobile telecoms business EE. Prior to joining EE, he held a number of Executive Board roles for Orange Group, as well as senior leadership roles within Hewlett Packard, Compaq and Digital Equipment Corporation, across Europe and the United States. Mr. Swantee holds a European MBA.

Shares in Telia Company: 0

Martin Tivéus

Born 1970. Elected to the Board of Directors in 2018. Martin Tivéus is CEO of Attendo. Previously he was Chief Commercial Officer Nordics at Klarna and he has also held managerial positions such as CEO at Avanza and Glocalnet. Mr. Tiveus is board member at Danske Bank. Martin Tivéus has a Bachelor of Science degree.

Shares in Telia Company: 2,550

Agneta Ahlström

Born 1960. Employee representative, appointed by the trade union to the Board of Directors in 2007. She is Chair of the Swedish Union for white-collar workers in the private labour market, Telecommunications section (Unionen-Tele).

Shares in Telia Company: 200

Stefan Carlsson

Born 1956. Employee representative, appointed by the trade union to the Board of Directors in 2009. He is deputy Chair of the Swedish Union for white-collar workers in the private labour market, Telecommunications section (Unionen-Tele) and member of the board of Unionen. Previously, he was second deputy Chair of SIF and Unionen.

Shares in Telia Company: 650

Peter Wiklund

Born 1968. Employee representative, appointed by the trade union to the Board of Directors in 2014. In addition, Mr. Wiklund is the Chair of the Union of Service and Communication Employees within Telia Company, SEKO klubb Telia.

Shares in Telia Company: 0

Deputy employee representatives

Hans Gustavsson (born 1954), SEKO klubb Telia Company.
Shares in Telia Company: 110[2]

Arja Kovin (born 1964), Unionen-Tele.
Shares in Telia Company: 0[2]

Finninsh employee representative without voting rights

Kari Kaukonen (born 1957), Trade Union Pro.
Shares in Telia Company: 0

REMUNERATION DURING 2018, ATTENDANCE AND NUMBER OF SHARES

			Meeting attendance				
Name	Elected year	Position	Board	Remuneration Committee	Audit and Responsible Business Committee	Total remuneration (SEK thousand)[1]	Shares in Telia Company[2]
Marie Ehrling	2013	Chair of the Board and Chair of the Remuneration Committee	20/20	6/6	7/7	1,934	30,000
Olli-Pekka Kallasvuo	2012	Vice-Chair of the Board	20/20	6/6		862	35,896
Susanna Campbell Left in January 2019	2016	Director	20/20	6/6		624	10,000
Nina Linander	2013	Director and Chair of the Audit and Responsible Business Committee	20/20		7/7	824	5,700
Jimmy Maymann	2018	Director	11/11			420	0
Anna Settman	2016	Director	20/20		6/7	724	0
Olaf Swantee	2016	Director	16/20		6/7	724	0
Martin Tivéus	2018	Director	11/11			420	2,550
Agneta Ahlström	2007	Employee representative	19/20			–	200
Stefan Carlsson	2009	Employee representative	19/20			–	650
Peter Wiklund	2014	Employee representative	14/20			–	0

All Board members elected by the Shareholders' General Meeting are considered to be independent in relation to the company, to the administration of the company and to major shareholders.

1) See also Note C31 to the Consolidated financial statements.

2) Shares in Telia Company include shareholdings by spouse and/or affiliated persons when appropriate. Holdings as of the date of this Annual and Sustainability Report.

GROUP EXECUTIVE MANAGEMENT

Johan Dennelind

Born 1969. President and Chief Executive Officer. He has been at Telia Company since 2013. Between 2010 and 2013 Mr. Dennelind was International CEO South Africa at Vodacom. Previously he had several managerial positions at Telenor in Sweden and Malaysia, i.a. CEO of DiGi Telecommunications Malaysia between 2008 and 2010. Prior to that he had several managerial positions at Telia. Mr. Dennelind is a board member of GSMA and World Childhood Foundation. Mr. Dennelind holds a Master of Science Business Administration.

Shares in Telia Company: 235,500

Jonas Bengtsson

Born 1970. Senior Vice President, Group General Counsel and Head of Corporate Affairs. He has been at Telia Company since 2014. Prior to joining Telia Company, Mr. Bengtsson was the Group General Counsel at Tele2 between 2007 and 2013. Mr. Bengtsson has almost 20 years' experience as a commercial lawyer, of which approximately 15 years as a General Counsel in the telecom industry and has worked for, i.a. Telenor Sweden, Utfors and lawfirm Mannheimer Swartling. Mr. Bengtsson holds a law degree.

Shares in Telia Company: 20,500

Peter Borsos

Born 1969. Senior Vice President and Head of Telia Global. He has been at Telia Company since 2014 as Head of Group Communications and Chair of Advisory Board of Division X and Telia Ventures. As of February 2019, he assumed the new unit as Head of Telia Global. Previously Mr. Borsos was Executive Vice President and Director of Communications at Swedbank Group. Prior to that he held various managerial positions within Swedbank and Bank of Åland. He started his career at Nordiska Fondkommission AB. Mr. Borsos holds a Master of Science in Management and Economics degree.

Shares in Telia Company: 41,000

Abraham Foss

Born 1964. Senior Vice President and Head of Telia Norway. He has a wide national and international managing experience of different industries, amongst others as head of the business market for the largest operator in Malaysia, Maxis Berhad. Mr. Foss has previously been manager for, amongst others, Telenor, Innovasjon Norge and Sparebank 1. Abraham Foss has an MBA and has studied Russian.

Shares in Telia Company: 0

Åsa Jamal

Born 1972. Senior Vice President, Head of Group Communications. She joined Telia Company in 2017 as head of Communications at Telia Sweden and was appointed Head of Group Communications as of February 2019. Previously she has held a position as Head of Communications and HR at Bonnier Broadcasting and within the TV4-group. She has extensive experience from strategic communication and change processes. She has been CEO and advisor at JKL. She is a member of the board of Kasthall AB. Åsa Jamal holds a Master of Science.

Shares in Telia Company: 200

Christian Luiga

Born 1968. Executive Vice President and Chief Financial Officer. He has been at Telia Company since 2009. Prior to that he was Head of Corporate Control. Before joining Telia Company Mr. Luiga was CFO of Teleca AB since 2004 and between 2002 and 2004 he served as CFO of Framfab AB. Mr. Luiga has his background as controller in several companies. Mr. Luiga is a member of the board of Fintur Holdings B.V. Mr. Luiga holds a Bachelor of Science in Economics.

Shares in Telia Company: 100,000

Cecilia Lundin

Born 1970. Senior Vice President and Head och People and Brand. She has been at Telia Company since 2014. Prior to joining Telia Company, Ms. Lundin was Head of Human Resources at Investment AB Kinnevik. Ms. Lundin has almost 20 years' experience in positions as Human Resources Executive at Tele2 AB, Billerud AB and Novartis Nordics. She also has experience from different business roles in Ericsson as well as Connecta AB. Cecilia Lundin holds a Master's degree in Economics.

Shares in Telia Company: 1,000

Emil Nilsson

Born 1971. Senior Vice President and Head of Cluster (Lithuania, Estonia and Denmark) since 2018 and Head of region Eurasia since 2015. Prior to joining Telia Company Mr. Nilsson held various senior management roles at Ericsson in Sweden, Brazil, the US and Austria. He has also been Executive Vice President and CFO of Sandvik Group in Sweden. Mr. Nilsson is a member of the board of the Swedish National Teams in European Handball. Emil Nilsson holds a degree in Finance.

Shares in Telia Company: 27,003

Anders Olsson

Born 1969. Executive Vice President, Head of Telia Sweden since June 2018. He has been at Telia Company since 2016 as COO and Head of Global Services & Operations. Prior to joining Telia Company, Mr. Olsson spent 19 years at Tele2 of which 14 years in the Group Executive Management. He had several managerial positions at Tele2 including Executive Vice President, CCO and Head of Region Central Europe and Benelux. Mr. Olsson holds a Master of Science in Business Administration and Economics.

Shares in Telia Company: 140,000

Ingrid Stenberg

Born 1966. Senior Vice President, and Head of CEO Office. Ingrid Stenmark is responsible for Group Strategy, Risk Management, and also overseeing Internal Audit. Since joining Telia Company in 1994, Ingrid Stenmark has held a number of senior positions in the group, including Head of Group Regulatory affairs, acting General Counsel, and responsible for the associates Turkcell and MegaFon. Ms. Stenmark is a board member of Turkcell. Ms Stenmark holds a Master of law.

Shares in Telia Company: 20,874

Stein-Erik Vellan

Born 1965. Senior Vice President and Head of Telia Finland since 2017. Mr. Vellan has worked with Telenor Group since 2001 in various managerial positions in Norway and internationally, including CEO of Telenor's operations in India, Serbia and Bulgaria, respectively. He is Chair of Onsagers A/S. Mr. Vellan is marketing candidate.

Shares in Telia Company: 0

Magnus Zetterberg

Born 1969. Senior Vice President, Head of Common Products and Services and COO. Mr. Zetterberg joined Telia Company in September 2018 and has more than 25 years' experience from the telecom industry. Amongst others he has been CTO at Telenor Norway and Sweden, respectively, CEO and CTO at 3G Infrastructure Services AB. Before joining the operator community he worked at Ericsson and Nokia in various positions. Magnus Zetterberg studied technical mechanicals.

Shares in Telia Company: 0

REMUNERATION AND OTHER BENEFITS DURING 2018, CAPITAL VALUE OF PENSION COMMITMENTS

SEK thousand	Base salary	Other remuneration	Other benefits	Pension expense	Total remuneration and benefits	Capital value of pension commitment
Johan Dennelind, CEO	17,413	403	68	6,846	24,730	–
Other members of Group Executive Management (10 individuals)	51,378	1,590	1,587	14,190	68,745	1,165

See also Note C31 to the consolidated financial statements and the Board of Directors' Report, section Remuneration to executive management.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK in millions, except per share data	Note	Jan–Dec 2018	Jan–Dec 2017[1]
Continuing operations			
Net sales	C5, C6	83,559	79,790
Cost of sales	C7	-52,162	-49,166
Gross profit		**31,398**	**30,624**
Selling and marketing expenses	C7	-13,274	-12,582
Administrative expenses	C7	-5,124	-5,466
Research and development expenses	C7	-164	-286
Other operating income	C8	867	1,984
Other operating expenses	C8	-1,299	-1,284
Income from associated companies and joint ventures	C14	835	778
Operating income	C5	**13,238**	**13,768**
Finance income	C9	398	516
Finance costs	C9	-2,650	-4,730
Income after financial items		**10,986**	**9,554**
Income taxes	C10	-1,496	-1,062
Net income from continuing operations		**9,489**	**8,492**
Discontinued operations			
Net income from discontinued operations	C34	-6,399	1,751
Total net income		**3,090**	**10,243**
Items that may be reclassified to net income:			
Foreign currency translation differences from continuing operations	C11	-63	10,831
Foreign currency translation differences from discontinued operations	C11, C34	7,692	-1,754
Other comprehensive income from associated companies	C11, C14	-27	138
Cash flow hedges	C11	-312	-147
Cost of hedging		45	–
Available-for-sale financial instruments	C11	–	729
Debt instruments at fair value through OCI	C11	-59	–
Income taxes relating to items that may be reclassified	C10, C11	569	267
Items that will not be reclassified to net income:			
Equity instruments at fair value through OCI	C11	554	–
Remeasurements of defined benefit pension plans	C11, C21	-2,089	-406
Income tax relating to items that will not be reclassified	C10, C11	432	92
Associates' remeasurements of defined benefit pension plans	C11, C14	-1	-25
Other comprehensive income		**6,740**	**9,725**
Total comprehensive income		**9,830**	**19,968**
Net income attributable to:			
Owners of the parent		3,179	9,705
Non-controlling interests	C19	-89	538
Total comprehensive income attributable to:			
Owners of the parent		9,842	19,811
Non-controlling interests		-13	156
Earnings per share (SEK), basic and diluted, total	C19	0.74	2.24
Earnings per share (SEK), basic and diluted, continuing operations		2.17	1.92
Earnings per share (SEK), basic and diluted, discontinued operations		-1.42	0.33

1) Restated for comparability, see Note C1.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK in millions	Note	Dec 31, 2018	Dec 31, 2017[1]	Jan 1, 2017[1]
Assets				
Goodwill	C12	71,514	60,984	57,923
Other intangible assets	C12	21,504	15,668	13,024
Property, plant and equipment	C13	78,220	60,024	58,107
Investments in associated companies and joint ventures	C14	9,555	9,449	22,698
Deferred tax assets	C10	2,670	3,003	4,366
Pension obligation assets	C21	2,285	4,110	3,380
Long-term interest-bearing receivables	C15	12,768	18,674	18,120
Other non-current assets	C15	2,507	4,091	3,121
Total non-current assets		**201,021**	**176,003**	**180,740**
Inventories	C16	1,854	1,521	1,792
Trade and other current receivables and assets	C17	17,339	15,978	16,864
Current tax receivables		285	408	628
Interest-bearing receivables	C18	4,529	17,335	11,143
Cash and cash equivalents	C18	18,765	15,616	14,510
Assets classified as held for sale	C34	4,799	18,508	29,133
Total current assets		**47,570**	**69,365**	**74,071**
Total assets		**248,592**	**245,367**	**254,811**
Equity and liabilities				
Equity attributable to owners of the parent		97,344	101,226	90,991
of which capital		*31,422*	*35,549*	*35,520*
of which reserves and retained earnings		*65,922*	*65,676*	*55,471*
Equity attributable to non-controlling interests	C19	5,050	5,291	5,067
Total equity		**102,394**	**106,517**	**96,059**
Long-term borrowings	C20	86,990	87,813	83,161
Deferred tax liabilities	C10	11,382	8,973	10,752
Provisions for pensions and employment contracts	C21	2,519	2,377	2,109
Other long-term provisions	C22	4,196	5,833	5,173
Other long-term liabilities	C23	2,169	1,950	725
Total non-current liabilities		**107,254**	**106,946**	**101,920**
Short-term borrowings	C20	9,552	3,674	11,307
Short-term provisions	C22	2,412	470	13,673
Current tax payables		281	361	19
Trade payables and other current liabilities	C24	26,139	18,842	18,197
Liabilities directly associated with assets classified as held for sale	C34	560	8,556	13,637
Total current liabilities		**38,943**	**31,904**	**56,832**
Total equity and liabilities		**248,592**	**245,367**	**254,811**

1) Restated for comparability, see Note C1.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SEK in millions	Note	Jan–Dec 2018	Jan–Dec 2017[1]
Net income		3,090	10,243
Adjustments for:			
Amortization, depreciation and impairment losses		14,119	18,067
Capital gains/losses on sales/disposals of non-current assets and operations		6,466	375
Income from associated companies and joint ventures, net of dividends received	C14	400	2,548
Pensions and other provisions		-964	-4,793
Compensation from the pension fund		678	–
Financial items		511	1,400
Income taxes		561	181
Miscellaneous non-cash items		-52	-152
Cash flow before change in working capital		**24,809**	**27,869**
Increase (-)/Decrease (+) in operating receivables		-154	501
Increase (-)/Decrease (+) in inventories		-316	287
Increase (+)/Decrease (-) in operating liabilities		2,358	-5,452
Change in working capital		**1,888**	**-4,665**
Cash flow from operating activities	C30	**26,696**	**23,204**
of which from discontinued operations		*1,367*	*-2,744*
Intangible assets and property, plant and equipment acquired		-14,794	-16,040
Intangible assets and property, plant and equipment divested		101	101
Business combinations and other equity instruments acquired	C30, C33	-25,348	-4,419
Operations and other equity instruments divested	C30	8,654	23,114
Loans granted and other similar investments		-5,751	-5,424
Repayment of loans granted and other similar investments		8,450	3,167
Net change in short-term investments		14,647	-10,249
Cash flow from investing activities		**-14,041**	**-9,750**
of which from discontinued operations		*371*	*-3,602*
Cash flow before financing activities		**12,655**	**13,454**
Repurchased treasury shares including transaction costs		-4,062	-4
Dividends paid to owners of the parent		-9,881	-8,660
Dividends paid to holders of non-controlling interests	C30	-254	-861
Proceeds from borrowings		1,094	16,393
Repayment of borrowings		-3,660	-19,126
Net change in short-term borrowings		3,272	176
Settlement of derivative contracts for economic hedges and CSA		1,707	-1,927
Cash received for repurchase agreements		12,037	1,812
Cash paid for repurchase agreements		-12,700	-1,707
Cash flow from financing activities		**-12,446**	**-13,905**
of which from discontinued operations		*-160*	*-589*
Net change in cash and cash equivalents		**209**	**-451**
of which from discontinued operations		*1,577*	*-6,935*
Cash and cash equivalents, opening balance		**20,984**	**22,907**
Net change in cash and cash equivalents for the year		209	-451
Exchange rate differences in cash and cash equivalents		1,398	-1,472
Cash and cash equivalents, closing balance	C18	**22,591**	**20,984**
of which from continuing operations		*18,765*	*15,616*
of which from discontinued operations (Eurasia)	C34	*3,827*	*5,368*

1) Restated for comparability, see Note C1.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SEK in millions	Note	Share capital	Other contributed capital	Hedging reserve	Cost of hedging reserve	Fair value reserve	Foreign currency translation reserve	Revaluation reserve	Inflation reserve	Equity transactions in associates	Retained earnings	Total owners of the parent	Non-controlling interests	Total equity
Closing balance, December 31, 2016		**13,856**	**21,664**	**482**	–	**115**	**-24,690**	**266**	**4,909**	**-2,883**	**76,114**	**89,833**	**5,036**	**94,869**
Change in accounting principles[1]	C1	–	–	–	–	–	–	–	–	–	1,159	1,159	31	1,190
Adjusted opening balance, January 1, 2017		**13,856**	**21,664**	**482**	**–**	**115**	**-24,690**	**266**	**4,909**	**-2,883**	**77,273**	**90,991**	**5,067**	**96,058**
Dividends	C19	–	–	–	–	–	–	–	–	–	-8,660	-8,660	-835	-9,495
Changes in non-controlling interests[2]		–	–	–	–	–	–	–	–	–	-903	-903	903	–
Share-based payments	C31	–	33	–	–	–	–	–	–	–	–	33	–	33
Reclassification of Inflation reserve[3]		–	–	–	–	–	–	–	-1,810	–	1,810	–	–	–
Other transactions with owners	C19	–	-4	–	–	–	–	–	–	–	–	-4	–	-4
Total transactions with owners		–	*29*	–	–	–	–	–	*-1,810*	–	*-7,754*	*-9,534*	*69*	*-9,466*
Net income[4]	C1, C19	–	–	–	–	–	–	–	–	–	9,705	9,705	538	10,243
Other comprehensive income	C11, C19	–	–	-115	–	731	9,830	–	–	–	-340	10,107	-382	9,725
Total comprehensive income[4]	C1	–	–	*-115*	–	*731*	*9,830*	–	–	–	*9,365*	*19,811*	*156*	*19,968*
Effect of Turkcell's acquisition of treasury shares	C14	–	–	–	–	–	–	–	–	-43	–	-43	–	-43
Closing balance, December 31, 2017[4]		**13,856**	**21,693**	**367**	**–**	**846**	**-14,860**	**266**	**3,099**	**-2,926**	**78,883**	**101,226**	**5,291**	**106,517**
Change in accounting principles[5]	C1	–	–	–	–	–	–	–	–	–	-16	-16	–	-16
Change in accounting principles in associated companies[6]		–	–	–	–	–	–	–	–	–	282	282	–	282
Adjusted opening balance, January 1, 2018		**13,856**	**21,693**	**367**	**–**	**846**	**-14,860**	**266**	**3,099**	**-2,926**	**79,149**	**101,490**	**5,291**	**106,781**
Dividends	C19	–	–	–	–	–	–	–	–	–	-9,881	-9,881	-229	-10,110
Share-based payments	C31	–	36	–	–	–	–	–	–	–	–	36	–	36
Acquisition of treasury shares	C19	–	-4,147	–	–	–	–	–	–	–	–	-4,147	–	-4,147
Total transactions with owners		–	*-4,111*	–	–	–	–	–	–	–	*-9,881*	*-13,992*	*-229*	*-14,221*
Net income	C19	–	–	–	–	–	–	–	–	–	3,179	3,179	-89	3,090
Other comprehensive income	C11, C19	–	–	-550	35	509	8,327	–	–	–	-1,658	6,663	77	6,740
Total comprehensive income		–	–	*-550*	*35*	*509*	*8,327*	–	–	–	*1,521*	*9,843*	*-12*	*9,830*
Effect of Turkcell's acquisition of treasury shares	C14	–	–	–	–	–	–	–	–	4	–	4	–	4
Closing balance, December 31, 2018		**13,856**	**17,582**	**-183**	**35**	**1,355**	**-6,533**	**266**	**3,099**	**-2,922**	**70,789**	**97,344**	**5,050**	**102,394**

1) Transition effect of IFRS 15, see Note C1 2) Non-controlling interests in Fintur increased with SEK 766 million due to reduced ownership in Turkcell. Capitalization of Ucell (Coscom) and Uzbek Telecom Holding B.V. resulted in an increase in non-controlling interests of SEK 138 million. 3) Reclassification of Inflation reserve due to reduced ownership in Turkcell. 4) Restated for comparability, see Note C1. 5) Transition effect of IFRS 9, see Note C1. 6) Transition effect of IFRS 15 and IFRS 9 for Turkcell.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

C1 BASIS OF PREPARATION

General

The annual report and consolidated financial statements have been approved for issue by the Board of Directors on March 13, 2019. The income statement and the balance sheet of the parent company and the statement of comprehensive income and the statement of financial position of the group are subject to adoption by the Annual General Meeting on April 10, 2019.

Telia Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). In addition, concerning purely Swedish circumstances, the Swedish Financial Reporting Board has issued standard RFR 1 "Supplementary Accounting Rules for Groups" and other statements. The standard is applicable to Swedish legal entities whose securities are listed on a Swedish stock exchange or authorized equity market place at the end of the reporting period and specifies supplementary rules and disclosures in addition to IFRS requirements, caused by provisions in the Swedish Annual Accounts Act.

Measurement bases and accounting policies

The consolidated financial statements have been prepared mainly under the historical cost convention. Other measurement bases used and applied accounting policies are described below.

Amounts and dates

Unless otherwise specified, all amounts are in millions of Swedish kronor (SEK) or other currency specified and are based on the twelve-month period January 1 to December 31 for items related to comprehensive income and cash flows, and as of December 31 for items related to financial position. Rounding differences may occur.

Correction of prior periods 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 2018. There was no compensation in 2017.

Capitalized work

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

Segments

The 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. See Note C5. For information on discontinued operations, see Note C34.

Recently issued accounting standards

New and amended standards and interpretations effective in 2018

As of January 1, 2018, the following new or amended standards and interpretations became applicable:

- IFRS 15 "Revenue from contracts with customers"
- IFRS 9 "Financial instruments"
- IFRIC 22 "Foreign currency transactions and advance considerations"
- Amendments to IFRS 2 "Classification and measurement of share-based payment transactions"
- Annual Improvements to IFRSs 2014-2016 cycle
- Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts"

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 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, costs for obtaining contracts were expensed as incurred. The main effect of implementing IFRS 15 for Telia Company is related to capitalization of costs.

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

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

Disclosures: IFRS 15 adds a number of disclosure requirements in annual reports, e.g. to disaggregate revenues into categories that depict how the nature, amount, timing and uncertainty of revenues and cash flows are affected by economic factors, see Note C6.

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

Restatement effects on Consolidated statements of comprehensive income

SEK in millions	Jan-Dec 2017 Reported	IFRS 15 effects	Ref	Capitalized work	Jan-Dec 2017 Restated
Continuing operations					
Net sales	79,867	-77	b	–	79,790
Cost of sales	-49,166	–		–	-49,166
Gross profit	**30,701**	**-77**		**–**	**30,624**
Selling and marketing expenses	-12,726	144	c	–	-12,582
Administrative expenses	-5,477	11	c		-5,466
Research and development expenses	-286	–			-286
Other operating income and expenses, net	700	–		–	700
Income from associated companies and joint ventures	778	–		–	778
Operating income	**13,690**	**78**		**–**	**13,768**
Finance income	496	20	d		516
Finance cost	-4,730	–		–	-4,730
Income after financial items	**9,457**	**97**		**–**	**9,554**
Income taxes	-1,041	-21	e	–	-1,062
Net income from continuing operations	**8,416**	**76**		**–**	**8,492**
Discontinued operations					
Net income from discontinued operations	1,729	21	f	–	1,751
Total net income	**10,146**	**98**	a	**–**	**10,243**
Other comprehensive income					
Total comprehensive income	**19,870**	**98**		**–**	**19,968**
Total net income attributable to:					
Owners of the parent	9,608	97		–	9,705
Non-controlling interests	537	1		–	538
Total comprehensive income attributable to:					
Owners of the parent	19,715	97		–	19,811
Non-controlling interests	155	1		–	156
Earnings per share (SEK), basic and diluted	2.22	0.02		–	2.24
of which from continuing operations, basic and diluted	*1.90*	*0.02*		–	*1.92*
EBITDA from continuing operations	25,806	78		-365	25,519
Adjusted EBITDA from continuing operations	25,438	78		-365	25,151
Depreciation, amortization and impairment losses from continuing operations	-12,893	–		365	-12,528
Adjusted operating income from continuing operations	15,069	78		-365	14,781

Restatement effects on Consolidated statements of financial position

SEK in millions	Dec 31, 2016 Reported	IFRS 15 effects	Ref	Jan 1, 2017 Restated	Dec 31, 2017 Reported	IFRS 15 effects	Ref	Dec 31, 2017 Restated
Assets								
Goodwill	57,923	–		57,923	60,984	–		60,984
Other intangible assets	13,024	–		13,024	15,668	–		15,668
Property plant and equipment	58,107	–		58,107	60,024	–		60,024
Investments in associates and joint ventures	22,698	–		22,698	9,449	–		9,449
Deferred tax assets	4,366	–		4,366	3,003	–		3,003
Pension obligation assets	3,380	–		3,380	4,110	–		4,110
Long-term interest-bearing receivables	18,120	–		18,120	18,674	–		18,674
Other non-current assets	1,856	1,265	a	3,121	2,591	1,499	a	4,090
Total non-current assets	**179,475**	**1,256**		**180,740**	**174,503**	**1,499**		**176,002**
Inventories	1,792	–		1,72	1,521	–		1,521
Trade and other current receivables and assets	16,839	26		16,865	16,054	-77		15,977
Current tax receivables	628	–		628	408	–		408
Interest-bearing receivables	11,143	–		11,143	17,335	–		17,335
Cash and cash equivalents	14,510	–		14,510	15,616	–		15,616
Assets classified as held for sale	29,042	91	f	29,133	18,408	100	f	18,508
Total current assets	73,955	117		74,072	69,341	23		69,364
Total assets	**253,430**	**1,382**		**254,812**	**243,845**	**1,522**		**245,367**
Equity and liabilities								
Equity attributable to owners of the parent	89,833	1,159		90,991	99,970	1,255		101,226
Equity attributable to non-controlling interests	5,036	31		5,067	5,260	32		5,291
Total equity	**94,868**	**1,190**	a	**96,058**	**105,230**	**1,287**	a	**106,517**
Deferred tax liabilities	10,567	185	e	10,752	8,766	207	e	8,973
Other non-current liabilities	91,167	–		91,167	97,973	–		97,973
Total non-current liabilities	**101,734**	**185**		**101,919**	**106,740**	**207**		**106,947**
Short-term borrowings	11,307	–		11,307	3,674	–		3,674
Short-term provisions	13,671	–		13,671	470	–		470
Current tax payables	19	–		19	361	–		361
Trade payables and other current liabilities, current tax payables and short-term provisions	18,200	-4		18,196	18,818	24		18,842
Liabilities directly associated with assets classified as held for sale	13,627	10	f	13,637	8,552	4	f	8,556
Total current assets	**56,826**	**6**		**56,832**	**31,875**	**28**		**31,903**
Total equity and liabilities	**253,430**	**1,382**		**254,812**	**243,845**	**1,523**		**245,367**

a) The implementation of IFRS 15 had a positive equity effect of SEK 1,190 million per the transition date January 1, 2017, and SEK 1,287 million per December 31, 2017. The equity increases were mainly related to capitalization of incremental costs for obtaining new contracts. The net income effect for 2017 was limited.
b) The limited effect on net sales was related to refining of Telia Company's previous revenue model for bundled offerings.
c) Selling and administration expenses in 2017 were reduced by SEK 1,312 million due to capitalization of costs to obtain a contract. The amortization of the capitalized contract costs in 2017 of SEK -1,157 million were also included in selling and administration expenses which lead to a net effect of SEK 155 million. 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 Statements of cash flows

	Jan-Dec 2017		
SEK in millions	**Reported**	**Capitalized work**	**Restated**
Cash flow before change in working capital	28,234	-365	27,869
Change in working capital	-4,665	–	-4,665
Cash flow from operating activities	**23,569**	**-365**	**23,204**
of which from continuing operations	*26,313*	*-365*	*25,948*
Intangible assets and property, plant and equipment acquired	-16,405	365	-16,040
Cash flow from other investing activities	6,290	–	6,290
Total cash flow from investing activities	**-10,115**	**365**	**-9,750**
of which from continuing operations	*-6,513*	*365*	*-6,148*
Cash flow from financing activities	**-13,905**	**–**	**-13,905**
Cash flow for the period	**-451**	**–**	**-451**

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 performed an analysis 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 change to the measurement of financial assets, since the measurement bases were already amortized cost or fair value. Telia Company has chosen to continue to report gains and losses from equity instruments classified as "financial assets available-for sale" under IAS 39 in other comprehensive income also under IFRS 9 as these instruments are held for strategic purposes. For equity instruments that are designated at "fair value through OCI" under IFRS 9 only dividend income is recognized in the income statement, all other gains and losses are recognized in OCI without reclassification on derecognition. This differs from the treatment of "available-for-sale" equity instruments under IAS 39 where gains and losses recognized in OCI were reclassified on derecognition or impairment. The changes in IFRS 9 that relates to classification and measurement of financial liabilities did not impact Telia Company as the group did not measure financial liabilities at fair value (other than derivatives liabilities).

Impairment: IFRS 9 requires a loss allowance for the expected credit losses to be recognized for financial assets measured at amortized cost and for financial assets measured at fair value through OCI. 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 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, an increase in 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 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 has applied the hedge accounting principles of IFRS 9 from the second quarter of 2018. Telia Company expects no major effects based on current hedging activities. However, the new hedge accounting principles 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" primarily introducing new disclosure requirements regarding credit risk, expected credit losses and hedge accounting.

IFRIC 22 "Foreign currency transactions and advance considerations. The new interpretation provides requirements about which exchange rate to use when reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. The interpretation has not had a material impact on Telia Company's consolidated financial statements.

Other than stated above, the new and amended standards and interpretations relevant to Telia Company are in certain cases in line with already applied interpretations and otherwise have had no or very limited impact on the financial statements.

New or revised/amended standards and interpretations effective on or after January 1, 2019

Telia Company has not pre-adopted any of the new or revised/amended standards effective on or after January 1, 2019.

IFRS 16 "Leases" replaces the current IAS 17 "Leases" and its associated interpretative guidance. The new standard is effective as of January 1, 2019. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the lessee. The new standard removes the classification of leases as operating leases or finance leases, for lessees, as is required by IAS 17 and, instead introduces a single accounting model. According to the new model, leases result in the lessee obtaining the right to use an asset during the estimated leas term and, if lease payments are made over time, also obtaining financing. Telia Company's-term operating leases will be recognized as non-current assets and financial liabilities in the consolidated statement of financial position. Instead of operating lease expenses, Telia Company will recognize depreciation and interest expenses in the consolidated statement of comprehensive income. Lease payments will affect cash flow from operating activities (e.g. interest, low-value asset leases and short-term leases), and cash flow from financing activities (repayment of the lease liability) in the cash flow statement. The new standard does not include significant changes to the requirements for accounting by lessors.

Telia Company will apply the new standard using the modified retrospective approach, which means that comparative figures will not be restated. The cumulative effect of applying IFRS 16 will be recognized at January 1, 2019. The lease liabilities attributable to leases which have previously been classified as operating leases under IAS 17 will be measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of January 1, 2019. Telia Company will recognize a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to the lease, recognized as of December 31, 2018. Hence, the transition to IFRS 16 will have no material effect on group equity.

Telia Company will apply the practical expedients to recognize payments associated with short-term leases and leases of low-value assets, as an expense in the income statement. Telia Company will not apply IFRS 16 to intangible assets. Non-lease components will be expensed and not accounted for as part of the right-of-use-asset or the lease liability. Telia Company will at the date of initial application of IFRS 16 reassess whether a contract is or contains a lease.

For leases classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability under IFRS 16 at January 1, 2019, will be the carrying amount of the lease asset and lease liability accounted for under IAS 17 immediately before transition to IFRS 16.

The initial application of IFRS 16 will have the following preliminary effects on the consolidated statement of financial position at the date of initial application January 1, 2019.

Preliminary IFRS 16 effects SEK in billions	**Jan 1, 2019**
Right-of-use-asset	15
Deferred tax asset	1
Increase total assets	**16**
Lease liability, non-current	12
Deferred tax liability	1
Lease liability, current	3
Increase total liabilities	**16**

In the table above, deferred tax assets and tax liabilities attributable to the right of use asset and lease liability, have been offset where there is a legal enforceable right to set off the deferred taxes.

Telia Company has identified lease contracts relating to e.g. network equipment (e.g. copper, dark fiber, IRU and ducts), technical and non-technical space, technical and non-technical equipment, shops, land and cars.

In determining the balances above, the main judgements made are related to determining the lease terms and whether a contract is or contains a lease. Regarding lease terms, a majority of the lease contracts in the group includes options for Telia Company either to extend or to terminate the contract. When determining the lease term, Telia Company considers all facts and circumstances that creates an economic incentive to exercise an extension option, or not to exercise a termination option. Example of factors that are considered are; strategic plans, assessment of future technology changes, the importance of the underlying asset to Telia Company's operations and/or costs associated with not extending or not terminating the lease.

Telia Company has reassessed whether a contract is or contains a lease at the date of initial application of IFRS 16. Telia Company has concluded that some agreements that were assessed to be a service contracts under IAS 17, meet the definition of a lease agreement and are in scope of IFRS 16.

The preliminary transition effect on the Right-of-use asset includes approximately 45 percent estimated lease term extension periods.

The difference between Telia Company's future minimum leasing fees under operating lease agreements in accordance with IAS 17 and the lease liability which will be recognized as of January 1, 2019, in accordance with IFRS 16 is mainly related to finance leases, estimated lease term extension periods and reassessments of whether a contract is or contains a lease.

IFRS 17 "Insurance contracts", a new accounting standard covering recognition and measurement, presentation and disclosure, replaces IFRS 4 and is effective January 1, 2021. Early application is permitted as long as IFRS 9 and IFRS 15 also are applied. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them. A few scope exceptions will apply. IFRS 17 provides a general model for valuation of insurance contracts, supplemented by a simplified approach and some specific adaptions. The value of the insurance contract is the sum of future cash flow, i.e. discounted probability-weighted cash flows plus an explicit risk adjustment for non-financial risks, and a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period. The cash flows will be remeasured each reporting period. Telia Company has currently only limited insurance operations and will assess the potential effects of IFRS 17.

The following amendments, which will be applicable for Telia Company, are expected to have no or very limited impact on Telia Company's financial statements when they are applied for the first time:

- Amendments to IAS 28 "Long-term interests in associates an joint ventures", effective January 1, 2019
- Amendment to IAS 19 "Plan amendment, curtailment or settlement", effective January 1, 2019
- Amendments to IFRS 9 "Prepayment features with negative compensation" effective January 1, 2019
- Annual Improvements to IFRSs 2015 – 2017 cycle, effective January 1, 2019
- IFRIC 23 "Uncertainty over income tax treatments" effective January 1, 2019

- Amendment to IFRS 3 "Business combinations", effective January 1, 2020
- Amendments to References to the Conceptual framework in IFRS standards., effective January 1, 2020
- Amendment to IAS 1 and IAS 8: "Definition of material", effective January 1, 2020

Other issued amendments are deemed not applicable for Telia Company.

EU endorsement status

As of the beginning of March 2019, all standards, amendments to standards and interpretations mentioned above had been adopted by the EU, except for IFRS 17, amendments to IAS 19, Annual Improvements to IFRSs 2015 – 2017 cycle, amendments to IFRS 3, amendment to IAS 1 and IAS 8 and amendment to References to Conceptual framework in IFRS standards.

C2 JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management and the Board of Directors to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These estimates are based on historical experience and various other assumptions that management and the Board believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, significantly impacting Telia Company's earnings and financial position.

Management believes that the following areas comprise the most difficult, subjective or complex judgments it has to make in the preparation of the financial statements. For information on accounting policies applied, see the respective sections of Note C3.

Revenue recognition

For a telecom operator, if and when revenue should be recognized requires management judgment in a number of cases.

Principal or agent – gross versus net presentation

When the group acts as a principal, income and payments to suppliers are reported on a gross basis in revenue and operating costs. If the group sells goods or services as an agent (for example insurance in some countries) revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin/commission earned. Whether the group is considered to be principal or agent in a transaction depends on analysis by management of both the legal form and substance of the agreement between the group and its business partners; such judgments impact the amount of reported revenue and operating expenses but do not impact net income or cash flows. Features indicating that the group is acting as a principal include: it has the primarily responsibility for fulfilling the promise to provide the goods or services, it bears the inventory risk, and the group has latitude in establishing prices or provides additional goods and services. If the group does not have control of the goods or services before they are transferred to the customer, it acts as an agent. For insurance services, the key judgement is based on whether Telia Company bears the insurance risk or not. Telia Company is deemed to be acting as an agent if it does not bear the insurance risk. For other types of digital value added services the key judgement is related to assessment of whether Telia Company has the primarily responsibility for fulfilling the promise to provide the service. In this assessment the terms of the contract, the way the is service sold, the level of interaction with the customer before, during and after delivering the service and the technical delivery of the service are considered among other things.

Bundling of products and services

In bundling of products and services, identifying performance obligations and determining the stand-alone selling prices requires management judgment. Revenue is allocated between the goods and services identified as a separate performance obligation based on their relative stand-alone selling price. The stand-alone selling price determined for goods or services may impact the timing of the recognition of revenue. Determining the stand-alone selling price of each performance obligation can require complex estimates if those are not directly observable. The group's estimation of stand-alone selling prices that are not directly observable are mainly based on expected cost plus a margin.

Income taxes

Significant management judgment is required in determining current tax liabilities and assets as well as provisions for deferred tax liabilities and assets, in particular as regards valuation of deferred tax assets. As part of this process, income taxes have to be estimated in each of the jurisdictions in which Telia Company operates. The process involves estimating the actual current tax exposure together with assessing temporary differences resulting from the different valuation of certain assets and liabilities in the financial statements and in the tax returns. Management must also assess the probability that the deferred tax assets will be recovered from future taxable income.

Actual results may differ from these estimates due to, among other factors, future changes in business environment, currently unknown changes in income tax legislation, or results from the final review of tax returns by tax authorities or by courts of law. For additional information on deferred tax assets and liabilities and their carrying values as of the end of the reporting period, see Note C10.

Valuation of intangible and other non-current assets
Intangible assets, and property, plant and equipment represent a significant part of Telia Company's total assets.

Useful lives
Determination of the useful lives of asset classes involves taking into account historical trends and making assumptions related to future socio-economic and technological development and expected changes in market behavior.

In 2018 and 2017, amortization, depreciation and impairment losses totaled SEK 13,638 million and SEK 12,528 million, respectively. For additional information on intangible and tangible assets subject to amortization and depreciation and their carrying values as of the end of the reporting period, see Note C12 and Note C13.

Impairment testing
A number of significant assumptions and estimates are involved when measuring value in use and fair value less costs of disposal based on the expected future discounted cash flows attributable to an asset, for example with respect to factors such as market growth rates, revenue volumes, market prices for telecommunication services, costs to maintain and develop communication networks and working capital requirements. Forecasts of future cash flows are based on the best estimates of future revenues and operating expenses using historical trends, general market conditions, industry trends and forecasts and other available information. These assumptions are prepared by management and subject to review by the Audit Committee of the Board of Directors. The cash flow forecasts are discounted at the weighted average cost of capital for the relevant cash-generating unit. For Denmark the key assumptions on sales growth and EBITDA margin development in the forecasts are deviating from historical trends. For the forecast period Telia Company has clear and committed plans for sales initiatives, cost reductions and working capital improvements. Despite firm business plans, there is a risk that forecasted performance for Denmark could be impacted by operational factors as well as external factors like WACC increase or unexpected market development affecting forecasted revenue which could result in an impairment loss.

For additional information on goodwill and its carrying value as of the end of the reporting period, see Note C12.

Provisions for pensions and employment contracts
The most significant assumptions that management has to make in connection with the actuarial calculation of pension obligations and pension expenses affects the discount rate, the expected annual adjustments to pensions, and the longevity. Changes in any of these key assumptions may have a significant impact on the projected benefit obligations, funding requirements and periodic pension cost.

For additional information on assumptions made, sensitivity analysis related to change in assumptions and pension obligations and their present values as of the end of the reporting period, see Note C21.

Provisions for restructuring activities, contingent liabilities and litigation
Telia Company has engaged, and may in the future need to engage, in restructuring activities, which require manage-

Currently, the following amortization and depreciation rates are applied.

Trade names	Individual evaluation, minimum 10 percent
Telecom and frequency licenses, numbering rights	Remaining license period, minimum 5 percent
Interconnect and roaming agreements	Agreement term, based on the remaining useful life of the related license
Customer relationships	Individual evaluation, based on historic and projected churn
Capitalized development expenses	20 percent or individual evaluation
Other intangible assets	20–33 percent or individual evaluation
Buildings	2–10 percent
Land improvements	2 percent
Capitalized improvements on leased premises	Remaining term of corresponding lease
Mobile networks (base stations and other installations)	14.5–20 percent
Fixed networks	
– Switching systems and transmission systems	10–20 percent
– Transmission media (cable)	5–10 percent
– Equipment for special networks	10 percent
– Usufruct agreements of limited duration	Agreement term or time corresponding to the underlying asset
– Other installations	2–33 percent
Equipment, tools and installations	10–33 percent
Customer premises equipment under service arrangements	33 percent, or agreement term if longer
Cost to obtain a contract	Straight line, based on historic and projected customer churn
Right of use assets	Expected lease term, 3-50 percent

ment to make significant estimates related to expenses for severance and other employee termination costs, lease cancellation, site dismantling and other exit costs and to realizable values of assets made redundant or obsolete (see section "Valuation of intangible and other non-current assets" above). Should the actual amounts differ from these estimates, future results could be materially impacted.

Determination of the treatment of contingent assets and liabilities in the financial statements is based on management's view of the expected outcome of the applicable contingency. Management consults with legal counsel on matters related to litigation and other experts both within and outside the company with respect to matters in the ordinary course of business.

For additional information on restructuring provisions, including their carrying values as of the end of the reporting period, and on contingencies and litigation, see Notes C22 and C29, respectively.

Classification as held for sale and discontinued operations

Non-current assets and disposal groups are classified as held-for-sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. The determination if and when non-current assets and disposal groups should be classified as held-for-sale requires management judgment considering all facts and circumstances relating to the transaction, the parties and the market and entities can come to different conclusions under IFRS.

One of the conditions that must be satisfied for classification as held for sale is that the sale is highly probable within one year. One criterion for the sale to qualify as highly probable is that the appropriate level of management must be committed to a plan to sell the assets or disposal group in its present condition. In the telecom industry acquisitions often require regulatory approval. If the buyer is a telecom operator in the same market entities often have to agree to a number of remedies to get the approval. If the buyer is expected to be a telecom operator in the same market and significant remedies are expected, a sale is usually not regarded as highly probable and consequently the assets are not classified as held for sale by Telia Company, until the remedies are agreed upon and accepted by management.

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. Telia Company is still committed to the plan to divest the remaining part of Eurasia (Moldcell in Moldova) and the delay in the sales process was caused by events and circumstances beyond Telia Company's control. Telia Company has taken actions necessary to respond the change in circumstances, the units are available for immediate sale and are being actively marketed at reasonable prices given the changes in circumstances. The sales process is in the final stage, bids have been received and term negotiations are at various stages with different parties. Disposal of Moldcell in Moldova is therefore deemed highly probable within 2019. See Note C34 and "Risks and uncertainties" for more information on discontinued operations and risks that may affect the timing of divestment.

Fair value estimates – discontinued operations

In accordance with IFRS 5, the discontinued operations are measured at the lower of carrying value and estimated fair value less costs to sell. Fair value is the price that would be received to sell the discontinued operations in an orderly transaction between market participants at the measurement date under current market conditions. There is no directly observable price for Telia Company's discontinued operations and fair value has therefore been estimated using other valuation techniques which require the use of judgment. For the Moldcell in Moldova the estimated fair value is based on bids received. See Note C34 and "Risks and uncertainties" for more information on discontinued operations and risks that may affect the estimated fair values.

Accounts payables under vendor financing arrangements

Telia Company has an arrangement with a bank under which the bank offers Telia Company's vendors the option to receive earlier payment of Telia Company's accounts payables. Vendors utilizing the financing arrangement pay a credit fee to the bank. Telia Company does not pay any credit fees and does not provide any additional collateral or guarantee to the bank. Based on Telia Company's assessment the liabilities under the vendor financing arrangement are closely related to operating purchase activities and the financing arrangement does not lead to any significant change in the nature or function of the liabilities. These liabilities are therefore classified as accounts payables with separate disclosures in the notes. The credit period does not exceed 12 months and the accounts payables are therefore not discounted. Account payables under vendor financing arrangements were SEK 5,133 million per December 31, 2018 (1,678). See Note C24.

C3 SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements

General – Subsidiaries

The consolidated financial statements comprise the parent company Telia Company AB and all entities over which Telia Company has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled or not. Telia Company is assumed to have control if the group owns the majority of shares and the shares have equal voting rights attached, and a proportionate entitlement to a share of the returns of the entity and decisions about relevant activities are determined by majority votes. Telia Company is also assumed to have control if Telia Company selects the majority of the board contractually even if not holding the majority of the shares, see Notes C4 and C19.

Acquisitions are accounted for using the acquisition method which measures goodwill at the acquisition date as: the fair value of the consideration transferred; plus the amount of any non-controlling interest in the acquiree recognized in the transaction; plus if the business combination is achieved in stages, the fair value of the previously held equity interest in the acquiree; less the net recognized amount of the identifiable assets acquired and liabilities assumed. When the difference is negative, a bargain purchase gain would be recognized in net income. Costs related to the acquisition are expensed as incurred.

Any contingent consideration payable would be recognized at fair value at the acquisition date. If the contingent consideration would be classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in net income. Acquisition of additional shares in a subsidiary after obtaining control as well as a partial disposal of shares in a subsidiary while retaining control are accounted for as equity transactions with owners. See section "Non-controlling interests" below.

Assets (including any goodwill and fair value adjustments) and liabilities for entities acquired or divested during the year are included in the consolidated financial statements from the date on which control is obtained and excluded from the date on which control is lost.

Intra-group sales and other transactions have been eliminated in the consolidated financial statements. Profits and losses resulting from intra-group transactions are eliminated unless a loss indicates impairment.

Non-controlling interests

Prior to 2010, transactions involving non-controlling interests were treated as transactions with non-related parties. Disposals of non-controlling interests resulted in capital gains or losses which were recognized in net income. Purchases of non-controlling interests resulted in goodwill, being the difference between any consideration paid and the relevant share acquired of the group's carrying value of net assets of the subsidiary. Prospectively as of 2010, transactions with non-controlling interests are treated as equity transactions, including any transaction-related costs. Gains or losses on disposals as well as any excess or deficit of consideration paid over the carrying amount of non-controlling interests when acquiring additional shares in a subsidiary are recognized in retained earnings. Consideration paid for a call option or other similar contract giving Telia Company the right to acquire a fixed non-controlling interest in exchange for a fixed amount of cash or another financial asset is deducted from retained earnings.

Commitments to purchase non-controlling interests (NCI) made prior to 2010 and put options granted to holders of non-controlling interests (taking into account any subsequent capital contributions from or dividends to such shareholders) prior to 2010 are recognized as contingent consideration (provisions). Where the amount of the liability exceeds the amount of the non-controlling interest, the difference is recorded as goodwill. Subsequent changes in the value of put option liabilities are recognized as an adjustment to goodwill. Commitments entered into on or after 2010 are considered financial liabilities with subsequent changes in the value recognized as other operating income/expense. For each business combination the group elects to measure any non-controlling interest in a subsidiary either at fair value (goodwill recognized on non-controlling interest) or only at the proportionate share of the identifiable net assets (goodwill recognized only on acquired interest). If Telia Company has a commitment of a NCI option linked to a receivable from the same counter party and the shares are held as collateral for the receivable, then the receivable and liability is recognized and offset in the statement of financial position. The change in fair value of the option is assumed to equal the return on the shares held as collateral, see Note C26.

Joint arrangements

Joint arrangements are entities over which the group has joint control by virtue of contractual arrangements. Joint arrangements are classified as either joint operations or joint ventures. Joint operations are arrangements whereby Telia Company has the right to the assets and obligation for the liabilities and accounts for its share of the assets, liabilities, revenue and expenses of the joint operation line by line in the consolidated financial statements. The joint operations are primarily designed for providing output to the shareholders.

Joint ventures on the other hand are arrangements where Telia Company has right to the net assets of the arrangement and the investment is accounted for under the equity method (similar to associated companies - see section below). Joint arrangements acquired or divested during the year are included in the consolidated financial statements from the date on which joint control is obtained and excluded from the date on which joint control is lost.

Associated companies

Associated companies are entities over which the group has significant influence but not control. If the group holds, directly or indirectly (e.g. through subsidiaries), 20 percent or more of the voting power of the investee, it is presumed that the group has significant influence, unless it can be clearly demonstrated that this is not the case. Holdings in associated companies are accounted for using the equity method and are initially recognized at cost, including any transaction costs. The group's share of net income in associated companies is included in operating income because the operations of these companies are related to telecommunications and it is the group's strategy to capitalize on industry know-how by means of investing in partly owned operations. The share of net income is based on the entity's most recent accounts, adjusted for any discrepancies in accounting policies, and with estimated adjustments for significant events and transactions up to Telia Company's close of books.

The line item Income from associated companies and joint ventures also includes amortization of fair value adjustments and other consolidation adjustments made upon the acquisition of associated companies as well as any subsequent impairment losses on goodwill and other intangible assets, and capital gains and losses on disposals of stakes in such companies. Telia Company's share of any gains or losses resulting from transactions with associated companies is eliminated.

Dividend received reduces the carrying amount of an investment. Negative equity participations in associated companies are recognized only to the extent contractual obligations to contribute additional capital exist and are then recorded as Other provisions.

The group's share of associated entities equity transactions such as the acquisition or sale of treasury shares from third parties are recognized directly in equity.

Cash flow reporting

Cash flows from operating activities are reported using the indirect method and include dividends received from associated companies and other equity instruments, interest paid or received (except for paid interest capitalized as part of the acquisition or construction of non-current assets and therefore included in cash flows from investing activities), provisions, compensation from or contributions to the Swedish pension fund and taxes paid or refunded. Changes in non-interest bearing receivables and liabilities are reported in working capital, except for IRU-related prepayments (Indefeasible Rights of Use) made or received which are included in cash flows from investing activities. Terminal financing receivables are also included in working capital.

Cash flows from investing activities include CAPEX, payments to acquire or receipts from the sale of joint ventures, associates, subsidiaries (obtaining or losing control) net of cash and cash equivalents acquired or disposed of and other equity instruments. Further, cash flows from investing activities include payments related to lease receivables, as well as other investments with maturities over 3 months.

Cash flows from financing activities include dividends paid to owners of the parent and to holders of non-controlling interests, payments and receipts from changes in ownership of non-controlling interest and cash flows from settlement of foreign exchange derivative contracts used for economic hedges of cash-pool balances including any payments or receipts from CSA (Credit Support Annex). Proceeds from and repayment of borrowings include cash flows from derivatives hedging such borrowings.

Cash and cash equivalents include cash at hand, bank deposits and highly-liquid short-term investments with maturities up to and including 3 months.

Cash flows of a foreign entity are translated at the average exchange rate for the reporting period, except for certain transactions like dividends from associates, dividends paid to holders of non-controlling interests, acquisitions or disposals of subsidiaries and associated companies, and other major non-recurring transactions which are translated at the rate prevailing on the transaction day.

Segment reporting

The group's businesses are managed and reported by the six operating segments: Sweden, Finland, Norway, Denmark, Lithuania and Estonia. Operating segments that are not individually reportable: Latvia, the Telia Carrier operations, Telia Company's shareholding in the associate Turkish Turkcell as well as Group functions are combined into Other operations. The 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. For additional information, see Note C5. Segments are consolidated based on the same accounting principles as for the group as a whole. When significant operations are transferred between segments, comparative period figures are restated.

Foreign currency translation and inflation adjustments

Currency translation is based on market rates with information from major market providers and are fixed daily.

Separate financial statements of a group entity are presented in the entity's functional currency, being the currency of the primary economic environment in which the entity operates, normally the local currency. In preparing the financial statements, foreign currency transactions are translated at the exchange rates prevailing at the date of each transaction. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the closing rates existing at that date. Exchange rate differences arising from operating receivables or liabilities are recognized in operating income, while differences attributable to financial assets or liabilities are recognized in finance items.

Exchange rate differences on equity instruments measured at fair value through other comprehensive income and on cash flow hedges are recognized in other comprehensive income.

The consolidated financial statements are presented in Swedish krona (SEK), which is the functional currency of the parent company. For consolidation purposes, income and expenses of foreign operations (subsidiaries, joint ventures and associated companies, and branch offices) are translated at the average exchange rates for the period. However, for items related to dividends, gains or losses on disposal of operations or other major transactions or if exchange rates fluctuated significantly during the period, the exchange rates at the date of the transactions are used. Assets and liabilities, including goodwill and fair value adjustments arising on acquisition of foreign operations, are translated at closing rates at the end of the reporting period except for equity components, which are translated at historical rates. Translation differences are recognized in other comprehensive income and accumulated in equity attributable to owners of the parent or to non-controlling interests, as appropriate.

When a foreign operation is disposed, any related cumulative exchange rate difference is recycled to net income as part of the gain or loss on the disposal, except for accumulated exchange rate differences related to non-controlling interests which are derecognized but not recycled to net income. However, if Telia Company would dispose of a non-controlling interest in a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the functional currency for a foreign operation is the currency of a hyperinflationary economy, prior to translating the financial statements, the reported non-monetary assets and liabilities, and equity are restated in terms of the measuring unit current at the end of the reporting period.

Revenue recognition

Revenue principally consist of mobile service revenues including subscription, interconnect and roaming and fixed service revenues including telephony, broadband, TV, installation fees and business solutions, as well as revenue from equipment sales and leases. There are both revenue from products and services sold separately and from products and services sold as a bundle.

Revenue is recognized based on a single principle based five-step model which is applied to all contracts with customers. Revenue is allocated to performance obligations (equipment and services) in proportion to stand-alone selling prices 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.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amount collected on behalf of third parties. The consideration promised in a contract with a customer may include fixed amounts, variable amounts or both. For variable consideration accumulated experience is used to estimate and provide for the variable consideration, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

Service revenues

Service revenues are recognized over time, in the period in which the service is performed, based on actual traffic or over the contract term, as applicable. Revenue from voice and data services is recognized when the services are used by the customer. Subscription fees are recognized as revenue over the subscription period. Sales relating to pre-paid phone cards, primarily mobile, are deferred as a contract liability and recognized as revenue based on the actual usage of the cards.

Revenue from interconnect traffic with other telecom operators is recognized at the time of transit across Telia Company's network.

Installation service revenues are recognized over time in the period in which the service is performed.

For open access fiber installed at customer's premises, non-refundable customer fees and related installation costs, including planning, trenching, cabling, splicing, mounting, connection, cross-connect equipment and media conveter, are recognized when the installation is finalized. Connection fees are separately recognized at completion of connection, if the fees do not include any amount for subsequent servicing but only cover the connection costs. Amounts for subsequent servicing are deferred.

To corporate customers, Telia Company offers long-term functional service agreements for total telecom services, which may include switchboard services, fixed telephony, mobile telephony, data communication and other customized services. There are generally no options for the customer to acquire the equipment at the end of the service contract period. For functional service agreements which represents one single performance obligation, revenue is recognized over the service period.

Service and construction contract revenues are recognized using the percentage of completion method and revenue is recognized over time. The stage of completion is estimated using measures based on the nature and terms of the contracts. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately expensed.

Invoices for mobile subscriptions, broadband, fixed telephony and other services are normally paid monthly, over the contract period.

Equipment revenues

Revenue from equipment sales is recognized at the point in time when control is transferred to the customer, which normally is on delivery and when accepted by the customer. If the customer has the right to return the equipment, the amount of revenue recognized is adjusted for expected returns, estimated based on historical data.

Equipment are paid for upfront or over time, when Telia Company provides the customer with financing.

Bundled services and products

Telia Company may bundle services and products into one customer offering. Offerings may involve the delivery or performance of multiple products, services, or rights to use assets (multiple deliverables). Telia Company accounts for each individual product and service separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. When the transaction price is determined for bundles that includes services (e.g. a mobile subscription), the minimum non-cancellable contract term is considered. When applicable, the transaction price is adjusted for financing components and expected returns. There are usually no or few other variable components in the transaction price. The transaction price is allocated to each equipment and service accounted for as a separate performance obligation, based on their relative stand-alone price. For most performance obligations, the stand-alone selling prices are directly observable. If stand-alone selling prices are not directly observable, they are estimated based on expected cost plus margin. In some cases the offerings includes non-refundable upfront fees such as activation fees. Payments for such fees are included in the transaction price, and, if not related to the satisfaction of a performance obligation, allocated to other performance obligations identified in the contract.

Some bundled offerings include lease components, e.g. TV boxes, as well as non-lease components, e.g. subscription. In those arrangements, the transaction price is allocated to both the lease components and non-lease components identified as separate performance obligations. The lease components are then accounted for as either an operating lease or a finance lease depending on the lease classification (see also section "lease agreements, Telia Company as a lessor" below). Revenue for the non-lease components are recognized when or as the performance obligations are satisfied.

Equipment that can be used only in connection with services provided by Telia Company and that have no other significant function for the customer than delivering the service, e.g. routers, is not accounted for as a separate performance obligation. In such arrangements, the transaction price is allocated to the performance obligations identified, i.e. no part of the transaction price is allocated to the equipment. Any consideration received upfront, when the equipment is delivered, is recognized as a contract liability and recognized as revenue when or as the identified performance obligations are satisfied.

If a contract with a customer includes a license that is distinct, the promise to grant a license is classified as either a "right to access" or a "right to use" Telia Company's intellectual property. A license is classified as a "right to access" if Telia Company will undertake activities that significantly affects the intellectual property, that do not result in the transfer of a separate performance obligation to the customer, and, the customer is directly exposed to any positive or negative effects of those activities. When the promise to grant a license is classified as a "right to access", revenue is recognized over time. When the promise to grant a license is classified as a "right to use", revenue is recognized at the point in time when control is transferred to the customer.

Principal or agent

Sometimes a third party is engaged in delivering goods or services to Telia Company's customers, e.g. Telia Company offers several value-added services (VAS) to the customers in bundled offers.

In arrangements where Telia Company act as a principle, revenue is recognized on a gross basis. When Telia Company act as an agent and arranges goods or services to be provided by another party, revenue is recognized as the net amount of consideration that Telia Company retains after paying that other party. When invoicing end-customers for third-party content services, amounts collected on behalf of the principal are excluded from revenue. For more information please refer to Note C2.

Other revenue related transactions

Under customer loyalty programs, customers are entitled to certain discounts (award credits) relating to services and goods provided by Telia Company. The loyalty program provides the customers with a material right which is accounted for as a separate performance obligation. The transaction prices are allocated between the services and goods provided, and the award credits based on relative stand-alone selling prices. The stand-alone selling price for the award credits is estimated based on the discount granted when the award credit is redeemed and the likelihood of redemption, which is based on past practice. A contract liability is recognized until the award credits are redeemed or expire.

Some contracts contain a financing component because the timing of payments provides the customer or Telia Company with a benefit of financing. When determining the transaction price for such agreements, Telia Company adjusts the promised amount of consideration for the effects of the time value of money. Telia Company uses the practical expedient to not calculate and account for significant financing component if the period between the transfer of a good or service to a customer and payment is 12 months or less.

Telia Company distinguishes between contract assets and receivables based on whether receipt of the consideration is conditional on something other than passage of time. Contract assets primarily relate to transactions where Telia Company satisfies a performance obligation to transfer equipment that is part of a bundles to the customer, but the right to payment for the equipment is dependent on Telia Company satisfying another performance obligation in the contract, for example a mobile subscription. The contract assets are transferred to receivables when the right becomes unconditional, i.e. when only the passage of time is required before payment of consideration is due. Contract liabilities primarily relate to prepayments received from customers such as prepaid cards, prepaid subscriptions, loyalty programs and variable considerations.

If expected to be recovered, sales commissions and equipment subsidies granted to dealers for obtaining a specific contract are capitalized and deferred over the period which Telia Company expects to provide services to the customer. The asset (included in balance sheet line item Other non-current assets) is amortized on a straight-line basis. The amortization is classified as an operating expense (within EBITDA) in the income statement. Telia Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred, if the amortization period of the asset is one year or less.

Operating expenses

Telia Company presents its analysis of expenses using a classification based on function. Cost of sales comprises all costs for services and products sold as well as for installation, maintenance, service, and support. Selling and marketing expenses comprise all costs for selling and marketing services and products and includes expenses for advertising, PR, pricelists, commission fees, credit information, debt collection, etc. Credit losses as well as allowances for credit losses are also included. Recovery of receivables written-off in prior years is included in Other operating income. Research and development expenses (R&D) include expenses for developing new or substantially improving already existing services, products, processes or systems. Maintenance and minor adjustments to already existing services, products, processes or systems are not included in R&D. Expenses that are related to specific customer orders (customization) are included in Cost of sales. Amortization, depreciation and impairment losses are included in each function to the extent referring to intangible assets or property, plant and equipment used for that function.

Advertising and other marketing costs are expensed as incurred.

All pension benefit costs except for the interest component are recognized as personnel expenses. For equity-settled share-based payments to employees, such as Telia Company's Performance Share Programs, cost, being the fair value at the allotment date of the equity instruments allotted, is recognized as personnel expenses allocated over the vesting period and with a corresponding increase in equity. Cost is based on the best available estimate of the number of equity instruments to vest. If necessary, the estimate is revised during the vesting period and finally revised at the end of the vesting period.

Other operating income and expenses

Other operating income and other operating expenses include gains and losses, respectively, on disposal of shares or operations in subsidiaries (see section "Associated companies" above) and on disposal or retirement of intangible assets or property, plant and equipment.

Also included in other operating income and expenses are impairment losses of goodwill, government grants, exchange rate differences on operating transactions, results from court-settled disputes with other operators regarding historical interconnect and roaming fees, restructuring costs and other similar items. Government grants are initially measured at fair value and recognized as income over the periods necessary to match them with the related costs. Exchange rate differences from operating transactions also include effects from economic hedges and value changes in derivatives hedging operational transaction exposure (see section "Derivatives and hedge accounting" below).

Finance costs and other financial items

Interest income and expenses are recognized as incurred, using the effective interest rate method, with the exception of borrowing costs directly attributable to the acquisition, construction or production of an asset, which are capitalized as part of the cost of that asset (see also section "Intangible assets, and property, plant and equipment" below). Increases in provisions due to passage of time are recognized as interest expenses.

Interest income and expenses also include changes in fair value of the interest component of cross-currency interest rate swaps as well as changes in fair value of interest rate swaps. The initial difference between nominal value and net present value of borrowings with an interest rate different to market rate ("day 1 gain") is amortized until due date and recognized as Other interest income. The interest component of changes in the fair value of borrowings identified as hedged items in fair value hedges and of derivatives hedging loans and borrowings (see section "Derivatives and hedge accounting" below) are included in Other interest income (gains) or in Interest expenses (losses). Exchange rate differences on financial transactions also comprise changes in fair value of the currency component of cross-currency interest rate swaps and of forward contracts hedging currency risks in external borrowings.

Dividend income from equity investments is recognized when Telia Company's rights to receive payment have been established. Income and expenses relating to guarantee commissions are included in Other interest income and Interest expenses, respectively. Interest expenses include funding-related bank fees and fees to rating institutions and market makers. Further the net interest on the net defined benefit liability (asset) is recognized as part of finance costs.

Income taxes

Incomes taxes comprise current and deferred tax. Current and deferred income taxes are recognized in net income or in other comprehensive income, to the extent relating to items recognized in other comprehensive income. Deferred income taxes are provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements and on unutilized tax deductions or losses. Where a subsidiary has a history of tax losses, Telia Company recognizes a deferred tax asset only to the extent that the subsidiary has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available.

On initial recognition of assets and liabilities, deferred taxes are not recognized on temporary differences in transactions that are not business combinations. Deferred tax liabilities for undistributed earnings or temporary differences related to investments in subsidiaries, joint ventures and associated companies are not recognized because such retained earnings can be withdrawn as non-taxable dividends and the companies can be sold without tax consequences. However, some foreign jurisdictions impose withholding tax on dividends. In such cases, a deferred tax liability is recognized, calculated by applying the respective withholding tax rate on undistributed earnings. In certain countries, income tax is not levied on profits, but on dividends paid or declared. In those cases, since current and deferred taxes should be recognized at the rate of undistributed earnings, no deferred tax is recognized and current tax is recognized in the period when dividends are declared.

Current and deferred income tax is determined using tax rates and tax legislation that have been enacted or substantively enacted at the end of the reporting period and in the case of deferred tax that are expected to apply when the related deferred income tax asset or liability is settled. Effects of changes in tax rates are recognized in the period when the change is substantively enacted. Deferred tax assets are recognized to the extent that the ability of utilizing the tax asset is probable. Deferred tax assets and liabilities are offset when a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Interest on current tax payable or refundable calculated by tax authorities is classified as Interest expenses and Other interest income, respectively.

Intangible assets, and property, plant and equipment

Measurement bases

Goodwill is measured, after initial recognition, at cost, less any accumulated impairment losses. Goodwill is not amortized but tested for impairment at least annually. Impairment losses are not reversed. Based on management analysis, goodwill acquired in a business combination is for impairment testing purposes allocated to the groups of cash-generating units that are expected to benefit from the synergies of the combination. Each group represents the lowest level at which goodwill is monitored for internal management purposes and it is never larger than an operating segment.

Other intangible assets are measured at cost, including directly attributable borrowing costs, less accumulated amortization and any impairment losses. Direct external and internal development expenses for new or substantially improved products and processes are capitalized, provided that future economic benefits are probable, costs can be measured reliably and the product and process is technically and commercially feasible. Activities in projects at the feasibility study stage as well as maintenance and training activities are expensed as incurred.

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are measured on the same basis as intangible assets acquired separately. Fair values of intangible assets acquired in a business combination are determined as follows. Patents and trademarks are valued based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. Customer relationships are valued using the multi-period excess earnings method. For other intangible assets, income, market and cost approaches are considered in a comprehensive valuation analysis, by which the nature of the intangible asset, any legal and contractual circumstances and the availability of data will determine which approach(es) ultimately to be utilized to derive each asset's fair value.

Property, plant and equipment are measured at cost, including directly attributable borrowing costs, less accumulated depreciation and any impairment losses. Software used in the production process is considered to be an integral part of the related hardware and is capitalized as plant and machinery. Property and plant under construction are valued at the expense already incurred, including interest during the installation period. To the extent a legal or constructive obligation to a third party exists, the acquisition cost includes estimated costs of dismantling and removing the asset and restoring the site. The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying value of the item if it is probable that the future economic benefits embodied within the item will flow to Telia Company and the cost of the item can be measured reliably. All other replacement costs are expensed as incurred. A change in estimated expenditures for dismantling, removal and restoration is added to and/or deducted from the carrying value of the related asset. To the extent that the change would result in a negative carrying value, this effect is recognized in net income. The change in depreciation charge is recognized prospectively.

Fair values for property, plant and equipment acquired in a business combination are determined as follows. Commercial real estate is normally valued using an income or market approach, while technical buildings, plant and equipment are normally valued using a cost approach, in which the fair value is derived based on depreciated replacement cost for the asset.

Capitalized interest is calculated, based on the group's estimated average cost of borrowing. However, actual borrowing costs are capitalized if individually identifiable, such as interest paid on construction loans for buildings.

Government grants received as compensation for the cost of an asset are initially measured at fair value, normally being the consideration received. A government grant reduces the carrying value of the related asset and the depreciation charge recognized over the asset's useful life.

Amortization and depreciation

Amortization of intangible assets other than goodwill and depreciation on property, plant and equipment is based on cost, less residual values, and taking into account the estimated useful lives of various asset classes or individual assets. Land is not depreciated. For assets acquired during a year, amortization and depreciation is calculated from the date of acquisition. Amortization and depreciation is mainly recognized on a straight-line basis.

Mobile and fixed telecommunication licenses to operate a specific network are regarded as integral to the network and amortization does not commence until the related network is ready for use. Amortization of network-independent licenses to use specific radio frequencies (spectrum) commences when the related frequency block is available for use. License fees based on future services, i.e. relating to the on-going performance of the entity are not capitalized but expensed as incurred.

Impairment testing

Goodwill and other intangible assets (currently none existing) with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. Intangible assets with a finite life and tangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is tested for impairment. If an analysis indicates that the carrying value is higher than its recoverable amount, which is the higher of the fair value less costs to sell and value in use, an impairment loss is recognized for the amount by which the carrying amounts exceed the recoverable amount.

Value in use is measured based on the expected future discounted cash flows (DCF model) attributable to the asset.

Financial instruments

Classification of financial assets

A financial asset is for measurement purposes initially classified into one of three measurement categories. The classification depends on how the asset is managed (business model) and the characteristics of the asset's contractual cash flows. The measurement categories for financial assets are as follows:

- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets at amortized cost

A financial asset is measured at amortized cost (AC) if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to realize the cash flows from the financial assets by holding the financial assets and collecting its contractual cash flows over the life of the assets and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A financial asset is measured at Fair Value through Other Comprehensive Income (FVTOCI) if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to realize the cash flows from the financial assets both by collecting the contractual cash flows and selling financial assets and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A financial asset is measured at Fair Value through Profit or Loss (FVTPL) unless it is measured at amortized cost or at fair value through other comprehensive income.

Equity instruments and derivative instruments do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and are therefore measured at fair value through profit or loss. However, for equity instruments that are not held-for-trading, there is an irrevocable option that can be made on initial recognition to present changes in the fair value in other comprehensive income. This is made on an instrument-by-instrument basis. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

Telia Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice
- How the performance of the portfolio is evaluated and reported to management of Telia Company
- The risks that affect the performance of the business model and how those risks are managed
- How managers of the business are compensated
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity

Transaction costs

Financial assets and financial liabilities are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. However, transaction costs related to assets or liabilities held for trading are expensed as incurred.

Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when Telia Company has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the asset, or has transferred control of the asset. A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the carrying amounts is recognized in net income.

Impairment

A loss allowance is recognized for financial assets measured at amortized cost and, financial assets measured at fair value through other comprehensive income and for contract assets. The loss allowance is measured at an amount equal to lifetime expected credit losses, except for

the following, for which the loss allowance is measured at an amount of twelve months expected credit losses:
- Financial assets that are determined to have low credit risk at the reporting date
- Financial assets for which the credit risk has not increased significantly since initial recognition

The loss allowance for trade receivables and contract assets is always measured at an amount equal to lifetime expected losses applying the simplified approach in IFRS 9. The general model is applied for all other financial assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

Expected credit losses are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive.

Fair value estimation

The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. For financial assets, the current bid price is used. The fair values of financial instruments that are not traded in active markets are determined by using valuation techniques. Management uses a variety of methods and makes assumptions that are based on market conditions existing at the end of the reporting period.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows (DCF analyses), are used to determine fair value for the remaining financial instruments. DCF analyses are performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Forward exchange contracts are measured using quoted forward exchange rates and yield-curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows, estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The carrying value less impairment provision of trade receivables and payables are assumed for disclosure purposes to approximate their fair values. The fair value of financial liabilities is for disclosure purposes estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments with adjustment for credit purposes based on known credit spreads from exchange traded Telia Company bonds. The fair value of loans and receivables is for disclosure purposes estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments with adjustment for credit purposes based on known credit spreads, where available and if not available, individual estimates.

Current/non-current distinction, offsetting

Financial assets and liabilities maturing more than one year from the end of the reporting period are considered to be non-current. Other financial assets and liabilities are recognized as current.

Financial assets are recognized and derecognized applying settlement date accounting. Financial liabilities are

Fair value hierarchy levels

The carrying values of classes of financial assets and liabilities measured at fair value are determined based on a three-level fair value hierarchy, as follows.

Level	Fair value determination	Comprises
1	Quoted (unadjusted) prices in active markets for identical assets or liabilities	Primarily quoted equity instruments measured at fair value through other comprehensive income or at fair value through profit or loss
2	Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices)	Derivatives designated as hedging instruments or measured at fair value through income statement and borrowings in fair value hedge relationships
3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs)	Unquoted equity instruments measured at fair value through other comprehensive income or at fair value through profit or loss

Inputs for fair value measurements disclosed for assets and liabilities that are not carried at fair value are categorized to fair value level hierarchy 2.

recognized when Telia Company receives payment from the counterparty and are derecognized when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and liabilities are offset only if there is an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Financial assets – measurement
Quoted equity instruments are measured at fair value, being the quoted market prices. Unrealized gains and losses arising from changes in fair value up to the date of sale are recognized in other comprehensive income and accumulated in the fair value reserve. Unquoted equity instruments are measured at fair value with fair value changes recognized in other comprehensive income. Telia Company's primary valuation technique for unquoted equity instruments is based on the most recent transaction for the specific company if such transaction has been recently done. Adjustments to the carrying value is made to reflect significant changes in circumstances since the transaction date if Telia Company assess that the change will have a material impact on the fair value. The estimated fair value for material unquoted equity instruments is verified by applying other valuation models in the form of valuation multiples from peers on relevant financial and operational metrics. Holdings in venture capital entities are measured at fair value with changes in fair value recognized in net income.

Bonds measured at fair value through other comprehensive income measured at fair value (quoted market prices) with unrealized changes in fair value recognized in other comprehensive income. Receivables arising from own lending, except for short-term receivables where the interest effect is immaterial, are measured at amortized cost, using the effective interest rate method, less impairment. An impairment loss on receivables from own lending is calculated as the difference between the carrying amount and the present value of the estimated future cash flow discounted at the original effective interest rate.

Short-term investments with maturities over 3 months comprise bank deposits, commercial papers issued by banks, bonds and investments. Cash and cash equivalents include cash at hand and bank deposits as well as highly-liquid short-term investments with maturities up to and including 3 months, such as commercial papers issued by banks. All instruments are initially measured at fair value and subsequently at either fair value through other comprehensive income or at amortized cost.

Financial liabilities – measurement
Financial liabilities (interest-bearing loans and borrowings), except for short-term liabilities where the interest effect is immaterial, are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest rate method. Liabilities that are hedged against changes in fair value are, however, measured at hedged fair value. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the loan or borrowings. Borrowings with an interest rate different to market rate are initially measured at fair value, being the net present value applying the market interest rate. The difference between the nominal value and the net present value is amortized until due date.

Financial guarantee liabilities are contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee.

The financial guarantee is subsequently measured at the higher of the allowance calculated at the end of the reporting period and the amount initially recognized.

Trade receivables and trade payables – measurement
Trade receivables are initially recognized at fair value, normally being the invoiced amount, and subsequently carried at invoiced amount less allowance for expected credit losses, which equals amortized cost since the terms are generally 30 days and the recognition of interest would be immaterial. An estimate of the amount of allowance for expected credit losses is recognized and reduces the carrying amount of the trade receivables. An impairment loss on trade receivables is calculated as the difference between the carrying amount and the present value of the estimated future cash flow. Bad debts are written-off when identified and charged to Selling and marketing expenses. Accrued trade payables are recognized at the amounts expected to be billable.

Trade payables are initially recognized at fair value, normally being the invoiced amounts, and subsequently measured at invoiced amounts, which equals amortized cost, using the effective interest rate method, since generally the payments terms are such that the impact of discounting would be immaterial.

Accounts payable under vendor financing arrangements are closely related to operating purchase activities and the financing arrangement does not lead to any significant change in the nature or function of the liabilities. These liabilities are therefore classified as accounts payables, but are specified in the disclosures. The credit period does not exceed 12 months and the accounts payables are therefore not discounted.

Derivatives and hedge accounting – measurement and classification
Telia Company uses derivative instruments, such as interest and cross-currency interest rate swaps, forward contracts and options, primarily to control exposure to fluctuations in exchange rates and interest rates. For hedging of net investments in foreign operations, Telia Company also uses financial liabilities.

Derivatives and embedded derivatives, when their economic characteristics and risks are not clearly and closely related to other characteristics of the host contract, are recognized at fair value. Derivatives with a positive fair value are recognized as non-current or current receivables and derivatives with a negative fair value as non-current or current liabilities. Swaps, forward exchange contracts and options are classified as non-interest-bearing and interest rate swaps and cross-currency interest rate swaps as interest-bearing items. For classification in the statement of comprehensive income, see sections "Other operating income and expenses" and "Finance costs and other financial items" above.

Hedging instruments are designated as hedges in economic hedges, see below or in either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. Documentation on hedges includes: the relationship between the hedging instrument and the hedged item; risk management objectives and strategy for undertaking various hedge transactions; and an effectiveness assessment.

For fair value hedges, the effective and ineffective portions of the change in fair value of the derivative, along with the gain or loss on the hedged item attributable to the risk being hedged, are recognized in net income.

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies (economic hedges) or that are initiated in order to manage e.g. the overall interest rate duration of the debt portfolio. Changes in the fair value of economic hedges are recognized in net income as exchange rate differences, offsetting the exchange rate differences on monetary assets and liabilities. Changes in the fair value of portfolio management derivatives are recognized in net income as Finance costs.

For cash flow hedges, the effective portion of the change in fair value of the derivative is recognized in other comprehensive income until the underlying transaction is reflected in net income, at which time any deferred hedging gains or losses are recycled to net income. The ineffective portion of the change in fair value of a derivative used as a cash flow hedge is recognized in net income.

However, when the hedged forecast transaction results in the recognition of a non-financial asset or liability, the gains and losses are included in the initial measurement of the cost of the asset or liability.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in net income. Gains and losses deferred in the foreign currency translation reserve are recycled to net income on disposal of the foreign operation. Changes in the fair value of derivative instruments that do not meet the criteria for hedge accounting are recognized in net income.

If the forward element of a forward contract or the foreign currency basis spread is excluded from the hedging relationship, the change in fair value of the excluded portion is accounted for as a cost of hedging. The change in fair value of the excluded portion is recognized in other comprehensive income and accumulated in a separate component of equity.

Repurchase agreements

Repurchase agreements, means that the parties have agreed on sale and repurchase of a certain security, at a predetermined price and point in time. Since the group remains exposed to the risk and rewards of the asset during the transaction period, securities remain accounted for in the balance sheet as financial assets. Received cash is accounted for as financial liabilities. Sold securities are also disclosed as pledged assets.

Inventories

Inventories are carried at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Obsolescence is assessed with reference to the age and rate of turnover of the items. The entire difference between the opening and closing balance of the obsolescence allowance is charged to cost of sales. The fair value of inventories acquired in a business combination is determined based on the estimated selling price less the estimated cost of sale and a reasonable profit margin.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. An asset held for sale is measured at the lower of its previous carrying value and fair value less costs to sell.

One of the conditions that must be satisfied for an asset to be classified as held for sale is that the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. One criterion for the sale to qualify as highly probable is that the appropriate level of management must be committed to a plan to sell the assets or disposal group in its present condition. In the telecom industry acquisitions often require regulatory approval. If the buyer is a telecom operator in the same market parties often have to agree to a number of remedies to get the approval. If the buyer is expected to be a telecom operator in the same market and significant remedies are expected, a sale is usually not regarded as highly probable and consequently the assets are not classified as held for sale by Telia Company, until the remedies are agreed upon and accepted by management. The determination if and when non-current assets and disposal groups should be classified as held for sale requires management judgment considering all facts and circumstances relating to the transaction, the parties and the market and entities can come to different conclusions under IFRS.

Equity attributable to owners of the parent

Equity attributable to owners of the parent is divided into share capital, other contributed capital, hedging reserve, cost of hedging reserve, fair value reserve, foreign currency translation reserve, revaluation reserve, inflation adjustment reserve, equity transaction in associates and retained earnings. Share capital is the legally issued share capital. Other contributed capital comprises contributions made by shareholders in the form of share premiums in connection with new share issues, specific share holder contributions, etc. This item is reduced by reimbursements to shareholders made in accordance with separately decided and communicated capital repayment programs (e.g. through purchasing own shares or extraordinary dividends). The hedging reserve as well as the cost of hedging reserve and the foreign currency translation reserve are reclassified to net income. The fair value reserve includes both debt instruments at fair value through OCI which are reclassified to net income, and equity instruments at fair value through OCI which are not classified to net income. Cash flow hedges may also adjust the initial cost of a non-financial asset or liability. The revaluation reserve is used in connection with step acquisitions made before 2010 and the inflation adjustment reserve when accounting for operations in hyperinflationary economies. Equity transactions in associates are the effect on the group from equity transactions such as buyback of shares from third parties by an associated entity. All other equity is retained earnings.

Dividend payments are proposed by the Board of Directors in accordance with the regulations of the Swedish Companies Act and decided by the general meeting of shareholders. The proposed cash dividend will be recorded as a liability immediately following the final decision by the shareholders.

Provisions for pensions and employment contracts
Telia Company provides defined contribution or defined benefit pension plans to its employees. Contributions to defined contribution plans are normally set at a certain percentage of the employee's salary and are expensed as incurred. Telia Company pays fixed contributions to separate legal entities and will have no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all employee benefits. Contributions to defined contribution plans are expensed when employees provide services entitling them to the contribution.

Defined benefit pension plans, provided to part of Telia Company employees in Sweden, Finland and Norway, means that the individual is guaranteed a pension equal to a certain percentage of his or her salary. The pension plans mainly include retirement pension, disability pension and family pension. The present value of pension obligations and pension costs are calculated annually, using the projected unit credit method, which distributes the cost over the employee's service period. The pension cost is recognized in three components, service cost, net interest and remeasurements. Service cost is recognized in operating income and net interest, based on discount rate, on defined benefit obligation and plan assets is reported as interest income or interest expenses in financial items.

Changes in actuarial assumptions and experience adjustments of obligations and changes in fair value of plan assets, deviations from discount rate, results in remeasurements and are recognized in Other comprehensive income at the end of the reporting period.

Actuarial assumptions are determined at the end of the reporting period. The assets of Telia Company's pension funds constitute pension plan assets and are valued at fair value at the end of the reporting period.

Net provisions or assets for post-employment benefits in the statement of financial position represent the present value of obligations at the end of the reporting period less the fair value of plan assets.

Other provisions and contingencies
A provision is recognized when Telia Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the likelihood of an outflow of resources is less than probable but more than remote, or a reliable estimate is not determinable, the matter is disclosed as a contingency provided that the obligation or the legal claim is material.

Provisions are measured at management's best estimate, at the end of the reporting period, of the expenditure required to settle the obligation, and are discounted to present value where the effect is material. From time to time, parts of provisions may also be reversed due to better than expected outcome in the related activities in terms of cash outflow.

Where there are a number of similar obligations, e.g. product warranty commitments, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class may be small but it is probable that some outflow of resources will be needed to settle the class of obligations as a whole.

Other provisions comprise restructuring provisions which include termination benefits, onerous contracts and other expenses related to cost reduction programs, post-acquisition integration programs, closing-down of operations, etc. Restructuring provisions are mainly recognized as Other operating expenses, since they are not expenses for post-decision ordinary activities.

Termination benefits are recognized at the earlier of when Telia Company no longer can withdraw the offering of those benefits or when Telia Company has made an appropriate public announcement, specifying the terms of redundancy and the number of employees affected, or after individual employees have been advised of the specific terms.

Onerous contracts are recognized when the expected benefits to be derived by from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, any impairment loss on the assets associated with that contract is provided for.

Other provisions also include warranty commitments, environmental restoration, litigation, onerous contracts not related to restructuring activities, etc. These provisions are recognized as Cost of sales, Selling and marketing expenses, Administrative expenses or Research and development expenses as applicable.

Lease agreements
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Telia Company as lessee
As a lessee, Telia Company has entered into finance and operating leases and rental contracts. For a finance lease agreement, the leased asset is recognized as a tangible non-current asset and the future obligation to the lessor as a liability, capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Initial direct costs are added to the capitalized amount. Minimum lease payments are apportioned between the finance charges and reduction of the lease liability to produce a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to net income. Other agreements are operating leases, with the leasing costs recognized evenly throughout the period of the agreement.

Telia Company as finance lessor
Telia Company owns assets that it leases to customers under finance lease agreements. Amounts due from lessees are recorded as receivables at the amount of the net investment in the leases, which equals the net present value. Initial direct costs are included in the initial measurement of the financial lease receivable and reduce the amount of income recognized over the lease term. Income is recognized over the lease term on an annuity basis.

Telia Company as operating lessor
Rental revenues from operating leases are recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the leased asset and are recognized on the same basis as the lease revenues.

Fiber and ducts are sold as part of the operations of Telia Company's international carrier business. Telia Company has decided to view these as integral equipment to land. Under the agreements, title is not transferred to the lessee. The transactions are therefore recorded as operating lease agreements. The contracted sales price is mainly paid in advance and sales that are not recognized in income are recorded as long-term liabilities or short-term deferred revenues.

Lease agreements – Accounting principles according to IFRS 16, applicable from January 1, 2019
Telia Company as lessee
Telia Company has identified lease contracts relating to network equipment (e.g copper, dark fiber, IRU and ducts), technical and non-technical space, technical and non-technical equipment, shops, land and cars.

Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Apart from short-term leases, estimated lease terms range between 2 and 30 years. The lease contracts often include renewal options for various periods of time.

Telia Company applies the practical expedients to recognize payments associated with short-term leases and leases of low value as an expense in the income statement. Telia Company does not apply IFRS 16 to intangible assets.

For all leases except the ones mentioned above, Telia Company recognizes a right-of-use asset and a lease liability on the balance sheet when the underlying asset is made available for Telia Company, i.e. at the commencement date.

The lease liability is initially measured at the present value of the lease payments during the estimated lease term that are not paid at the commencement date.

The estimated lease term includes the non-cancellable period of the lease together with both periods covered by extension options (if Telia Company is reasonable certain to exercise that option) and periods covered by termination options (if Telia Company is reasonable certain not to exercise that option). To determine the estimated lease term requires significant judgement.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Telia Company's incremental borrowing rate. For the majority of all lease contracts Telia Company uses its incremental borrowing rate, as the interest rate implicit in the lease usually is not readily determinable.

Lease payments included in the measurement of the lease liability comprise of fixed lease payments including in-substance fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee and payments related to options that Telia Company is reasonably certain to exercise. In all assets classes, payments related to non-lease components are separated from the lease payments and expensed as incurred.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date and any initial direct costs incurred, less any lease incentives received. Also, any restoration costs estimated in accordance with the guidance in IAS 37 are included in the measurement of the right-of-use asset. The related provision is recognized separately from the lease liability.

The lease liability is re-measured if there are modifications to the lease contract or if there are changes in the cash flow based on the initial contract terms. Changes in cash flows based on the initial term occurs when; Telia Company changes its initial estimation of whether extension and/or termination options will be exercised, there are changes in earlier estimates of whether a purchase option will be exercised, lease payments changes due to changes in index or rate, or if there is a change in estimates regarding amounts expected to be paid under a residual value guarantee.

The right-of use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the estimated lease term. Any re-measurement of the lease liability results in a corresponding adjustment of the right-of-use asset. If the carrying amount of the right-of-use asset has already been reduced to zero, the remaining re-measurement is recognized in the statement of comprehensive income. The right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

Right-of-use-assets are presented as a separate line in the statement of financial position and lease liabilities as "liabilities to credit institutions" in the statement of financial position.

In the statement of comprehensive income, depreciation charges of the right-of-use asset is presented in the different functions depending on type of asset leased. The interest expense on the lease liability is presented as finance costs. Lease payments associated with leases of low value and short-term leases are presented in the different functions depending on type of asset leased.

Amortizations on the lease liability is presented as a cash flow from financing activities. Payments of interest as well as payments for short-term leases and leases of low value is presented as cash flow from operating activities.

Telia Company as a lessor

In arrangements where Telia Company is a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. An overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to the ownership of the underlying asset to classify each lease is made. If substantially all of the risk and rewards are transferred, then the lease is a finance lease. If not, it is an operating lease. If a contract includes both lease and non-lease components, Telia Company allocates the consideration to the components identified on the basis of relative stand-alone selling prices (see section "revenue recognition" above).

In arrangements where Telia Company is an intermediate lessor the classification of the sublease is assessed with reference to the right-of-use asset arising from the head lease. If a head is a short-term lease, the sub-lease is accounted for as an operating lease.

Telia Company as finance lessor

Telia Company owns assets that it leases to customers under finance lease agreements. Amounts due from lessees are recorded as receivables at the amount of the net investment in the leases, which equals the net present value. Initial direct costs are included in the initial measurement of the financial lease receivable and reduce the amount of income recognized over the lease term. Income is recognized over the lease term on an annuity basis.

Telia Company as operating lessor

Rental revenues from operating leases are recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the leased asset and are recognized on the same basis as the lease revenues.

C4 CHANGES IN GROUP COMPOSITION AND EVENTS AFTER THE REPORTING PERIOD

Group composition

Subsidiaries

Telia Company's principal operating subsidiaries as of December 31, 2018, are disclosed in "Where we operate and used to operate". Ownership in addition to shares held directly or indirectly by Telia Company takes into account shares held by associated companies. Consolidated share also includes commitments to acquire shares from holders of non-controlling interests. Subsidiaries in continuing operations with material non-controlling interests are disclosed in Note C19. Subsidiaries in discontinued operations with material non-controlling interests are described in Note C34.

Business combinations

In 2018, Telia Company acquired the Finnish Companies Inmics, Cloud Solutions and AinaCom and Get and TDC in Norway. See Note C33 for information on these acquisitions and on other minor business combinations in 2018.

Disposals of subsidiaries

In 2018 Telia Company disposed its holdings in Azercell in Azerbaijan, Geocell in Georgia, Ucell in Uzbekistan and Kcell in Kazakhstan. For more information see Note C34.

Associated companies

Material associated companies are disclosed in Note C14.

Joint arrangements

Telia Company owns three joint arrangements that are classified as joint operations, Svenska UMTS-nät AB (SUNAB) in Sweden, TT-Netværket P/S (TT) in Denmark and Suomen Yhteisverkko Oy in Finland. The companies are network-sharing operations with Tele2 (SUNAB), Telenor (TT) and DNA (Suomen Yhteisverkko). Telia Company holds 50 percent of the shares in both SUNAB and TT. Telia Company owns 51 percent of the shares in Suomen Yhteisverkko, but based on the shareholders agreement the company is jointly controlled and equally governed by the consensus principle.

Events after the reporting period

On February 12, 2019, Telia Company issued a bond of EUR 500 million in a 15-year deal maturing in February 2034 under its existing EUR 12 billion EMTN (Euro Medium Term Note) program. The Re-offer yield was set at 2.153 percent per annum equivalent to Mid-swaps +113 basis points.

On February 15, 2019, Stockholm District Court gave its verdict in the Uzbekistan bribery case, and the former Telia Company employees were acquitted from all charges and the forfeiture claim against Telia Company was dismissed. Telia Company's involvement in this court case has been about which country the disgorgements from the Uzbek business will be paid to – the Netherlands, Sweden or the US The verdict means that USD 208.5 million will be paid to the Netherlands or the US The amount to be paid will not have any additional net income effect for Telia Company since it was included in the global settlement that Telia Company reached in 2017 to pay fines and disgorgements in an aggregate amount of USD 965 million to the concerned authorities regarding historical transactions in Uzbekistan. The prosecutor has appealed the verdict. For more information see Note C34.

C5 SEGMENT INFORMATION

Telia Company's operating model is based on geographical areas. The group's operations are managed and reported by the six operating segments: Sweden, Finland, Norway, Denmark, Lithuania and Estonia. The organizations are country-based and the heads of Sweden, Finland and Norway reports directly to the CEO while the head of Denmark, Lithuania and Estonia reports to the Head of Cluster (LED - Lithuania, Estonia, Denmark) who reports to the CEO. Other operations are collectively reported. The 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. For more information, see Note C34.

- Sweden comprises Telia Company's mobile, broadband, TV and fixed-line operations in Sweden.
- Finland comprises Telia Company's mobile, broadband, TV and fixed-line operations in Finland.
- Norway comprises Telia Company's mobile, broadband, TV and fixed-line operations in Norway.
- Denmark comprises Telia Company's mobile, broadband, TV and fixed-line operations in Denmark.
- Lithuania comprises Telia Company's mobile, broadband, TV and fixed-line operations in Lithuania.
- Estonia comprises Telia Company's mobile, broadband, TV and fixed-line operations in Estonia.
- Other operations include the operations in Latvia, the international carrier operations, customer financing operations, Telia Company's shareholdings in the Turkish associated company Turkcell and the former associated company MegaFon in Russia (which was disposed during 2017) as well as Group functions. The Sergel companies (Sergel) were part of other operations up until the deal was closed on June 30, 2017.

Segment information is based on the same accounting principles as for the group as a whole. Inter-segment transactions are based on commercial terms. Besides Net sales and Operating income, principal segment control and reporting concepts are EBITDA excluding adjustment items, Investments in associated companies and joint ventures, Other operating segment assets and Operating segment liabilities, respectively (see Definitions).

Operating segment assets comprise total assets less non-operating interest-bearing receivables, long-term and short-term investments, pension obligation assets, foreign currency derivatives, accrued interest, tax assets and cash and cash equivalents. Operating segment liabilities contain total liabilities less non-operating interest-bearing liabilities, provisions for pensions and employment contracts, foreign currency derivatives, accrued interest and tax liabilities. For information on distribution of goodwill by reportable segments, see Note C12.

	January-December 2018 or December 31, 2018									
SEK in millions	**Sweden**	**Finland**	**Norway**	**Denmark**	**Lithuania**	**Estonia**	**Other opera-tions**	**Discontinued operations and assets and liabilities held for sale**	**Elimina-tions and other**	**Group**
Net sales	36,677	15,512	11,898	6,167	3,849	3,077	8,743	–	-2,364	**83,559**
External net sales	36,346	15,341	11,881	6,075	3,788	2,982	7,147	–	–	**83,559**
Adjusted EBITDA	13,162	4,757	4,492	751	1,350	1,001	1,137	–	–	**26,649**
Adjustment items	-181	-63	-205	-7	-13	-3	-135	–	–	**-607**
Amortization, depreciation and impairment losses	-5,663	-2,649	-2,149	-867	-647	-563	-1,102	–	–	**-13,638**
of which impairment losses	*-38*	*-1*	*-6*	*-6*	*-36*	–	–	–	–	***-87***
Income from associated companies and joint ventures	0	0	0	0	-6	6	835	–	–	**835**
Operating income	**7,319**	**2,045**	**2,139**	**-123**	**684**	**440**	**734**			**13,238**
Financial items, net										**-2,252**
Income taxes										**-1,496**
Net income from continuing operations										**9,489**
Investments in associated companies and joint ventures	4	0	27	3	9	27	9,485	–	–	**9,555**
Other operating segment assets	49,303	53,657	57,407	8,369	7,316	5,513	17,494	–	-2,161	**196,899**
Current and deferred tax assets										**2,955**
Other unallocated assets										**34,384**
Assets classified as held for sale	–	–	–	–	–	–	–	4,799	–	**4,799**
Total assets										**248,592**
Operating segment liabilities	13,758	5,749	4,324	1,707	810	778	9,851	–	-2,164	**34,812**
Current and deferred tax liabilities										**11,663**
Other unallocated liabilities										**99,163**
Liabilities directly associated with assets classified as held for sale	–	–	–	–	–	–	–	560	–	**560**
Total non-current and current liabilities										**146,197**
Investments, continuing operations	6,680	4,684	30,424	429	577	567	3,187	–	–	**46,547**
of which CAPEX, continuing operations	*6,593*	*3,600*	*1,484*	*439*	*575*	*567*	*3,102*	–	–	***16,361***
Number of employees	6,100	3,238	2,033	877	2,306	1,794	4,091	397	–	**20,836**

	January-December 2017 or December 31, 2017[1]									
SEK in millions	**Sweden**	**Finland**	**Norway**	**Denmark**	**Lithuania**	**Estonia**	**Other opera-tions**	**Discontinued operations and assets and liabilities held for sale**	**Elimina-tions and other**	**Group**
Net sales	36,825	13,742	10,087	5,945	3,543	2,824	9,025	–	-2,201	**79,790**
External net sales	36,578	13,575	10,064	5,845	3,492	2,737	7,500	–	–	**79,790**
Adjusted EBITDA	13,627	4,218	3,531	704	1,207	871	992	–	–	**25,151**
Adjustment items	-268	-84	-143	-52	-29	-34	977	–	–	**368**
Amortization, depreciation and impairment losses	-5,154	-2,207	-1,545	-797	-563	-515	-1,748	–	–	**-12,528**
of which impairment losses	*-104*	*-66*	*-7*	*-42*	*-21*	–	*-449*	–	–	*-689*
Income from associated companies and joint ventures	-1	-1	8	0	-0	4	769		–	**778**
Operating income	**8,204**	**1,926**	**1,851**	**-145**	**615**	**326**	**990**	**–**	**–**	**13,768**
Financial items, net										**-4,214**
Income taxes										**-1,062**
Net income from continuing operations										**8,492**
Investments in associated companies and joint ventures	4	-1	26	4	8	20	9,388	–	–	**9,449**
Other operating segment assets	46,384	49,213	28,779	8,771	7,166	5,148	17,157	–	-1,939	**160,679**
Current and deferred tax assets										**3,411**
Other unallocated assets										**53,320**
Assets classified as held for sale	–	–	–	–	–	–	–	18,508	–	**18,508**
Total assets										**245,367**
Operating segment liabilities	11,133	4,970	2,753	1,578	774	588	8,748	–	-1,943	**28,601**
Current and deferred tax liabilities										**9,334**
Other unallocated liabilities										**92,359**
Liabilities directly associated with assets classified as held for sale	–	–	–	–	–	–	–	8,556	–	**8,556**
Total non-current and current liabilities										**138,850**
Investments, continuing operations	6,443	3,989	3,931	375	598	502	4,442	–	–	**20,280**
of which CAPEX, continuing operations	*6,264*	*3,066*	*1,448*	*412*	*552*	*502*	*3,063*	–	–	***15,307***
Number of employees	6,619	3,107	1,201	1,026	2,891	1,871	4,012	4,745	–	**25,472**

1) Restated for comparability, see Note C1.

C6 NET SALES

Disaggregation of revenue

The group derives revenue from the transfer of goods and services in the following major product lines and geographical regions in 2018 and 2017, respectively. Fixed services mainly include telephony, broadband, data and TV services. Disaggregation of revenue has been based on geographical market, which also corresponds to Telia Company's reportable segments.

	2018								
SEK in millions	**Sweden**	**Finland**	**Norway**	**Denmark**	**Lithuania**	**Estonia**	**Other operations**	**Elimina-tions**	**Total**
Mobile subscription revenues	13,115	6,309	7,214	2,936	1,018	871	1,200	–	32,664
Interconnect	636	481	535	230	147	71	133	–	2,234
Other mobile service revenues	635	779	982	335	44	18	48	–	2,840
Total mobile service revenues	**14,386**	**7,569**	**8,731**	**3,500**	**1,209**	**960**	**1,382**	**–**	**37,737**
Telephony	2,614	224	165	178	313	132	–	–	3,627
Broadband	4,537	713	369	263	570	531	0	–	6,982
TV	1,838	555	416	165	268	222	–	–	3,464
Business solutions	2,770	2,275	4	177	203	200	65	–	5,694
Other fixed service revenues	4,317	1,558	0	66	420	316	4,559	–	11,236
Total fixed service revenues	**16,075**	**5,325**	**953**	**850**	**1,774**	**1,401**	**4,624**	**–**	**31,003**
Other service revenues	**371**	**20**	**31**	**28**	**–**	**38**	**324**	**–**	**812**
Total service revenues[1]	**30,833**	**12,914**	**9,715**	**4,377**	**2,983**	**2,399**	**6,330**	**–**	**69,552**
Total equipment revenues[1]	**5,513**	**2,426**	**2,166**	**1,698**	**804**	**582**	**817**	**–**	**14,007**
Total external net sales	**36,346**	**15,341**	**11,881**	**6,075**	**3,788**	**2,982**	**7,147**	**–**	**83,559**
Internal net sales	332	171	17	92	61	95	1,596	-2,364	–
Total net sales	**36,677**	**15,512**	**11,898**	**6,167**	**3,849**	**3,077**	**8,743**	**-2,364**	**83,559**

	2017[2]								
SEK in millions	**Sweden**	**Finland**	**Norway**	**Denmark**	**Lithuania**	**Estonia**	**Other operations**	**Elimina-tions**	**Total**
Mobile subscription revenues	12,968	5,806	6,909	2,850	841	800	1,088	–	31,262
Interconnect	650	475	541	229	131	71	147	–	2,245
Other mobile service revenues	581	733	826	334	24	15	64	–	2,577
Total mobile service revenues	**14,200**	**7,014**	**8,276**	**3,413**	**996**	**886**	**1,298**	**–**	**36,084**
Telephony	3,063	238	120	203	344	139	–	–	4,107
Broadband	4,581	782	0	286	544	485	–	–	6,678
TV	1,774	524	–	162	229	188	–	–	2,877
Business solutions[3]	2,845	1,962	–	157	181	168	65	–	5,379
Other fixed service revenues[3]	4,409	1,221	0	93	526	272	4,997	–	11,519
Total fixed service revenues	**16,673**	**4,728**	**120**	**900**	**1,824**	**1,252**	**5,062**	**–**	**30,560**
Other service revenues	**444**	**6**	**19**	**22**	**–**	**44**	**479**	**–**	**1,013**
Total service revenues[1]	**31,317**	**11,748**	**8,415**	**4,335**	**2,820**	**2,182**	**6,840**	**–**	**67,657**
Total equipment revenues[1]	**5,261**	**1,827**	**1,649**	**1,510**	**672**	**555**	**660**	**–**	**12,134**
Total external net sales	**36,578**	**13,575**	**10,064**	**5,845**	**3,492**	**2,737**	**7,500**	**–**	**79,790**
Internal net sales	247	168	24	100	51	87	1,525	-2,201	–
Total net sales	**36,825**	**13,742**	**10,087**	**5,945**	**3,543**	**2,824**	**9,025**	**-2,201**	**79,790**

1) In all material aspects, equipment revenues are recognized at a point in time and service revenue over time.
2) Restated for comparability, see Note C1.
3) Due to harmonization in the reporting within Enterprise segment in Sweden, historical figures have been reclassified by SEK 188 million for 2017, from the line item Other fixed service revenues to Business solutions.

Intangible assets, property, plant and equipment, costs to obtain a contract and non-current contract assets by external customer location were distributed among individually material countries as follows.

	Dec 31, 2018		Dec 31, 2017[1]	
	Intangible assets, property, plant and equipment, costs to obtain a contract and non-current contract assets			
	SEK in millions	Percent	SEK in millions	Percent
Sweden	43,107	24.9	41,009	29.7
Finland	49,487	28.6	45,761	33.1
Norway	54,654	31.6	24,763	17.9
Lithuania	6,295	3.6	6,514	4.7
Denmark	6,352	3.7	6,130	4.4
Estonia	4,816	2.8	4,585	3.3
All other countries	8,128	4.7	9,414	6.8
Total	**172,839**	**100.0**	**138,175**	**100.0**

1) Restated for comparability, see Note C1.

Net sales by external customer location were distributed among economic regions as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017[1]
European Economic Area (EEA)	80,795	76,654
of which European Union (EU) member states	69,189	66,593
Rest of Europe	599	765
North-American Free Trade Agreement (NAFTA)	982	890
Rest of world	1,183	1,481
Total	**83,559**	**79,790**

1) Restated for comparability, see Note C1.

Telia Company group offers a diversified portfolio of mass-market services and products in highly competitive markets. Hence, the group's exposure to individual customers is limited.

Assets and liabilities related to contracts with customers

Costs to obtain a contract

Costs to obtain a contract are incremental costs incurred resulting in obtaining a contract with a customer, which Telia Company would not have incurred if the contract had not been obtained. These costs are typically external commissions paid or internal commission or bonus paid related to obtaining a new contract. Closing balance for Cost to obtain a contract amounted to SEK 1,445 million (1,396). Amortization in 2018 amounted to SEK 1,291 million (1,157). Other changes during the year were mainly due to new contracts of SEK 1,227 million (1,312) and the acquisition of Get and TDC Norway. Cost to obtain a contract are included in Other non-current assets.

Contract assets

Contract assets mainly refer to transactions where Telia Company satisfies a performance obligation to transfer equipment that is part of a bundle to the customer, but the right to payment for the equipment is dependent on Telia Company satisfying another performance obligation in the contract, for example a mobile subscription. Total contract assets amounted to SEK 586 million (533) of which SEK 157 million (103) are included in Other non-current assets and SEK 429 million (430) are included in Trade and other current receivables and assets.

Contract liabilities

Contract liabilities primarily relate to deferred revenues such as prepaid cards, prepaid subscriptions, loyalty programs and variable considerations. Total contract liabilities amounted to SEK 4,157 million (3,574), of which SEK 6 (0) million are included in Other long-term liabilities and SEK 4,151 million (3,574) are included in Trade payables and other current liabilities. The increase during the year was mainly due to the acquisition of Get and TDC Norway. The opening balance for contract liabilities has, in all material aspects, been recognized as revenue during the year.

Unsatisfied performance obligations

The following reflects the amount of the transaction price in long term contracts, which relates to either partially or fully unsatisfied performance obligation as of December 31, 2018.

SEK in millions Expected revenue recognition of unsatisfied performance obligations:	2019	2020	2021	2022 and onwards	Total
Total unsatisfied performance obligations	**23,344**	**10,856**	**3,056**	**1,651**	**38,906**

The disclosures in the above table do not include unsatisfied performance obligations where Telia Company has a right to consideration from a customer based on time incurred.

C7 EXPENSES BY NATURE

Operating expenses are presented on the face of the statement of comprehensive income using a classification based on the functions "Cost of sales," "Selling and marketing expenses," "Administrative expenses" and "Research and development expenses." Total expenses by function were distributed by nature as follows.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017[1]
Goods and sub-contracting services purchased	-18,102	-16,755
Interconnect and roaming expenses	-6,311	-6,978
Other network expenses	-4,081	-3,792
Change in inventories	-4,195	-3,528
Personnel expenses (see also Note C31)	-12,745	-12,676
Marketing expenses	-3,256	-3,134
Other expenses	-8,430	-8,111
Amortization, depreciation and impairment losses	-13,603	-12,527
Total	**-70,724**	**-67,500**

1) Restated for comparability, see Note C1.

The main components of Other expenses are rent expenses, consultant expenses, IT expenses and energy expenses.

Amortization, depreciation and impairment losses by function were as follows.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017[1]
Cost of sales	-11,686	-10,816
Selling and marketing expenses	-1,465	-1,286
Administrative expenses	-376	-375
Research and development expenses	-76	-50
Total	**-13,603**	**-12,527**

1) Restated for comparability, see Note C1.

Total amortization, depreciation and impairment losses for 2018 amounted to SEK 13,638 million, allocated to the functions above and other operating expenses. For more information on amortization, depreciation and impairment losses see Notes C12 and C13. Amortization, depreciation and impairment losses are broken down by reportable segment in Note C5.

C8 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses were distributed as follows.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017
Other operating income		
Capital gains	132	1,258
Exchange rate gains	340	498
Commissions, license and patent fees, etc.	62	64
Grants	12	27
Gains/losses business combinations	8	0
Recovered accounts receivable	30	51
Court-settled fees with other operators	202	1
Damages received	82	86
Total other operating income	**867**	**1,984**
Other operating expenses		
Capital losses	-106	-95
Transaction costs in business combinations	-267	-111
Provisions for onerous contracts	-7	0
Exchange rate losses	-380	-481
Restructuring costs	-385	-444
Impairment losses	-36	–
Court-settled fees with other operators	-100	-112
Damages paid	-18	-42
Total other operating expenses	**-1,299**	**-1,284**
Net effect on income	**-432**	**700**
of which net exchange rate losses on derivative instruments measured at fair value through income statement[1]	*0*	*-3*

1) For comparable figures, financial assets and financial liabilities measured at fair value through income statement refer to instruments classified as "held for trading" under IAS 39.

In 2017, a capital gain related to the disposal of Sergel was recognized amounting to SEK 1,213 million.

For more information on impairment losses, see Notes C12 and C13. Restructuring costs mainly comprised staff redundancy costs.

C9 FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs were distributed as follows.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017[1]
Finance income		
Interest income	160	274
Interest income on finance leases	87	99
Net interest on the net defined benefit liability (asset)	73	64
Other finance income	2	–
Unwinding of discounts, receivables	76	78
Total finance income	**398**	**516**
Finance costs		
Interest expenses	-2,560	-3,523
Interest expenses on finance leases	-18	-4
Unwinding of provision discounts	-58	-48
Capitalized interest	136	139
Changes in fair value of instruments at fair value through income statement	–	-5
Credit losses on finance leases	–	-1
Net exchange rate losses	-61	-13
Capital losses on other financial investments	-89	-1,275
Total finance costs	**-2,650**	**-4,730**
Net effect on income	**-2,252**	**-4,214**

1) Restated for comparability, see Note C1.

Interest expenses 2017 were negatively affected by bond buy-back transactions, amounting to SEK 805 million. Capital losses on financial investments 2017 refer to disposal of the 19.0 percent holding in MegaFon, classified as a financial asset prior the disposal. For more information see Note C34.

Details on interest expenses, net exchange rate gains and losses and interest income related to hedging activities, financial assets and financial liabilities were as follows.

	Jan–Dec 2018	Jan–Dec 2017	Jan–Dec 2018	Jan–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
SEK in millions	**Interest expenses**		**Net exchange rate gains and losses**		**Interest income**	
Fair value hedge derivatives	813	75	-0	-51	–	–
Cash flow hedge derivatives	-53	94	-5	-130	–	–
Derivatives at fair value through income statement[1]	-59	145	1,493	-186	–	–
Financial assets at amortized cost[1]	–	–	-829	-1,582	58	100
Borrowings in fair value hedge relationships	-2,592	-1,905	-2,519	-832	–	–
Borrowings and other financial liabilities at amortized cost	-631	-1,895	1,799	2,768	–	–
Other	-38	-37	-0	–	102	174
Total	**-2,560**	**-3,523**	**-61**	**-13**	**160**	**274**

1) For comparable 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. Further, financial assets at amortized cost refer to loans and receivables under IAS 39.

Borrowings at amortized cost include items in cash flow hedge relationships as well as unhedged items.

C10 INCOME TAXES

Tax items recognized in comprehensive income and directly in equity

Tax items recognized in comprehensive income and directly in equity were distributed as follows.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017[1]
Tax items recognized in net income		
Current tax	-1,519	-1,454
Adjustment of current tax related to prior years	-4	-25
Deferred tax	-716	321
Adjustment of deferred tax related to prior years	225	-8
Effect on deferred tax from changes in tax rates	518	104
Total tax expense recognized in net income	**-1,496**	**-1,062**
Tax items recognized in other comprehensive income		
Current tax	509	235
Deferred tax	493	125
Total tax recognized in other comprehensive income	**1,002**	**359**
Tax items recognized directly in equity		
Deferred tax	0	39
Total tax recognized directly in equity	**0**	**39**

1) Restated for comparability, see Note C1.

Income before taxes was SEK 10,986 million in 2018 and SEK 9,554 million in 2017. The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	Jan–Dec 2018	Jan–Dec 2017[2]
Swedish income tax rate	22.0	22.0
Effect of higher or lower tax rates in subsidiaries	-1.1	-1.1
Withholding tax on earnings in subsidiaries and associated companies	0.3	-7.5
Prior year adjustment of current tax expense	0.0	0.3
Prior year adjustment of deferred taxes	-2.1	0.1
Effect on deferred tax expense from changes in tax rates[1]	-4.7	-1.1
Income from associated companies	-1.7	-4.0
Current year losses for which no deferred tax asset was recognized	0.0	0.3
Non-deductible expenses	1.7	10.3
Tax-exempt income	-0.9	-8.2
Effective tax rate in net income	**13.6**	**11.1**
Effective tax rate excluding effects from associated companies	*14.5*	*18.1*

1) Effect on deferred tax expense from changes in tax rate is impacted by revaluation of deferred tax assets and liabilities as a consequence of reduced corporate tax rates for Sweden and Norway enacted during 2018.
2) Restated for comparability, see Note C1.

Deferred tax assets and liabilities

Movement in deferred tax assets and liabilities were as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017[2]
Deferred tax assets		
Opening balance	3,003	4,366
Change recognized in comprehensive income	-700	-613
Operations acquired	413	11
Reversals of offset tax liabilities/assets, other reclassifications	-124	-732
Change in tax rate[1]	-47	-67
Exchange rate differences	124	37
Deferred tax assets, closing balance	**2,670**	**3,003**
Deferred tax liabilities		
Opening balance	8,973	10,752
Change recognized in comprehensive income	-702	-1,050
Change recognized directly in equity	–	-39
Operations acquired	3,674	333
Reversals of offset tax assets/liabilities, other reclassifications	-15	-732
Change in tax rate[1]	-565	-171
Exchange rate differences	17	-120
Deferred tax liabilities, closing balance	**11,382**	**8,973**

1) The effect of change in tax rate relates to reduced corporate income tax rates in Norway and Sweden enacted during 2018, in Norway effective from January 1, 2019, and in Sweden effective from January 1, 2019 and January 1, 2021, respectively. The reduced corporate income tax rate in Sweden triggered a recalculation of deferred tax assets and liabilities in Telia Company's Swedish operations, resulting in a net deferred tax income of SEK 350 million in 2018. The reduced corporate income tax rate in Norway triggered a recalculation of deferred tax assets and liabilities in Telia Company's Norwegian operations, resulting in a net deferred tax income of SEK 168 million in 2018.

2) Restated for comparability, see Note C1.

The increase of deferred tax liabilities in 2018 is mainly related to the acquisition of Get and TDC in Norway.

Deferred tax assets and liabilities are allocated to the following temporary differences and tax loss carry-forward.

	2018							
SEK in millions	**Opening balance**	**Recognized in income statement**	**Recognized in other comprehensive income**	**Recognized in equity**	**Acquired/ disposed operations**	**Exchange rate differences**	**Other reclassification**	**Closing balance**
Gross deferred tax assets								
Non-current assets	2,845	-120	–	–	46	94	–	2,864
Provisions	1,047	-111	-22	–	87	15	–	1,016
Accounts receivables and other current assets	25	22	–	–	4	2	–	53
Interest expense carry-forward	158	-9	–	–	13	7	–	169
Tax loss carry-forward	2,169	-1,061	–	–	284	98	–	1,490
Subtotal	**6,244**	**-1,280**	**-22**	**–**	**434**	**215**	**–**	**5,592**
Valuation allowance								
Non-current assets	-39	6	–	–	–	-2	–	-33
Accounts receivables and other current assets	-2	0	–	–	–	0	–	-3
Tax loss carry-forward	-2,045	942	–	–	-21	-89	–	-1,214
Subtotal	**-2,086**	**947**	**–**	**–**	**-21**	**-91**	**–**	**-1,250**
Offset deferred tax assets/liabilities	-1,155	-393	–	–	–	–	-124	-1,672
Total deferred tax assets	**3,003**	**-725**	**-22**	**–**	**413**	**124**	**-124**	**2,670**
Deferred tax liabilities								
Withholding taxes subsidiaries and associates	199	-13	–	–	–	-41	–	144
Non-current assets	6,774	-178	–	–	3,674	58	–	10,328
Provisions	1,169	154	-515	–	–	-1	–	807
Accounts receivables and other current assets	214	41	–	–	–	0	–	256
Profit equalization reserves	1,772	-254	–	–	–	0	–	1,519
Subtotal	**10,128**	**-249**	**-515**	**–**	**3,674**	**17**	**–**	**13,054**
Offset deferred tax assets/liabilities	-1,155	-503		–	–	–	-15	-1,672
Total deferred tax liabilities	**8,973**	**-752**	**-515**	**–**	**3,674**	**17**	**-15**	**11,382**
Net deferred tax assets (+)/ liabilities (-)	**-5,970**	**27**	**493**	**–**	**-3,261**	**107**	**-109**	**-8,712**

	2017[1]							
SEK in millions	**Opening balance**	**Recognized in income statement**	**Recognized in other comprehensive income**	**Recognized in equity**	**Acquired/ disposed operations**	**Exchange rate differences**	**Other reclassi-fication**	**Closing balance**
Gross deferred tax assets								
Non-current assets	3,408	-629	–	–	5	60	–	2,845
Provisions	1,016	-22	16	37	–	0	–	1,047
Accounts receivables and other current assets	13	12	–	–	–	0	–	25
Interest expense carry-forward	199	-43	–	–	–	3	–	158
Tax loss carry-forward	1,843	300	–	–	6	20	–	2,169
Subtotal	**6,479**	**-382**	**16**	**37**	**11**	**83**	**–**	**6,244**
Valuation allowance								
Non-current assets	-4	-35	–	–	–	1	–	-39
Accounts receivables and other current assets	-3	1	–	–	–	–	–	-2
Tax loss carry-forward	-1,569	-430	–	–	–	-46	–	-2,045
Subtotal	**-1,576**	**-464**	**–**	**–**	**–**	**-45**	**–**	**-2,086**
Offset deferred tax assets/liabilities	-537	114	–	–	–	–	-732	-1,155
Total deferred tax assets	**4,366**	**-732**	**16**	**37**	**11**	**37**	**-732**	**3,003**
Deferred tax liabilities								
Withholding taxes subsidiaries and associates	1,210	-901	–	-3	–	-107	–	199
Non-current assets	6,804	-357	–	1	333	-7	–	6,774
Provisions	1,062	183	-76	–	–	0	–	1,169
Accounts receivables and other current assets	272	-20	-33	–	–	-5	–	214
Profit equalization reserves	1,941	-168	–	–	–	-1	–	1,772
Subtotal	**11,288**	**-1,263**	**-109**	**-2**	**333**	**-120**	**–**	**10,128**
Offset deferred tax assets/liabilities	-537	114	–	–	–		-732	-1,155
Total deferred tax liabilities	**10,752**	**-1,149**	**-109**	**-2**	**333**	**-120**	**-732**	**8,973**
Net deferred tax assets (+)/ liabilities (-)	**-6,386**	**417**	**125**	**39**	**-322**	**157**	**0**	**-5,970**

1) Restated for comparability, see Note C1.

Unrecognized deferred tax

Unrecognized deferred tax assets, as reflected by the valuation allowance at December 31, 2018, were expected to expire as follows.

Expected expiry, SEK in millions	**2019**	**2020**	**2021**	**2022**	**2023**	**2024-2028**	**Unlimited**	**Total**
Unrecognized deferred tax assets	1	0	0	0	0	337	876	**1,214**

As of December 31, 2018 and 2017, unrecognized deferred tax liabilities for undistributed earnings in subsidiaries, including estimated income tax that is levied on dividends paid, totaled SEK 98 million and SEK 123 million respectively.

Tax loss carry-forward

Deferred tax assets originating from tax loss carry-forward relate mainly to international carrier operations. Tax loss carry-forward in the international carrier operations refers mainly to impairment losses on plant and machinery incurred in 2002. Telia Company's accumulated tax loss carry-forward was SEK 5,716 million as of December 31, 2018 (7,924).

Tax loss carry-forward as of December 31, 2018, is expected to expire as follows.

Expected expiry, SEK in millions	**2019**	**2020**	**2021**	**2022**	**2023**	**2024-2037**	**Unlimited**	**Total**
Tax loss carry-forward	5	3	87	12	1	1,670	3,938	**5,716**

C11 OTHER COMPREHENSIVE INCOME

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan–Dec 2018	Jan–Dec 2017
Other comprehensive income that may be reclassified to net income			
Foreign currency translation differences			
Translation of foreign operations, continuing operations	Foreign currency translation reserve	-5,729	-613
Translation of foreign operations, discontinued operations	Foreign currency translation reserve	7,658	-1,352
Translation of foreign non-controlling interests, continuing operations	Non-controlling interests	43	20
Translation of foreign non-controlling interests, discontinued operations	Non-controlling interests	34	-402
Transferred to net income on disposal of operations	Foreign currency translation reserve	7,872	12,483
Hedging of foreign operations	Foreign currency translation reserve	-2,250	-1,059
Income tax effect	Foreign currency translation reserve	495	233
Total foreign currency translation differences		**8,123**	**9,310**
of which attributable to non-controlling interests		*77*	*-382*
Other comprehensive income from associated companies			
Cash flow hedges	Hedging reserve	-307	–
Translation of foreign operations	Foreign currency translation reserve	280	138
Total other comprehensive income from associated companies		**-27**	**138**
Cash flow hedges			
Net changes in fair value	Hedging reserve	-336	-180
Transferred to financial items in net income	Hedging reserve	24	33
Income tax effect	Hedging reserve	69	32
Total cash flow hedges		**-243**	**-115**
Cost of hedging			
Changes in fair value	Cost of hedging reserve	45	–
Income tax effect	Cost of hedging reserve	-9	–
Total cost of hedging		**35**	**–**
Financial instruments measured at fair value through OCI			
Net changes in fair value - available-for-sale financial instruments	Fair value reserve	–	563
Disposals transferred to financial items in net income - available-for-sale financial instruments	Fair value reserve	–	166
Net changes in fair value - debt instruments at fair value through OCI	Fair value reserve	-59	–
Income tax effect	Fair value reserve	14	2
Total financial instruments measured at fair value through OCI		**-45**	**731**
Total other comprehensive income that may be reclassified to net income		**7,844**	**10,064**
of which total income tax effects (see also Note C10)		*569*	*267*
of which attributable to non-controlling interests		*77*	*-382*
Other comprehensive income that will not be reclassified to net income			
Equity instruments at fair value through OCI			
Net changes in fair value	Fair value reserve	*554*	–
Income tax effect	Fair value reserve	–	–
Total equity instruments at fair value through OCI		**554**	**–**
Remeasurements of defined benefit pension plans			
Remeasurements	Retained earnings	-2,089	-406
Income tax effect	Retained earnings	432	92
Total remeasurements of defined benefit pension plans		**-1,657**	**-314**
Associates' remeasurements of defined benefit pension plans	Retained earnings	**-1**	**-25**
Total other comprehensive income that will not be reclassified to net income		**-1,104**	**-340**
of which total income tax effects (see also Note C10)		*432*	*92*
Total other comprehensive income		**6,740**	**9,725**
of which attributable to non-controlling interests, continuing operations		*43*	*20*
of which attributable to non-controlling interests, discontinued operations		*34*	*-402*

Other comprehensive income decreased to SEK 6,740 million (9,725). Current year was impacted by reclassified exchange effects from the disposals of Azercell, Ucell and Kcell, partly offset by negative effects from remeasurements on pension obligations. See Note C21 for details of remeasurements of defined benefit pension plans.

2017 was impacted by reclassified exchange effects from the disposals of MegaFon and holding in Turkcell.

The hedging reserve comprises gains and losses on derivatives hedging interest rate and foreign currency exposure, with a net effect in equity of SEK -243 million as of December 31, 2018, and SEK -115 million as of December 31, 2017. Future gains or losses will affect net income in 2019, 2020, 2021 and later, when the hedged items mature. See also section "Financial instruments" in Note C3.

C12 GOODWILL AND OTHER INTANGIBLE ASSETS

The total carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
	Goodwill		Other intangible assets	
Accumulated cost	80,744	69,851	55,061	45,283
Accumulated amortization	–	–	-31,747	-27,852
Accumulated impairment losses	-9,231	-8,867	-1,810	-1,763
Carrying value	**71,514**	**60,984**	**21,504**	**15,668**
of which work in progress	–	–	*2,039*	*2,334*
Carrying value, opening balance	60,984	57,923	15,668	13,024
Investments[1]	–	–	4,342	4,014
of which capitalized interest	–	–	*40*	*35*
Sales and disposals	–	–	0	0
Operations acquired	8,631	3,120	4,812	1,596
Operations divested	–	-13	0	0
Reclassifications	–	–	94	33
Amortization for the year	–	–	-3,385	-2,760
Impairment losses for the year[1]	–	-1	-47	-172
Exchange rate differences	1,899	-45	21	-66
Carrying value, closing balance	**71,514**	**60,984**	**21,504**	**15,668**

1) Other intangibles assets 2017 are restated for comparability, see Note C1.

In 2018 and 2017, investments in telecom licenses and spectrum permits amounted to SEK 1,378 million and SEK 457 million, respectively. Operations acquired in 2018 were mainly related to the acquisition of Get and TDC in Norway and Inmics, Cloud Solutions and AinaCom in Finland. Other intangible assets from acquired operations were mainly related to customer relationships from the acquisition of Get and TDC in Norway, see Note C33 for further information.

Apart from goodwill, there are currently no intangible assets with indefinite useful lives. No general changes of useful lives were made in 2018. For amortization rates applied, see section "Useful lives" in Note C2. In the statement of comprehensive income, amortization and impairment losses are included in all expense line items by function as well as in line item Other operating expenses.

Impairments in 2018 relate to various types of other intangible assets, mainly in Lithuania. During 2017 impairments of SEK 172 million were recognized. For more information on impairments in 2017, see Note C13.

The total carrying value of goodwill was distributed by reportable segments and cash generating units with significant goodwill amounts as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Sweden	1,149	1,137
Finland	34,282	32,266
Norway	27,017	18,896
Denmark	2,265	2,176
Estonia	2,626	2,515
Lithuania	2,888	2,768
Other operations	1,287	1,226
of which Latvia	*1,048*	*1,004*
of which Other	*239*	*222*
Total goodwill	**71,514**	**60,984**

The total carrying value of other intangible assets was distributed by asset type as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Trade names	174	158
Telecom licenses and spectrum permits	6,221	4,583
Customer and vendor relationships, interconnect and roaming agreements	8,454	4,534
Capitalized development expenses	4,172	3,567
Patents, etc.	38	29
Leaseholds, etc.	407	463
Work in progress, advances	2,040	2,334
Total other intangible assets	**21,504**	**15,668**

Capitalized development expenses and Work in progress, advances mainly refer to IT systems, supporting the selling and marketing, and administrative functions.

Impairment testing, continuing operations

The impairment testing for continuing operations is described below. For information regarding measurement of discontinued operations, see Note C34.

Goodwill is, for impairment testing purposes, allocated to cash generating units in accordance with Telia Company's business organization. Each country and Telia Carrier constitutes a separate cash-generating unit (CGU). Carrying values (for impairment testing purposes defined as segment operating capital and allocated common assets from Group Technology less deferred tax on fair value adjustments and notionally adjusted for non-controlling interests in goodwill) of all cash-generating units are annually tested for impairment. For definition of segment operating capital, see Note C5 and "Definitions." The recoverable amounts (that is, the higher of value in use and fair value less cost to sell) are normally determined on the basis of value in use, applying discounted cash flow calculations.

In the recoverable amount calculations, management used assumptions that it believes are reasonable based on the best information available. The key assumptions in the value in use calculations were sales growth, EBITDA margin development, the weighted average cost of capital (WACC), CAPEX-to-sales ratio, and the terminal growth rate of free cash flow. The value in use calculations were based on forecasts approved by management, which management believes reflect past experience, forecasts in industry reports, and other externally available information. For Denmark, the sales growth and EBITDA margin development in the forecasts are deviating from historical trends. This is due to that Telia Company for the forecast period has clear and committed plans for sales initiatives, cost reductions and working capital improvements in Denmark, some of which have been evidenced in 2017 and 2018. Management believes that value in use based on own business plan better reflects the value for Telia Company and of the long-term valuation, compared to the current market values that in some cases can be below the recoverable amount derived from Telia Company's own long-term business plans.

The forecasted cash flows were discounted at the weighted average cost of capital (WACC) for the relevant cash-generating unit. The WACC is derived from the risk-free interest rate in local currency, the country risk premium, the business risk represented by the estimated beta, the local equity market risk premium and an estimated reasonable cost of borrowing above the risk-free rate. The pre-tax discount rate typically cannot be directly observed or measured. It is calculated by iteration – by first running DCF calculation using post-tax cash flows and a post-tax discount rate, and then determining what the pre-tax discount rate would need to be to cause value in use determined using pre-tax cash flows to equal the value in use determined by the post-tax DCF calculation.

The forecast periods, WACC rates and the terminal growth rates of free cash flow used to extrapolate cash flows beyond the forecast period varied by cash generating unit as presented below. In all cases management believes the terminal growth rates do not exceed the average growth rates for markets in which Telia Company operates.

	2018							
Years/Percent	**Sweden**	**Finland**	**Norway**	**Denmark**	**Lithuania**	**Latvia**	**Estonia**	**Telia Carrier**
Forecast period (years)	5	5	5	5	5	5	5	5
Post-tax WACC rate (%)	4.6	4.7	5.8	4.2	5.3	5.1	5.1	5.2
Pre-tax WACC rate (%)	6.0	5.9	7.5	5.2	6.3	7.0	6.1	6.6
Terminal growth rate of free cash flow (%)	2.0	2.0	2.0	2.0	2.5	2.3	2.1	2.0

	2017							
Years/Percent	**Sweden**	**Finland**	**Norway**	**Denmark**	**Lithuania**	**Latvia**	**Estonia**	**Telia Carrier**
Forecast period (years)	5	5	5	5	5	5	5	5
Post-tax WACC rate (%)	4.9	4.7	5.5	4.5	5.2	4.9	5.3	5.3
Pre-tax WACC rate (%)	5.9	5.8	7.2	5.6	6.2	5.7	6.6	7.0
Terminal growth rate of free cash flow (%)	2.0	2.0	2.5	2.0	2.5	2.3	2.5	2.0

Sensitivity analysis

The estimated recoverable amounts for Finland and Denmark were in proximity of the carrying values as of December 31, 2018. As of December 31, 2017, the estimated recoverable amounts for Denmark and Latvia were in proximity of the carrying values.

The impairment tests assumed, in addition to the post-tax WACC rates and the terminal growth rates stated above, the following sales growth, EBITDA margin and CAPEX-to-sales ranges during the next 5 years for the cash generating units (CGUs) that are sensitive to reasonable changes in assumptions.

	2018	
5-year period/Percent	**Finland**	**Denmark**
Sales growth, lowest in period (%)	1.7	-10.7
Sales growth, highest in period (%)	4.7	0.3
EBITDA margin, lowest in period (%)	30.2	14.3
EBITDA margin, highest in period (%)	30.7	17.9
CAPEX-to-sales, lowest in period (%)	13.2	9.8
CAPEX-to-sales, highest in period (%)	14.0	14.8

	2017	
5-year period/Percent	**Finland**	**Denmark**
Sales growth, lowest in period (%)	0.9	-3.8
Sales growth, highest in period (%)	5.7	0.7
EBITDA margin, lowest in period (%)	32.6	12.6
EBITDA margin, highest in period (%)	33.7	15.2
CAPEX-to-sales, lowest in period (%)	11.5	7.5
CAPEX-to-sales, highest in period (%)	23.0	14.7

The upper part of the following table sets out how many percentage points each key assumption approximately must change, all else being equal, in order for the recoverable value to equal carrying value for the respective cash generating unit. The lower part of the table first shows the SEK billion effect on the recoverable values of the cash generating units, should there be a one percentage point upward shift in WACC. Finally, it sets out the absolute SEK billion change of the recoverable value that would equal carrying value for the respective cash generating unit. The decrease in headroom between the recoverable amount and carrying value in Finland to SEK 2.8 billion (12.5) is primarily driven by increase in CAPEX, which is expected to be needed in order to drive top line growth, in combination with somewhat lower EBITDA margin going forward, given the shift towards higher share of lower margin ICT business.

	2018	
Percentage points, SEK in billions	**Finland**	**Denmark**
Sales growth each year in the 5-year period (%)	-0.8	-0.5
EBITDA margin each year in the 5-year period and beyond (%)	-0.6	-0.1
CAPEX-to-sales ratio each year in the 5-year period and beyond (%)	0.6	0.1
Terminal growth rate (%)	-0.2	-0.1
Post-tax WACC rate (%)	0.2	0.1
Effect of a one percentage-point upward shift in WACC (SEK in billions)	-8.8	-1.3
Change in the recoverable value to equal the carrying value (SEK in billions)	-2.8	-0.3

	2017	
Percentage points, SEK in billions	**Finland**	**Denmark**
Sales growth each year in the 5-year period (%)	-3.1	-0.3
EBITDA margin each year in the 5-year period and beyond (%)	-2.8	-0.1
CAPEX-to-sales ratio each year in the 5-year period and beyond (%)	2.7	0.1
Terminal growth rate (%)	-0.6	-0.1
Post-tax WACC rate (%)	0.5	0.1
Effect of a one percentage-point upward shift in WACC (SEK in billions)	-9.8	-1.8
Change in the recoverable value to equal the carrying value (SEK in billions)	-12.5	-0.2

C13 PROPERTY, PLANT AND EQUIPMENT

The carrying value was distributed and changed as follows.

SEK in millions	Property		Plant and machinery		Equipment, tools and installations		Total	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Accumulated cost	9,462	8,329	223,107	191,101	8,887	8,263	**241,456**	**207,693**
Accumulated depreciation	-4,965	-4,571	-140,246	-125,559	-5,947	-5,372	**-151,158**	**-135,502**
Accumulated impairment losses	-504	-513	-11,333	-11,400	-245	-255	**-12,082**	**-12,168**
Advances	–	–	4	1	–	–	**4**	**1**
Carrying value	**3,993**	**3,245**	**71,532**	**54,143**	**2,695**	**2,636**	**78,220**	**60,024**
of which assets under construction	–	–	*8,086*	*6,779*	–	–	***8,086***	***6,779***
Carrying value, opening balance	3,245	3,124	54,143	52,419	2,636	2,565	**60,024**	**58,107**
Investments[1]	891	170	10,244	10,314	884	810	**12,019**	**11,293**
of which capitalized interest	–	–	*96*	*104*	–	–	***96***	***104***
Sales and disposals	-32	-25	-4	-33	-38	-10	**-74**	**-68**
Dismantling and restoration	-4	-9	15	-40	30	36	**41**	**-13**
Operations acquired	45	–	16,369	62	30	97	**16,444**	**159**
Operations divested	-51	–	-1	–	–	0	**-52**	**0**
Grants received	–	–	-5	2	–	–	**-5**	**2**
Reclassifications	66	221	-427	-551	266	277	**-95**	**-53**
Depreciation for the year	-283	-242	-8,739	-7,781	-1,180	-1,054	**-10,202**	**-9,077**
Impairment losses for the year[1]	-6	-14	0	-392	-1	-112	**-4**	**-517**
Advances	–	–	–	-1	–	1	**–**	**0**
Exchange rate differences	119	20	-63	144	68	27	**124**	**191**
Carrying value, closing balance	**3,993**	**3,245**	**71,532**	**54,143**	**2,695**	**2,636**	**78,220**	**60,024**

1) Plant and machinery and equipment, tools and installations 2017 are restated for comparability, see Note C1.

No general changes of useful lives were made in 2018. For depreciation rates applied, see section "Useful lives" in Note C2. In the statement of comprehensive income, depreciation and impairment losses are included in all expense line items by function as well as in line item Other operating expenses, see Notes C7 and C8.

Operations acquired include network infrastructure from the acquisition of Get and TDC Norway of SEK 16,297 million.

During 2017 impairments of SEK 172 million were recognized within Goodwill and other intangible assets and SEK 517 million within Property, plant and equipment, impairments in total amounted to SEK 689 million. Of these, impairments amounting to SEK 438 million were recognized as a result of an assessment performed on IT and network assets. The impairments were mainly related to plant and machinery and capitalized development expenses and refer to the following segments: Sweden SEK 104 million, Finland SEK 64 million, Denmark SEK 41 million, Norway SEK 9 million and Other operations (Group functions) SEK 221 million. These impairments have been restated to reflect the discovery of certain classification errors, see section "Correction of prior period classification errors" in Note C1. In addition impairments of SEK 251 million were recognized in 2017, mainly due to replacement or discontinuing of old technical platforms and network equipment as well as changes in market values. These impairments refer to the following segments: Lithuania SEK 21 million and Other operations (Latvia and Group functions) SEK 230 million.

For information on contractual obligations regarding future acquisitions of property, plant and equipment, see Note C29.

Property

Telia Company's real estate holdings include approximately 5,000 properties, mainly in Sweden and Finland. The substantial majority is used solely for technical facilities, like network installations, computer installations, research centers and service outlets.

The total carrying value of property was distributed by depreciable/non-depreciable assets as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Depreciable property (buildings, etc.)	3,505	2,790
Non-depreciable property (land)	488	455
Total property	**3,993**	**3,245**

C14 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

The total carrying value was distributed as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Interests in associated companies	9,522	9,416
Interests in joint ventures	33	33
Total carrying value	**9,555**	**9,449**

Items recognized in net income and in total comprehensive income were as follows.

	January–December	
SEK in millions	2018	2017
Share of income from associated companies	870	1,713
Gains/losses net from disposals of shares in associated companies	-35	-943
Income from joint ventures	0	8
Recognized in net income	**835**	**778**
Other comprehensive income from associated companies	-27	113
Recognized in total comprehensive income	**808**	**891**

Details of material associated companies

Telia Company has one material associated company, Turkcell Iletisim Hizmetleri A.S., in which Telia Company's ownership and voting power as well as consolidated share is 24 percent (24 percent). Turkcell operates in Turkey, Ukraine and Belarus as a mobile operator. Turkcell, reported in Telia Company's financial statements using the equity method, is a publicly listed company and therefore included with a one-quarter lag with adjustments made for the effects of significant transactions or events that occur between Telia Company's closing date and the date of the respective company's financial statements. On May 8, 2017, Telia Company disposed a portion of its direct holding in the associated company Turkcell to institutional investors by way of an accelerated book building process. An aggregate of 155 million ordinary shares in Turkcell were disposed at a price of TRY 11.45 per ordinary share, raising gross proceeds of TRY 1,775 million (equivalent to SEK 4,426 million). The disposal represented 7.0 percent of Turkcell's issued share capital and resulted in a capital loss of SEK 1,828 million (due to reclassification of accumulated foreign exchange losses in equity of SEK 3,098 million to net income). On September 19, 2017, Telia Company disposed the remaining portion of its direct holding to institutional investors, for approximately SEK 4,127 million. The disposal represented 153.5 million ordinary shares, equivalent to 7.0 percent of Turkcell's issued share capital. The disposal resulted in a capital loss of SEK 1,911 million (due to reclassification of accumulated foreign exchange losses of SEK 3,275 million in equity to net income). The sale to institutional investors means that Telia Company no longer has a direct holding in Turkcell. Telia Company's indirect holding (24 percent) in Turkcell through Turkcell Holding remains unchanged.

PAO MegaFon that has its operations mainly in Russia was divested in the fourth quarter of 2017. For more information, see Note C34 and Risks and uncertainties, section "Associated companies and joint operations." Market values of Telia Company's holding at year-end was:

SEK in millions	Dec 31, 2018	Dec 31, 2017
Turkcell Iletisim Hizmetleri A.S., Turkey	10,886	17,622

The following table summarizes the financial information of Turkcell, and MegaFon for comparative figures, as included in the companies' own financial statements adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarized financial information to the carrying amount of the group's interests in the companies. Information on other, non-material, associated companies and joint ventures are not disclosed separately. Telia Company has three joint arrangements classified as joint operations. For additional information on those, see Note C4.

Statements of financial position SEK in millions	December 31 MegaFon 2018	 2017	 Turkcell 2018	 2017	 Total 2018	 2017
Non-current assets	–	–	40,852	40,057	**40,852**	**40,057**
Current assets	–	–	35,542	29,160	**35,542**	**29,160**
Non-current provisions and liabilities	–	–	28,849	19,706	**28,849**	**19,706**
Current provisions and liabilities	–	–	22,808	18,089	**22,808**	**18,089**
Net assets (100 percent)	–	–	24,736	31,421	**24,736**	**31,421**
Non-controlling interests	–	–	149	108	**149**	**108**
Net assets excluding non-controlling interests	–	–	24,885	31,529	**24,885**	**31,529**
Adjustment for differences in accounting principles	–	–	-150	-106	**-150**	**-106**
Net assets after adjustments	–	–	24,736	31,423	**24,736**	**31,423**
Group's share	–	–	5,984	7,570	**5,984**	**7,570**
Adjustment, Turkcell part of Fintur equity	–	–	0	-2,377	**0**	**-2,377**
Adjustment, fair values	–	–	2,613	3,312	**2,613**	**3,312**
Carrying value of interests in Turkcell	**–**	**–**	**8,596**	**8,505**	**8,596**	**8,505**
Carrying value of other associated companies not individually material (group's share)					**925**	**912**
Carrying value of joint ventures (group's share)					**33**	**33**
Total carrying value of interests in associated companies and joint ventures					**9,555**	**9,449**

Statements of comprehensive income SEK in millions	January–December 2018 MegaFon	 2017 (9 months)	 2018 Turkcell	 2017	 2018 Total	 2017
Net sales	–	28,261	41,822	42,478	**41,822**	**70,739**
Net income	–	-364	2,839	5,279	**2,839**	**4,915**
Other comprehensive income	–	-160	-112	642	**-112**	**482**
Total comprehensive income (100 percent)	–	-523	2,728	5,921	**2,728**	**5,398**
Total comprehensive income (group's share)	–	-137	660	1,426	**660**	**1,289**
Adjustment Turkcell part of Fintur total comprehensive income	–	–	–	42	**–**	**42**
Adjustment net income due to changed ownership during the year	–	–	-2	353	**-2**	**353**
Net capital gains/losses	–	2,795	–	-3,738	**–**	**-943**
Total comprehensive income after adjustments, group's share	–	2,658	658	-1,916	**658**	**742**
Other associated companies not individually material						
Net sales (100 percent)					**2,524**	**2,199**
Net income (group's share)					**186**	**141**
Total comprehensive income from other associated companies					**186**	**141**
Gains/losses from sale of shares in other associates					**-35**	**–**
Joint ventures not individually material						
Net income (group's share)					**0**	**8**
Total comprehensive income joint ventures (group's share)					**0**	**8**
Group's share of total comprehensive income in associated companies and joint ventures					**808**	**891**
Dividends received from MegaFon and Turkcell	–	681	764	2,006	**764**	**2,687**
Dividends received from other associated companies					**204**	**164**
Total dividends received from associated companies and joint ventures					**968**	**2,851**

The carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Goodwill and fair value adjustments	1,387	1,804
Share of equity	8,168	7,645
Carrying value	**9,555**	**9,449**
Carrying value, opening balance	9,449	22,698
Share of net income for the year	885	1,727
Share of other comprehensive income for the year, pensions	-1	-25
Share of other comprehensive income for the year, cash flow hedge	-307	–
Share of other comprehensive income for the year, exchange rate differences	280	138
Amortization and write-downs of fair value adjustments	-27	-6
Dividends received	-1,055	-3,175
Acquisitions and operations acquired	6	27
Divestments and operations divested	-65	-6,580
Transactions in equity	4	-43
Release Turkcell part of Fintur equity	2,056	–
Reclassifications	83	-2,989
Changes in accounting principles	282	–
Exchange rate differences	-2,035	-2,322
Carrying value, closing balance	**9,555**	**9,449**

The carrying value is broken down by reportable segment in Note C5 and by company as follows.

Company, corp. reg. no., registered office	Participa-tion (%)	Number of shares	Equity participation in consolidated accounts 2018	Equity participation in consolidated accounts 2017	Carrying value in the parent company 2018	Carrying value in the parent company 2017
			SEK in millions			
Parent company holdings						
Swedish companies						
SNPAC Swedish Number Portability Administrative Centre AB, 556595-2925, Stockholm	20	400	4	4	1	1
Ismobile AB, 556575-0014, Luleå	50	996,008	23	0	0	0
Solidtango AB, 556671-5586, Stockholm	25	3,333	18	20	20	20
Non-Swedish companies						
Kivra Oy, 2918721-9, Helsinki	30	300,000	5	–	6	–
Other operating, dormant and divested companies			0	15	0	51
Total parent company					**27**	**72**
Subsidiaries' holdings						
Swedish companies						
Other operating, dormant and divested companies			–	–		
Non-Swedish companies						
SK ID Solutions AS, 10747013, Tallinn	50	32	27	20		
SIA Lattelecom, 00030527, Riga	49	71,581,000	838	800		
Turkcell Holding A.S., 430991, Istanbul	47	214,871,670	8,595	8,503		
OCH A/S, 18936909, Copenhagen	25	250	0	0		
4T af 1. oktober 2012 ApS, 32348882, Copenhagen	25	–	7	8		
Suomen Numerot NUMPAC Oy, 1829232-0, Helsinki	25	3,000	2	1		
SCF Huolto Oy, 1892276-7, Loimaa	20	20	0	0		
Strex AS, 985867569, Oslo	49	49,001	26	25		
UAB Mobilieji mokėjimai, 304431143, Vilnius	29	77,678	9	8		
Other operating, dormant and divested companies			0	0		
Total group			**9,555**	**9,449**		

Turkcell Holding A.S. owns 51 percent of the shares in Turkcell Iletisim Hizmetleri A.S.

For additional information related to associated companies, see Notes C28 and C29.

C15 OTHER NON-CURRENT ASSETS

For other non-current assets, fair values equal carrying values. The total carrying values of other non-current assets were distributed as follows.

	Carrying value	
SEK in millions	**Dec 31, 2018**	**Dec 31, 2017[3]**
Equity instruments at fair value through OCI[1, 2]	223	1,899
Equity instruments at fair value through income statement[2]	13	19
Bonds at fair value through OCI[2)]	7,267	12,677
Interest rate and cross-currency interest rate swaps at fair value	2,380	2,978
of which designated as fair value hedges	*985*	*719*
of which at fair value through income statement[2]	*605*	*1,268*
of which designated as cash flow hedges	*790*	*990*
***Subtotal** (see Fair value hierarchy levels – Note C25)*	***9,883***	***17,573***
Loans and receivables at amortized cost	2,807	2,691
***Subtotal** (see Categories – Note C25)*	***12,690***	***20,264***
Finance lease receivables	508	585
***Subtotal** (see Credit risk – Note C26)*	***13,198***	***20,848***
Equity instruments at cost[2]	–	47
Cost to obtain a contract	1,445	1,396
Contract assets	157	103
Deferred expenses	473	370
Total other non-current assets	**15,275**	**22,765**
of which interest-bearing	*12,768*	*18,674*
of which non-interest-bearing	*2,507*	*4,091*

1) For more information regarding Equity instruments measured at fair value through OCI, see Note C25.
2) For comparable 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. For category Equity instrument at cost, this method was judged to give the best possible estimate of fair value.
3) Restated for comparability, see Note C1.

For loans and receivables fair value is estimated at the present value of future cash flows discounted by applying market interest rates as of the end of the reporting period (fair value hierarchy level 2). As of December 31, 2018, contractual cash flows for Loans and receivables represented the following expected maturities.

Expected maturity, SEK in millions	2020	2021	2022	2023	Later years	Total
Loans and receivables	1,900	646	140	61	60	**2,807**

For more information on financial instruments by category/fair value hierarchy level and exposed to credit risk, see Note C25 and section "Credit risk management" in Note C26, respectively. For information on leases, see Note C27.

C16 INVENTORIES

SEK in millions	Dec 31, 2018	Dec 31, 2017
Goods for resale	1,822	1,399
Other inventories and expense incurred on construction contracts	33	122
Total	**1,854**	**1,521**

Other inventories include purchased supplies that are mainly intended for use in constructing Telia Company's own installations and for repair and maintenance. Inventories carried at net realizable value totaled SEK 19 million as of December 31, 2018 (12).

C17 TRADE AND OTHER CURRENT RECEIVABLES AND ASSETS

The total carrying value of trade and other current receivables and assets was distributed as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017[1]
Currency swaps, forward exchange contracts and currency options measured at fair value through income statement[2]	256	214
Subtotal *(see Fair value hierarchy levels – Note C25)*	***256***	***214***
Accounts receivable at amortized cost	10,321	9,414
Loans and receivables at amortized cost	3,078	3,075
Subtotal *(see Categories – Note C25 and Credit risk – Note C26)*	***13,655***	***12,703***
Other current receivables	1,145	816
Current contract assets	429	430
Deferred expenses	2,110	2,029
Total trade and other current receivables and assets	**17,339**	**15,978**

1) Restated for comparability, see Note C1.
2) For comparable figures 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.

For accounts receivable and loans and receivables, including claims on associated companies, the carrying values equal fair value as the impact of discounting is insignificant. Loans and receivables mainly comprise accrued call, interconnect and roaming charges.

Telia Company offers a diversified portfolio of mass-market services and products in a number of highly competitive markets, resulting in a limited credit risk concentration to individual markets and customers.

For accounts receivable and loans and receivables, as of the end of the reporting period, concentration of credit risk by geographical area and by customer segment was as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017[1]
Geographical area		
Nordic countries	10,329	9,605
Baltic countries	1,896	1,786
Other countries	1,174	1,098
Total carrying value	**13,399**	**12,489**
Customer segment		
Consumers	4,256	4,619
Business customers	6,830	6,092
Other operators	2,081	1,687
Distributors	232	91
Total carrying value	**13,399**	**12,489**

1) Restated for comparability, see Note C1.

Contract assets are mainly related to the Nordic countries and the Consumer customer segment.

The geographic concentration to the Nordic operations reflects a relatively higher share of postpaid customer contracts. In most cases, customers are billed in local currency. Receivables from and payables to other operators for international fixed-line traffic and roaming are normally settled net through clearing-houses. Refer to Note C25 and section "Credit risk management" in Note C26 for more information on financial instruments classified by category/fair value hierarchy level and exposed to credit risk, respectively.

As of the end of the reporting period, allowance for expected credit losses and ageing of accounts receivable, respectively, were as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017[1]
Accounts receivable invoiced	11,316	10,210
Allowance for expected credit losses for accounts receivable	-995	-796
Total accounts receivable	**10,321**	**9,414**
Accounts receivable not due, net of allowance for expected credit losses	7,032	6,281
Accounts receivable past due, net of allowance for expected credit losses	3,289	3,133
of which less than 30 days	*2,166*	*2,247*
of which 30–180 days	*900*	*722*
of which more than 180 days	*223*	*164*
Total accounts receivable	**10,321**	**9,414**

1) Restated for comparability, see Note C1.

As of the end of the reporting period, ageing of loans and receivables were as follows. The allowance for credit losses for loans and receivables is considered insignificant.

SEK in millions	Dec 31, 2018	Dec 31, 2017[1]
Loans and receivables not due, net of allowance for expected credit losses	2,830	2,823
Loans and receivables past due but not impaired, net of allowance for expected credit losses	248	252
of which less than 30 days	*247*	*213*
of which 30–180 days	*1*	*28*
of which more than 180 days	–	*11*
Total loans and receivables	**3,078**	**3,075**

1) Restated for comparability, see Note C1.

There are no material contract assets past due and no allowance for expected credit losses related to contract assets.

See section "Credit risk management" in Note C26 for information on mitigation of risks related to accounts receivable.

Total expenses for credit losses for accounts receivables were SEK 681 million in 2018, excluding assets classified as held for sale, and SEK 487 million in 2017. Recovered accounts receivable were SEK 29 million in 2018, excluding assets classified as held for sale, and SEK 28 million in 2017. Refer to Note C8 for more information on recovered accounts receivables.

The allowance for expected credit losses for accounts receivable changed as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Opening balance	796	841
Net of charges for expected credit losses in the period and receivables written off	125	-48
Operations acquired and divested	12	-7
Unused allowances reversed	36	-2
Exchange rate differences	26	12
Closing balance	**995**	**796**

C18 INTEREST-BEARING RECEIVABLES, CASH AND CASH EQUIVALENTS

Interest-bearing receivables

The total carrying value of interest-bearing receivables was distributed as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Interest rate swaps and cross-currency interest rate swaps at fair value	543	26
of which designated as fair value hedges	*81*	*0*
of which at fair value through income statement[1]	*462*	*26*
Subtotal *(see Fair value hierarchy levels – Note C25)*	***543***	***26***
Short-term investments with maturities over 3 months	513	13,563
of which bonds at fair value through OCI[1]	*513*	*8,651*
of which bank deposits at amortized cost	–	*4,912*
Loans and receivables at amortized cost	3,069	3,335
Subtotal *(see Categories – Note C25)*	***4,125***	***16,924***
Finance lease receivables	404	410
Total (see Credit risk – Note C26)	**4,529**	**17,335**

1) For comparable 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 measured at fair value through profit or loss (income statement) refer to instruments classified as "held for trading" under IAS 39.

Interest-bearing receivables have decreased to SEK 4,529 million (17,335), mainly driven by acquisitions of operations in Norway and Finland partly offset by proceeds from disposals of operations. Carrying values for items measured at amortized cost and finance lease receivables are assumed to approximate fair values as the risk of changes in value is insignificant. See Note C25 and section "Credit risk management" in Note C26 for more information on financial instruments classified by category/fair value hierarchy level and exposed to credit risk, respectively. For information on leases, see Note C27.

Cash and cash equivalents

Cash and cash equivalents were distributed as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Short-term investments with maturities up to and including 3 months	6,154	2,395
of which bonds at fair value through OCI[1]	–	*1,411*
of which bank deposits at amortized cost	*6,154*	*983*
Cash and bank	12,610	13,222
Total *(see Categories – Note C25 and Credit risk – Note C26)*	**18,765**	**15,616**

1) For comparable 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 measured at fair value through profit or loss (income statement) refer to instruments classified as "held for trading" under IAS 39.

The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. See Note C25 and section "Credit risk management" in Note C26 for more information on financial instruments classified by category and exposed to credit risk, respectively, and to Note C29 for information on blocked funds in bank accounts.

C19 EQUITY AND EARNINGS PER SHARE

Share capital

According to the articles of association of Telia Company AB, the authorized share capital shall amount to no less than SEK 8 billion and no more than SEK 32 billion. All issued shares have been paid in full and carry equal rights to vote and participate in the assets of the company. Since December 31, 2005, the issued share capital changed as follows.

	Issued share capital (SEK)	Number of issued shares	Quotient value (SEK/share)
Issued share capital, December 31, 2005	14,960,742,621	4,675,232,069	3.20
Cancellation of shares repurchased in 2005, September 6, 2006	-591,279,539	-184,774,856	3.20
Issued share capital, December 31, 2006, 2007, 2008, 2009 and 2010	14,369,463,082	4,490,457,213	3.20
Cancellation of shares repurchased in 2011, July 19, 2011	-513,191,783	-160,372,432	3.20
Issued share capital, December 31, 2011, 2012, 2013, 2014, 2015, 2016 and 2017	13,856,271,299	4,330,084,781	3.20
Issued share capital, December 31, 2018	13,856,271,299	4,330,084,781	3.20

Treasury shares

On May 3, 2018, Telia Company 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.

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 December 31, 2018, Telia Company held 99,277,963 treasury shares. The total price paid in cash for the re-purchased shares during the twelve-month period was SEK 4,126 million and transaction costs amounted to SEK 2 million.

In total the acquisitions of treasury shares during 2018 reduced other contributed capital within parent shareholder’s equity by SEK 4,147 million. As of December 31, 2018, the total numbers of issued and outstanding shares were 4,330,084,781 and 4,230,806,818, respectively.

On May 2, 2017, Telia Company acquired 108,171 own shares at an average price of SEK 36.1906 to cover commitments under the “Long term Incentive Program 2014/2017”. During the second quarter of 2017, Telia Company distributed the shares to the incentive program participants. As of December 31, 2017, no Telia Company shares were held by the company itself or by its subsidiaries. The total numbers of issued and outstanding shares were 4,330,084,781.

Subsidiaries in continuing operations with material non-controlling interests

Summarized financial information on subsidiaries in continuing operations with material non-controlling interests (NCI) is presented below. The amounts disclosed for each subsidiary are based on those included in the consolidated financial statements before inter-company eliminations and only the net asset in which the NCI has a share. Other comprehensive income (OCI) only comprises exchange rate differences arising on translation to SEK.

The NCI in Telia Lietuva, AB (former TEO LT, AB) is 11.8 percent. The group holds 49 percent of the shares in Latvijas Mobilais Telefons SIA (LMT). However, according to shareholders’ agreements Telia Company has the board majority in LMT and the company is therefore regarded as a subsidiary. In addition, LMT is held partly by the associated company Lattelecom SIA which decreases NCI to 39.7 percent.

Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015. For information regarding subsidiaries in discontinued operations with material non-controlling interests, see Note C34.

Dividends paid to NCIs are disclosed in Note C30.

December 31, 2018 SEK in millions, except percentages	Telia Lietuva, AB (former TEO LT, AB), Lithuania	Latvijas Mobilais Telefons SIA, Latvia	Other subsidiar-ies, continuing operations	Discontinued operations	Total
Assets					
Non-current assets	4,378	1,811			
Current assets	1,443	591			
Liabilities					
Non-current liabilities	-1,335	-633			
Current liabilities	-1,070	-749			
Net assets	3,416	1,020			
NCI percentage	11.8	39.7			
Carrying amount of NCI	**405**	**405**	**310**	**3,930**	**5,050**
Net sales	3,976	1,409			
Net income	582	130			
Net income allocated to NCI	**69**	**51**	**76**	**-285**	**-89**
Cash flows from operating activities	1,341	472			
Free cash flow	673	170			

December 31, 2017[1] SEK in millions, except percentages	Telia Lietuva, AB (former TEO LT, AB), Lithuania	Latvijas Mobilais Telefons SIA, Latvia	Other subsidiar-ies, continuing operations	Discontinued operations	Total
Assets					
Non-current assets	4,260	1,710			
Current assets	1,330	810			
Liabilities					
Non-current liabilities	-1,574	-616			
Current liabilities	-903	-813			
Net assets	3,114	1,091			
NCI percentage	11.8	39.7			
Carrying amount of NCI	**369**	**433**	**225**	**4,264**	**5,291**
Net sales	3,543	1,268			
Net income	557	237			
Net income allocated to NCI	**66**	**94**	**35**	**344**	**538**
Cash flows from operating activities	1,122	520			
Free cash flow	473	282			

1) Restated for comparability, see Note C1.

Earnings per share and dividends

	Jan–Dec 2018	Jan–Dec 2017[1]
Net income attributable to owners of the parent (SEK million)	3,179	9,705
Average number of outstanding shares, basic and diluted (thousands)	4,292,680	4,330,085
Earnings per outstanding share, basic and diluted (SEK)	0.74	2.24
Ordinary cash dividend (for 2018 as proposed by the Board of Directors)		
– Per share (SEK)	2.36	2.30
– Total (SEK million)	9,985	9,959

1) Restated for comparability, see Note C1.

C20 LONG-TERM AND SHORT-TERM BORROWINGS

Open-market financing programs

Telia Company has the following open-market financing programs.

				Dec 31, 2018					Dec 31, 2017	
						Interest rate type				
			Limit currency	Limit	Utilized	Floating	Fixed	Average maturity	Limit	Utilized
Program		Characteristics		(in millions)				(years)	(in millions)	
Telia Company AB	Euro Medium Term Note (EMTN)	Uncommitted, International, Long-term	EUR	12,000	6,552	429	6,122	6.7	12,000	6,728
Telia Company AB	Euro Commercial Paper (ECP)	Uncommitted, International, Short-term	EUR	1,000	–	–	–	–	1,000	–
Telia Company AB	Flexible Term Note (FTN)	Uncommitted, Swedish domestic, Short-term and long-term	SEK	8,000	–	–	–	–	8,000	–

Borrowings

Long-term and short-term borrowings were distributed as follows.

	Dec 31, 2018		Dec 31, 2017	
SEK in millions	Carrying value	Fair value	Carrying value[1]	Fair value[1]
Long-term borrowings				
Open-market financing borrowings in fair value hedge relationships[1]	49,963	55,014	45,184	49,967
Interest rate swaps at fair value	162	162	276	276
of which designated as hedging instruments	*162*	*162*	*276*	*276*
of which at fair value through Income Statement[2]	–	–	–	–
Cross-currency interest rate swaps at fair value	1,792	1,792	1,990	1,990
of which hedging net investments	*1,527*	*1,527*	*1,417*	*1,417*
of which designated as hedging instruments	*265*	*265*	*381*	*381*
of which at fair value through income statement[2]	–	–	*192*	*192*
***Subtotal** (see Fair value hierarchy levels – Note C25)*	***51,917***	***56,968***	***47,450***	***52,233***
Open-market financing borrowings at amortized cost[1]	32,267	39,767	37,987	46,878
of which hedging net investments	*20,747*	*25,660*	*25,389*	*31,410*
Other borrowings at amortized cost	1,443	1,443	2,204	2,204
***Subtotal** (see Categories – Note C25)*	***85,626***	***98,177***	***87,642***	***101,316***
Finance lease agreements	1,363	1,363	171	171
Total long-term borrowings	**86,990**	**99,541**	**87,813**	**101,487**
Short-term borrowings				
Open-market financing borrowings in fair value hedge relationships	3,018	3,019	729	735
Interest rate swaps designated as hedging instruments	45	45	4	4
Cross-currency interest rate swaps designated as hedging instruments	–	–	106	106
Cross-currency interest rate swaps *at fair value through income statement[2]*	292	292	93	93
***Subtotal** (see Fair value hierarchy levels – Note C25)*	***3,355***	***3,357***	***932***	***937***
Utilized bank overdraft and short-term credit facilities at amortized cost	–	–	0	0
Open-market financing borrowings at amortized cost	1,771	1,776	1,459	1,461
of which hedging net investments	–	–	*983*	*984*
Repurchase agreement liabilities	–	–	664	664
Other borrowings at amortized cost	4,378	4,378	613	672
***Subtotal** (see Categories – Note C25)*	***9,505***	***9,512***	***3,668***	***3,734***
Finance lease agreements	46	46	6	6
Total short-term borrowings	**9,552**	**9,558**	**3,674**	**3,740**

1) For 2017, carrying value of SEK 267 million has been reclassified from "Open-market financing program borrowings" to "Open-market financing program borrowings 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 -4,998 million and SEK 3,609 million, respectively.
2) For comparable figures financial liabilities measured at fair value through profit or loss (income statement) refer to instruments classified as "held for trading" under IAS 39.

The fair values of borrowings above relate to hierarchy level 2. For a description of valuation techniques, see Note C3 section "Fair value estimation."

Normally, borrowings by Telia Company denominated in foreign currencies are swapped into SEK. The exceptions typically include funds borrowed to finance the group's international operations or selective hedging of net investments abroad.

Refer to Note C25 for more information on financial instruments classified by category/fair value hierarchy level and to Note C26 for information on maturities and management of liquidity risk, currency risk, interest rate risk and financing risk, respectively.

C21 PROVISIONS FOR PENSIONS AND EMPLOYMENT CONTRACTS

Post-employment benefits

Telia Company provides defined benefit pension plans to most of its employees in Sweden, Finland and Norway. The pension plans mainly include retirement pension, disability pension and family pension.

Employees in Telia Company AB and most of its Swedish subsidiaries are eligible for retirement benefits under the ITP-Tele (ITP 2 plan) defined benefit plan. However, all employees born in 1979 and later are covered by a defined contribution pension plan (the ITP 1 plan). The part of the Swedish ITP 2 multi-employer pension plan that is secured by paying pension premiums to Alecta is accounted for as a defined contribution plan as the plan administrator does not provide sufficient information necessary to account for the plan as a defined benefit plan. Telia Company's portion of total premiums in the Alecta ITP 2 plan is 0.13 percent and the share of total number of active insured in ITP 2 is 0.78 percent. Expected contribution to the ITP 2 plan for 2018 is SEK 31 million.

Telia Company's employees in Finland are entitled to statutory pension benefits pursuant to the Finnish Employees Pensions Act, a defined benefit pension arrangement with retirement, disability, unemployment and death benefits (TyEL pension). In addition, certain employees have additional pension coverage through a supplemental pension plan. In Finland, a part of the pension is funded in advance and the remaining part financed as a pay-as-you-go pension i.e. contributions are set at a level that is expected to be sufficient to pay the required benefits falling due in the same period.

Telia Norway operates a defined benefit pension plan, which was closed for new entrants in 2011.

The pension obligations are secured mostly by pension funds, but also by provisions in the statements of financial position combined with pension credit insurance.

Telia Company's defined benefit plan members are approximately divided between the following groups; 20 percent active members, 42 percent vested deferreds and 38 percent retirees.

Telia Company's employees in many other countries are usually covered by defined contribution pension plans. Contributions to the latter are normally set at a certain percentage of the employee's salary and are expensed as incurred.

Pension obligations and pension expenses

Total amounts recognized in the statements of financial position for pension obligations were as follows.

	Dec 31, 2018				Dec 31, 2017			
SEK in millions	**Sweden**	**Finland**	**Norway**	**Total**	**Sweden**	**Finland**	**Norway**	**Total**
Present value of funded pension obligations	19,820	5,353	512	25,685	18,737	5,429	255	24,421
Fair value of plan assets	-22,259	-4,533	-385	-27,176	-23,016	-4,542	-160	-27,718
Surplus (-)/deficit (+) of funded plans	**-2,439**	**820**	**128**	**-1,491**	**-4,279**	**886**	**96**	**-3,297**
Present value of unfunded pension obligations	1,725			1,725	1,564			1,564
Net assets (-)/provisions (+) for pension obligations	**-714**	**820**	**128**	**234**	**-2,715**	**886**	**96**	**-1,733**
of which recognized as provisions	*1,571*	*820*	*128*	*2,519*	*1,395*	*886*	*96*	*2,377*
of which recognized as assets	*-2,285*			*-2,285*	*-4,110*			*-4,110*

Total pension expenses were distributed as follows.

SEK in millions	Jan–Dec 2018				Jan–Dec 2017			
	Sweden	Finland	Norway	Total	Sweden	Finland	Norway	Total
Current service cost	117	168	16	301	105	146	17	268
Past service cost	-8	-3	0	-11	-9	-8	-2	-19
Gain/loss on settlements	4	–	–	4	1	–	–	1
Total pension expenses in operating income from defined benefit obligations	**114**	**165**	**16**	**294**	**97**	**138**	**15**	**250**
Interest expense	575	112	6	694	617	108	6	731
Interest income	-667	-95	-4	-766	-700	-92	-3	-795
Total net interest in financial items	**-93**	**18**	**2**	**-73**	**-83**	**16**	**2**	**-64**
Total pension expenses from defined benefit obligations	**21**	**182**	**18**	**221**	**14**	**154**	**18**	**186**
Pension expenses in operating income from defined contribution plans				**1,007**				**1,127**
Remeasurement gains (-)/losses (+)								
Gain/loss from change in financial assumptions	1,140	-584	2	558	1,082	124	-9	1,197
Experience gains/losses	411	21	-1	431	-184	53	-12	-142
Gain/loss from change in demographic assumptions	–	–	–	–	–	-18	–	-18
Return on plan assets (excluding interest income)	750	352	-1	1,100	-458	-174	1	-630
Total gains/losses recorded in OCI, defined benefit pension plans	**2,300**	**-211**	**0**	**2,089**	**441**	**-15**	**-19**	**406**

Specifications to defined benefit obligations and fair value of plan assets

Movements in the present value of defined benefit obligations were as follows.

SEK in millions	2018				2017			
	Sweden	Finland	Norway	Total	Sweden	Finland	Norway	Total
Opening balance, present value of pension obligations	20,300	5,429	255	25,984	19,691	4,906	278	24,875
Opening balance, liabilities directly associated with assets classified as held for sale	–	–	–	–	164	41	–	205
Total opening balance	**20,300**	**5,429**	**255**	**25,984**	**19,855**	**4,946**	**278**	**25,080**
Current service cost	117	168	16	301	105	146	17	268
Interest expenses	575	112	6	694	617	108	6	731
Benefits paid	-992	-29	-2	-1,023	-998	-16	-2	-1,016
Benefits paid, early retirement	-3	–	–	-3	-1	–	–	-1
Settlement payments	–	–	-1	-1	–	–	-8	-8
Termination benefits	4	–	–	4	1	–	–	1
Curtailment of pension obligations	-8	-3	–	-11	-9	-8	-2	-19
Operations acquired	–	3	231	234	–	–	2	2
Operations divested	–	–	–	–	-169	-40	–	-209
Remeasurement gains (-)/losses (+)								
Gain/loss from change in financial assumptions	1,140	-584	2	558	1,082	124	-9	1,197
Experience gains/losses	411	21	-1	431	-184	53	-12	-142
Gain/loss from change in demographic assumptions	–	–	–	–	–	-18	–	-18
Exchange rate differences	–	236	6	242	–	134	-15	120
Closing balance, present value of pension obligations	**21,545**	**5,353**	**512**	**27,410**	**20,300**	**5,429**	**255**	**25,984**

Movements in the fair value of plan assets were as follows.

	2018				2017			
SEK in millions	**Sweden**	**Finland**	**Norway**	**Total**	**Sweden**	**Finland**	**Norway**	**Total**
Opening balance, fair value of plan assets	23,016	4,542	160	27,718	21,859	4,129	158	26,146
Opening balance, liabilities directly associated with assets classified as held for sale	–	–	–	–	32	25	–	57
Total opening balance	**23,016**	**4,542**	**160**	**27,718**	**21,891**	**4,154**	**158**	**26,203**
Interest income	667	95	4	766	700	92	3	795
Contribution to pension funds	–	80	19	99	–	54	19	72
Payment from pension funds	-675	-29	-2	-706	–	-16	-2	-18
Settlement payments	–	–	-1	-1	–	–	-8	-8
Operations acquired	–	–	200	200	–	–	–	–
Operations divested	–	–	–	–	-33	-26	–	-59
Remeasurement gains (-)/losses (+)								
Return on plan assets (excluding interest income)	-750	-352	1	-1,101	458	174	-1	630
Exchange rate differences	–	197	5	201	–	111	-9	102
Closing balance, fair value of plan assets	**22,259**	**4,533**	**385**	**27,176**	**23,016**	**4,542**	**160**	**27,718**

Principal actuarial assumptions

The actuarial calculation of pension obligations and pension expenses is based on the following principal assumptions, each presented as a weighted average for the different pension plans. These assumptions are the most significant ones in terms of the risk for changes in Telia Company's pension obligations. The discount rate reflects the interest rate level at which the pension liabilities could be effectively settled and affects the value of the defined benefit obligations.

As in previous years the discount rate for Sweden is determined by the covered bond market. Since the commitment has a longer duration than most covered bonds, an extrapolation of the yield curve is performed and used with the corresponding duration of Telia Company's pension obligations. The management of Telia Company then adjust the difference between the long-term inflation target of the central bank and the actual market inflation at the end of the period. The discount rate for Finland is based on high-quality corporate bonds with long duration. Norway sets the discount rate on the same basis as Sweden.

The expected annual adjustments and increased longevity have an impact on future pension payments and therefore the pension obligation. For Sweden, management has chosen to use the annual inflation target rate set by the national central banks. For Finland, the inflation assumption is derived from long-term inflation swaps. For Norway, the annual adjustment to pensions is mainly based on estimations from the Norwegian Accounting Standards Board. See below for a sensitivity analysis related to a change in the significant assumptions used in calculating the pension provision.

	Dec 31, 2018				Dec 31, 2017			
Percentages, except longevity	**Sweden**	**Finland**	**Norway**	**Weighted average**	**Sweden**	**Finland**	**Norway**	**Weighted average**
Discount rate	2.6	2.2	2.8	2.5	2.9	2.0	2.4	2.7
Annual adjustments to pensions	2.0	0.7	0.9	1.7	2.0	1.0	0.3	1.8
Longevity								
life expectancy 65-year-old male (year)	*21*	*21*	*22*	*21*	*20*	*21*	*22*	*20*
life expectancy 65-year-old female (year)	*24*	*25*	*26*	*24*	*23*	*25*	*26*	*23*

Sensitivity of the defined benefit obligations to changes in the assumptions was as follows.

	Dec 31, 2018 Impact on defined benefit obligation				Dec 31, 2017 Impact on defined benefit obligation			
SEK in millions	**Sweden**	**Finland**	**Norway**	**Total**	**Sweden**	**Finland**	**Norway**	**Total**
Discount rate +0.5 p.p.	-1,833	-514	-49	-2,396	-1,800	-551	-30	-2,381
Discount rate -0.5 p.p.	2,029	590	56	2,675	2,218	645	30	2,894
Annual adjustments to pensions +0.5 p.p.	2,029	567	36	2,632	2,218	620	-14	2,824
Annual adjustments to pensions -0.5 p.p.	-1,833	-518	-32	-2,384	-1,800	-556	11	-2,345
Longevity +1 year	1,196	165	12	1,373	1,056	178	5	1,239

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may by correlated.

Investment strategy

The assets of Telia Company pension funds constitute pension plan assets and are valued at fair value. These assets are used as prime funding source for the pension obligations, and exist primarily in Sweden and Finland. The pension funds invest the assets in such a manner that the liquidity of the pension funds is ensured. The investment horizons are long-term, and aimed to cover Telia Company's pension obligations. The weighted average duration for the pension obligation plans is approximately 19 years. Investment plans are approved by the boards of the pension funds. The investment activities comply with the rules and regulations issued by the authorities governing pension foundations.

For the Swedish pension fund, which represents approximately 82 percent of the total group plan assets, Telia Company apply a minimum funding requirement.

The allocation of assets has been successful and the portfolio has generated an annual return of 6.5 percent, since inception. As of December 31, 2018, the strategic asset allocation decided by the Board of the Swedish Fund, was 49 percent fixed income, 34 percent equities and 17 percent alternative investments. The alternative investments include real estate, hedge funds and private equity. The actual allocation may deviate from the strategic allocation in a range up to a specified limit. The work to improve balance between risk and return continues. Reduced allocation to equity in favor of fixed income and real estate decreased the risk in the portfolio during the year. Other implications of changes are lower costs.

Total plan-asset allocation

As of the end of the reporting period, plan assets were allocated as follows.

SEK in millions	**December 31, 2018**				**December 31, 2017**			
Asset category	**Quoted**	**Unquoted**	**Total**	**Percent**	**Quoted**	**Unquoted**	**Total**	**Percent**
Equity instruments	8,841	406	9,247	34	9,936	327	10,263	37
Debt instruments	12,460	427	12,886	47	11,247	337	11,584	42
Real estate	–	1,603	1,603	6	–	1,412	1,412	5
Cash and cash equivalents	248	207	455	2	279	141	420	2
Alternative investments	129	2,671	2,801	10	162	3,716	3,878	14
Other	–	185	185	1	–	160	160	1
Total	**21,678**	**5,499**	**27,176**	**100**	**21,625**	**6,093**	**27,718**	**100**
of which shares in Telia Company	*15*		*15*	*0.06*	*13*		*13*	*0.05*

Future contributions

For companies in Sweden, pension liabilities are secured also by pension credit insurance. This means that, should the net provision for pension obligation increase, each company can choose if and when to contribute to the pension fund or otherwise to recognize a provision. To pension funds outside Sweden, Telia Company expects to contribute SEK 92 million in 2019.

C22 OTHER PROVISIONS

Changes in other provisions were as follows.

	December 31, 2018			
SEK in millions	**Restructuring provisions**	**Asset retirement obligations**	**Other provisions**	**Total**
Opening balance	292	2,901	3,111	**6,303**
of which financial liabilities at amortized cost	–	–	–	**–**
Provisions for the period	412	45	371	**828**
Operations acquired	4	6	2	**12**
Utilized provisions	-502	-157	-33	**-691**
Reversals of provisions	-27	–	-171	**-198**
Reclassifications	–	–	–	**-**
Timing and interest-rate effects	–	16	–	**16**
Exchange rate differences	5	34	138	**178**
Discount effects, net	–	–	160	**160**
Closing balance	**184**	**2,845**	**3,578**	**6,608**
of which non-current portion	*61*	*2,834*	*1,301*	***4,196***
of which current portion	*123*	*11*	*2,278*	***2,412***
of which financial liabilities at amortized cost (see Note Categories – C25 and Credit risk – C26)	–	–	–	**–**

The provision for the settlement with the US and Dutch authorities is included in Other provisions. See Note C34 for more information.

For financial liabilities, the carrying value equals fair value as provisions are discounted to present value. See Note C25 for more information on financial instruments classified by category.

Restructuring provisions

The restructuring provisions represent the present value of management's best estimate of the amounts required to settle the liabilities. The estimates may vary as a result of changes in the length of notice period before leaving and in the actual outcome of negotiations with lessors, subcontractors and other external counterparts as well as the timing of such changes. The restructuring provisions are mainly related to workforce reduction as a result of ongoing optimization of the business in the Nordics and Group functions.

Asset retirement obligations and other provisions

Asset retirement obligations mainly refer to handling hazardous waste such as worn-out telephone poles impregnated with creosote or arsenic and to dismantling and restoration of mobile and fixed network sites. Remaining provisions as of December 31, 2018, are expected to be fully utilized in the period 2019–2069, depending on factors such as any contractual renewal options for site leases and dismantling plans decided by management.

Other provisions include provisions for damages and court cases, including the provision for the settlement amount agreed with the US and Dutch authorities. Other provisions also include provisions for future onerous and other loss-making contracts, insurance provisions, payroll taxes on future pension payments, estimated expenses related to fulfilling representations made and warranties, i.e. transaction warranties, and for potential litigation etc. in connection with disposals and winding-up of group entities, associated companies and other equity holdings as well as provision for buy-back commitments for sold equipment in certain markets. Full utilization of these provisions is expected in the period 2019–2059. The provisions represent the present value of management's best estimate of the amounts required to settle the liabilities.

C23 OTHER LONG-TERM LIABILITIES

Other long-term non-interest-bearing liabilities were distributed as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Danish license fee liabilities at amortized cost	183	–
Finnish license fee liabilities at amortized cost	259	–
Liability regarding rights for the Finnish ice hockey league at amortized cost	1,004	1,143
Other liabilities at amortized cost	124	50
Financial liabilities at amortized cost *(see Categories – Note C25)*	***1,570***	***1,193***
Prepaid operating lease agreements	363	357
Other liabilities	235	400
Total other long-term liabilities	**2,169**	**1,950**

For liabilities at amortized cost, the carrying value approximates fair value as the impact of discounting using market interest rates at the end of the reporting period was insignificant. See Note C25 for more information on financial instruments classified by category and to Note C26 on management of liquidity risk.

As of December 31, 2018, contractual undiscounted cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	2020	2021	2022	2023	Later years	Total	Carrying value
Liabilities at amortized cost	348	344	306	331	168	1,497	1,570

For information on leases, see Note C27.

C24 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Trade payables and other current liabilities were distributed as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017[1]
Currency swaps, forward exchange contracts and currency options at fair value through income statement[2]	99	225
Subtotal *(see Fair value hierarchy levels – Note C25)*	***99***	***225***
Accounts payable at amortized cost	11,146	7,982
of which accounts payable under vendor financing arrangements	*5,133*	*1,678*
Current liabilities at amortized cost	3,588	2,255
Subtotal *(see Categories – Note C25)*	***14,833***	***10,462***
Other current liabilities	7,155	4,806
Contract liabilities (Deferred income)	4,151	3,574
Total trade payables and other current liabilities	**26,139**	**18,842**

1) Restated for comparability, see Note C1.
2) For comparable figures financial liabilities measured at fair value through profit or loss (income statement) refer to instruments classified as “held for trading” under IAS 39.

For accounts payable and current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. Refer to Note C25 for more information on financial instruments classified by category/fair value hierarchy level and to Note C26 on management of liquidity risk. Telia Company has an arrangement with a bank under which the bank offers Telia Company’s vendors the option to receive earlier payment of Telia Company’s accounts payables. Vendors utilizing the financing arrangement pay a credit fee to the bank. Telia Company does not pay any credit fees and does not provide any additional collateral or guarantee to the bank.

As of December 31, 2018, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2019	Apr–Jun 2019	Jul–Sep 2019	Oct–Dec 2019	Total
Liabilities at amortized cost	14,204	89	47	394	**14,734**

Corresponding information for currency derivatives held-for-trading are presented in section "Liquidity risk management" to Note C26 "Financial risk management."

The main components of current liabilities are accrued payables to suppliers and accrued interconnect and roaming charges, while other current liabilities mainly entail value-added tax, advances from customers and accruals of payroll expenses and social security contributions.

Contract liabilities (Deferred income) mainly relate to subscription and other telecom charges.

C25 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND LEVEL

Categories

Carrying values of classes of financial assets and liabilities were distributed by category as follows. Excluded are financial instruments which are disclosed in Note C27.

SEK in millions	Note	Dec 31, 2018	Dec 31, 2017
Financial assets			
Derivatives designated as hedging instruments	C15, C18	1,855	1,708
Financial assets at fair value through income statement[1]		1,336	1,527
of which derivatives at fair value through income statement[1]	*C15, C17, C18*	*1,323*	*1,508*
of which other investments at fair value through income statement[1]	*C15*	*13*	*19*
Financial assets at amortized cost[1]	C15, C17, C18	38,039	38,139
Financial assets measured at fair value through OCI[1]	C15, C18	8,002	24,638
Total financial assets by category		**49,233**	**66,012**
Financial liabilities			
Derivatives designated as hedging instruments	C20, C24	1,999	2,180
Derivatives mesaured at fair value through income statement[1]	C20, C24	392	515
Financial liabilities measured at amortized cost	C20, C22, C23, C24	109,144	100,255
Total financial liabilities by category		**111,535**	**102,950**

1) For comparable 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. Financial assets at amortised cost refer to Loans and receivables under IAS 39.

Fair value hierarchy levels

The carrying values of classes of financial assets and liabilities measured at fair value were distributed by fair value hierarchy level as follows.

		December 31, 2018				December 31, 2017			
			of which				of which		
SEK in millions	Note	Carrying value	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3
Financial assets at fair value									
Equity instruments at fair value through OCI[1]	C15	**223**	–	–	223	**1,899**	–	–	1,899
Equity instruments at fair value through income statement[1]	C15	**13**	–	–	13	**19**	–	–	19
Long- and short-term bonds at fair value through OCI[1]	C15, C18	**7,780**	7,780	–	–	**22,738**	18,029	4,709	–
Derivatives designated as hedging instruments	C15, C18	**1,856**	–	1,856	–	**1,709**	–	1,709	–
Derivatives at fair value through income statement[1]	C15, C17,C18	**1,323**	–	1,323	–	**1,508**	–	1,508	–
Total financial assets at fair value by level		**11,195**	**7,780**	**3,179**	**236**	**27,874**	**18,029**	**7,926**	**1,919**
Financial liabilities at fair value									
Derivatives designated as hedging instruments	C20, C24	**2,000**	–	2,000	–	**2,180**	–	2,180	–
Derivatives at fair value through income statement[1]	C20, C24	**392**	–	392	–	**514**	–	514	–
Total financial liabilities at fair value by level		**2,392**	–	**2,392**	–	**2,693**	**–**	**2,693**	**–**

1) For comparable 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.

There were no transfers between Level 1, 2 or 3 in 2018 and 2017.

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 table below presents the movement in Level 3 instruments during the year. The changes in fair value and the disposals of equity instruments relate mainly to Telia Company's holding in Spotify.

	December 31, 2018			December 31, 2017		
SEK in millions	**Equity instruments at fair value through OCI**	**Equity instruments at fair value through income statement**	**Total**	**Equity instruments at fair value through OCI[1]**	**Equity instruments at fair value through income statement[1]**	**Total**
Level 3, opening balance	1,899	19	**1,919**	1,162	26	**1,188**
Changes in fair value	554	–	**554**	738	-7	**731**
of which recognized in net income	–	–	–	–	-7	***-7***
of which recognized in other comprehensive income	*554*		***544***	*738*	–	***738***
Purchases/capital contributions	39	0	**39**	–	–	**–**
Disposals	-2,269	-6	**-2,275**	–	–	**–**
Exchange rate differences	–	–	–	–	0	**0**
Level 3, closing balance	**223**	**13**	**236**	**1,899**	**19**	**1,919**

1) For comparable 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.

C26 FINANCIAL RISK MANAGEMENT

Principles of financing and financial risk management

Telia Company's financing and financial risks are managed under the control and supervision of the Board of Directors of Telia Company. Financial management is centralized within the Group Treasury unit of Telia Company, which operates as Telia Company's internal bank and is responsible for the management of financing, management of capital requirements and cash. Group Treasury is also responsible for Telia Company's financial risk management, related to implementation of group policies and instructions, identification and monitoring of financial risks as well as implementation of hedging strategies thereof. The most noticeable risks under Group Treasury's responsibility are credit risk, liquidity risk, currency risk, interest rate risk and (re-)financing risk. Group Treasury also seeks to manage the cost of financial risk management.

Telia Company finances its operations mainly by borrowing under its uncommitted open-market financing programs directly in Swedish and international money markets and capital markets. The communicated funding strategy themes have been to increase duration, to diversify funding sources and to keep a prudent liquidity position. Capital market funding is the primary source and bank funding is considered mainly as backup. This increases flexibility and ensures access to markets with attractive pricing. The open-market financing programs typically provide a cost-effective and flexible alternative to bank financing.

Capital management

Telia Company's capital structure and dividend policy is decided by the Board of Directors. The ambition is to distribute at least 80 percent of free cash flow from continuing operations excluding licenses and spectrum fees. The proposed dividend of SEK 2.36 per share corresponds to 85 percent.

Telia Company shall target a solid investment grade long term credit rating of A- to BBB+ to secure the company's strategically important financial flexibility for investments in future growth, both organically and by acquisitions.

In October 2018 Standard & Poor's downgraded the long-term credit rating of Telia Company to BBB+ from A-, with stable outlook. The short-term rating was affirmed and remains at A-2 with stable outlook. Moody's credit rating of Telia Company remained unchanged with the long-term rating at Baa1 and P-2 as short-term rating, both with a stable outlook. These ratings represent a solid investment grade level and are thus expected to allow Telia Company continued good access to the financial markets.

Telia Company is not subject to any externally imposed capital requirements.

In respect of capital management, Telia Company defines capital as equity and 50 percent of hybrid bonds, which is consistent with the market practice for this type of instrument. As per December 31, 2018, Telia Company's capital amounted to SEK 110,255 million (114,187), whereof equity SEK 102,394 million (106,517) and 50 percent of hybrid bonds SEK 7,861 million (7,670).

Credit risk management

Credit risk is the risk of delay or loss of value or income as well as incurred costs due to counterparty default or failure to meet its financial obligations. The carrying amount of Telia Company's instruments with credit risk exposure is as follows.

SEK in millions	Note	Dec 31, 2018	Dec 31, 2017
Other non-current assets excluding Equity instruments at cost, Costs to obtain a contract, Contract assets and Deferred expenses	C15	13,198	20,848
Trade and other receivables and assets excluding Other current receivables, Current contract assets and Deferred expenses	C17	13,655	12,703
Short term interest-bearing receivables	C18	4,529	17,335
Cash and cash equivalents	C18	18,765	15,616
Total		**50,148**	**66,502**

When entering into financial transactions such as interest rate swaps, cross-currency swaps and other derivative transactions, Telia Company accepts only creditworthy counterparties with a solid investment grade rating. Telia Company requires each counterparty to have an International Swaps and Derivatives Association, Inc. (ISDA) agreement. The permitted exposure of each counterparty when entering into a financial transaction depends on the rating of that counterparty.

The net aggregated exposure in derivatives as of December 31 is distributed by the counterparty long-term rating with Moody's in the table below. Received collateral, regulated by the Credit Support Annex of the ISDA agreements, is deducted from the exposure.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Counterparty rating Aa3	217	253
Counterparty rating Aa2	265	4
Counterparty rating A1	26	23
Counterparty rating A2	217	63
Counterparty rating A3	–	2
Counterparty rating Baa1	–	–
Counterparty rating Baa2	–	48
Counterparty rating Baa3	–	–
Total exposure of counterparties in derivatives	**725**	**393**

Telia Company can invest surplus cash in bank deposits and securities issued by banks with a rating of at least A- (Standard & Poor's) or A3 (Moody's). In addition investments can be made in corporate securities with rating of at least BBB+ or Baa1. Cash can also be invested in government bonds and treasury bills issued by the Swedish, German, Finnish, Norwegian or Danish government, Swedish municipals, investment funds and securitized assets with AAA/Aaa rating. Expected credit losses for cash in bank deposits as well as for investments in securities measured at amortized cost or at fair value through OCI are reassessed on a regular basis and is primarily based on external ratings of the counterparties or issuers. The expected credit losses on the balance sheet date are considered insignificant and reflects the high credit quality of the counterparties reflected in the external ratings. The exposure related to cash in bank deposits and investments in securities is distributed as in the tables below.

The credit risk with respect to Telia Company's trade receivables is diversified geographically and among a large number of customers, private individuals as well as companies in various industries. Solvency information is required for credit sales to minimize the risk of credit losses and is based on group-internal information on payment behavior, if necessary supplemented by credit and business information from external sources. Expenses for credit losses in relation to consolidated net sales was approximately 0.8 percent in 2018 and 0.6 percent in 2017.

Telia Company applies a simplified approach for calculating expected credit losses for trade receivables, meaning that the loss allowance reflect lifetime expected credit losses for those assets even if the credit risk has not increased significantly since the assets were initially recognized. The loss allowance for expected credit losses for trade receivables is calculated using a provision matrix based on the age of the receivables and experience of actual historical losses. The historical information used in the provision matrix is regularly assessed in order to determine that it reflects information about current conditions and reasonable and supportable future conditions. For quantitative information about the loss allowance for expected credit losses for trade receivables, see Note C17.

The loss allowance for expected credit losses for consumer financing receivables is calculated based on default statistics per country. The default statistics are based on how much of each month's lending that is transferred to debt collection over the lifetime of the contracts. The historical information used to calculate the loss allowance is evaluated regularly in order to determine that it reflects information about current conditions and reasonable and supportable future conditions.

An allowance for expected credit losses is calculated and recognized also for lease receivables. The loss allowance for lease receivables is calculated based on risk classification from UC representing the probability that a counterparty will encounter financial problems. To cover a credit loss within the leasing area there is always an option to sell the underlying asset to an external part.

For quantitative information about the loss allowance for expected credit losses for lease receivables, see Note C27.

Rating Category (S&P / Moody's)	Cash and bank	Cash equivalents	Long and short-term investments
AAA / Aaa	–	–	7,780
AA+ to AA- / Aa1 to Aa3	6,825	3,589	–
A+ to A- / A1 to A3	5,785	2,564	–
BBB+ to BBB- / Baa1 to Baa3	–	–	–
Non-investment grade	–	–	–
Total	**12,610**	**6,154**	**7,780**

Liquidity risk management

Liquidity risk is the risk that Telia Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Telia Company has internal control processes and contingency plans for managing liquidity risk. The short-term and mid-term liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from operations.

A centralized daily cash pooling process enables Telia Company to manage liquidity surpluses and deficits according to the actual needs on group and subsidiary level.

Telia Company's policy is to have a prudent liquidity position in terms of available cash and/or unutilized committed credit facilities. Telia Company's short-term liquidity risk (payment obligations due in 2019, see table "Expected maturity") is managed with the liquidity reserve described below.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Surplus liquidity		
Cash and bank	12,610	13,222
Cash equivalents[1]	6,154	2,395
Cash and cash equivalents (see also Note C18)	**18,765**	**15,616**
Short-term investments[2] (see also Note C18)	513	13,563
Total	**19,278**	**29,180**
Long-term investments[3] (see also Note C15)	7,267	12,677
Total surplus liquidity	**26,545**	**41,856**
Committed credit facilities		
Revolving credit facilities (limit amount)	15,376	14,735
Bank overdraft and short-term credit facilities (limit amount)	1,415	1,403
Utilized credit facilities	238	–
Total unutilized committed credit facilities	**16,753**	**16,138**
Liquidity position	**43,098**	**57,994**

1) Bank deposits and securities which mature within 3 months of the date of acquisition.
2) Securities with maturities between 3 and 12 months. Convertible to cash within 2 days, i.e. including securities that for regulatory reasons are not convertible to cash within 2 days.
3) Securities with maturities exceeding 12 months. Convertible to cash within 2 days.

Telia Company's committed bank credit facilities and overdraft facilities, intended for short-term financing and back-up purposes, were as follows.

SEK in millions					Dec 31, 2018	Dec 31, 2017
Group entity	**Type**	**Characteristics**	**Final maturity**	**Currency**	**Limit**	**Limit**
Telia Company AB	Revolving credit facility	Committed, syndicated	September 2023	EUR	15,376	14,735
Telia Company AB and subsidiaries	Bank overdraft facility	Committed, bilateral	Extended yearly	(various)	1,415	1,403

As of December 31, 2018, contractual undiscounted cash flows for the group represented the following expected maturities. The amounts regarding the group's interest-bearing borrowings and derivatives include instalments and estimated interest payments. The maturity date for the hybrid bonds in SEK is 2077 and 2078 for the EUR bond. However, at specific dates Telia Company has the option to exercise early redemption. The first of these dates, also known as call dates, occur in 2022 for the SEK bonds and in 2023 for the EUR bond. Amounts in foreign currency have been converted into SEK using the exchange rate prevailing as of the end of the reporting period. Future interest payments, related to instruments with floating interest rates, have been estimated using forward rates. Where gross settlements are performed (cross-currency interest rate swaps, currency swaps and forward exchange contracts), all amounts are reported on a gross basis.

Expected maturity SEK in millions	Note	Jan-Mar 2019	Apr–Jun 2019	Jul–Sep 2019	Oct–Dec 2019	2020	2021	2022	2023	Later years	Total
Utilized bank overdraft and short-term credit facilities		–	–	–	–	–	–	–	–	–	**–**
Open-market financing program borrowings		-3,798	-391	-411	-2,670	-9,850	-9,459	-15,307	-13,202	-50,085	**-105,173**
Other borrowings		-3,580	-238	–	–	-308	-692	-923	–	–	**-5,740**
Finance lease agreements		-24	-23	-23	-23	-93	-93	-90	-85	-1.737	**-2,192**
Cross-currency interest rate swaps and interest rate swaps											
Payables		-7,843	-1,730	-175	-2,316	-7,527	-7,048	-3,619	-2,841	-24,199	**-57,298**
Receivables		8,215	1,761	116	2,392	7,989	7,216	3,574	2,926	23,711	**57,900**
Currency swaps and forward exchange contracts											
Payables		-28,697	-417	-5	-574	–	–	–	–	–	**-29,694**
Receivables		28,840	421	5	562	–	–	–	–	–	**29,829**
Goverment bonds and treasury bills	C15	–	–	–	–	–	–	–	–	–	**–**
Loans and receivables	C15	–	–	–	–	1,900	646	140	61	60	**2,807**
Financial guarantees	C22	–	–	–	–	–	–	–	–	–	**–**
Other long-term liabilities	C23	–	–	–	–	348	344	306	331	168	**1,497**
Trade payables and Other current liabilities	C24	14,204	89	47	394	–	–	–	–	–	**14,734**
Credit and performance guarantees	C29	–	–	–	–	15	–	–	–	–	**15**
Total		**7,317**	**-528**	**-446**	**-2,235**	**-7,526**	**-9,086**	**-15,919**	**-12,810**	**-52,082**	**-93,315**

Currency risk management

Currency risk is the risk that fluctuations in foreign exchange rates will adversely affect the group's results, financial position and/or cash flows. Currency risk can be divided into operational transaction exposure and conversion exposure.

Transaction exposure relates to net inflows or outflows of foreign currencies required by operations and financing. Telia Company's general policy is to hedge the majority of known operational transaction exposure up to 12 months into the future. Financial flows are usually hedged until maturity, even if that is longer than 12 months.

Regarding foreign currency transaction exposure, CFO has a clearly defined deviation mandate which is capped at the equivalent of SEK 10 million calculated as one day Value at Risk (VaR), expressed as the long/short SEK counter-value amount that may be exposed to currency fluctuations. Since SEK is the functional currency of Telia Company, borrowings are normally denominated in, or swapped into SEK unless linked to international operations or allocated as hedging of net investments in foreign currency.

Financial transaction exposure risk

As of December 31, 2018, contractual undiscounted financial cash flows split by currency, for the group's interest-bearing borrowings, assets and derivatives represented the following expected maturities, including instalments and estimated interest payments. Amounts in foreign currency have been converted to SEK using the exchange rate prevailing as of the end of the reporting period. Future interest payments, related to instruments with floating interest rates, have been estimated using forward rates.

SEK in millions		Jan-Mar 2019	Apr–Jun 2019	Jul–Sep 2019	Oct–Dec 2019	2020	2021	2022	2023	Later years	Total
DKK	Interest bearing asset	–	–	–	–	–	–	–	–	–	–
	Interest bearing debt	–	–	–	–	–	–	–	–	–	–
	Derivatives	-4,223	–	–	–	–	–	–	–	–	-4,223
	Net	**-4,223**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**-4,223**
EUR	Interest bearing asset	6,151	–	–	–	–	–	–	–	–	6,151
	Interest bearing debt	-3,125	-61	-361	-596	-8,283	-8,207	-5,325	-10,583	-40,677	-77,218
	Derivatives	14,081	159	77	179	7,088	6,326	-1,399	-82	-5,623	20,806
	Net	**17,107**	**98**	**-284**	**-417**	**-1,195**	**-1,881**	**-6,724**	**-10,665**	**-46,300**	**-50,261**
GBP	Interest bearing asset	–	–	–	–	–	–	–	–	–	–
	Interest bearing debt	–	–	–	-123	-123	-123	-123	-123	-5,151	-5,766
	Derivatives	-64	–	–	123	123	123	123	123	5,151	5,702
	Net	**-64**	**–**	**–**	**0**	**0**	**0**	**0**	**0**	**0**	**-64**
JPY	Interest bearing asset	–	–	–	–	–	–	–	–	–	–
	Interest bearing debt	-4	–	-4	–	-7	-7	-1,473	–	–	-1,495
	Derivatives	4	–	4	–	7	7	1,473	–	–	1,495
	Net	**0**	**–**	**0**	**–**	**0**	**0**	**0**	**–**	**–**	**0**
NOK	Interest bearing asset	–	–	–	–	–	–	–	–	–	–
	Interest bearing debt	-19	-41	-7	-48	-114	-114	-630	-92	-3,462	-4,527
	Derivatives	-8,851	-1,794	-21	-1,563	-42	-52	-61	-2,135	-20	-14,539
	Net	**-8,870**	**-1,835**	**-28**	**-1,611**	**-156**	**-166**	**-691**	**-2,227**	**-3,482**	**-19,066**
USD	Interest bearing asset	23	–	–	–	–	–	–	–	–	23
	Interest bearing debt	-3,580	–	–	–	–	–	–	–	–	-3,580
	Derivatives	1,963	–	–	-474	–	–	–	–	–	1,489
	Net	**-1,594**	**–**	**–**	**-474**	**–**	**–**	**–**	**–**	**–**	**-2,068**
SEK	Interest bearing asset	12	49	19	37	3,333	1,442	1,180	1,243	–	7,315
	Interest bearing debt	-652	-51	-40	-1,903	-1,015	-314	-6,834	-2,404	-796	-14,009
	Derivatives	-2,364	1,843	-114	1,804	-6,714	-6,236	-181	2,179	3	-9,780
	Net	**-3,004**	**1,841**	**-135**	**-62**	-4,396	**-5,108**	**-5,835**	**1,018**	**-793**	**-16,474**
Total, net		**-648**	**104**	**-447**	**-2,564**	**-5,747**	**-7,155**	**-13,250**	**-11,874**	**-50,575**	**-92,156**

The cash flow pertains to foreign exchange rate hedging of receivables, payables and cash balances in foreign currencies. Foreign exchange rate risks are also mitigated through the group's net investment in EUR and NOK, see section "Conversion exposure risk."

Operational transaction exposure sensitivity

In most cases, Telia Company customers are billed in their respective local currency. Receivables from and payables to other operators for international fixed-line traffic and roaming are normally settled net through clearing-houses. Hence, the operational need to net purchase foreign currency is primarily due to a deficit from such settlements and the limited import of equipment and supplies. Main sources of transaction exposures are derived from the Nordic operations involving EUR, NOK and DKK.

Currency SEK in millions	Impact on Net income if currency rate depreciates by 10 percent 2018	Impact on Net income if currency rate depreciates by 10 percent 2017
EUR	584	417
NOK	62	-4
DKK	98	65
Other	5	5

The sensitivity analysis is based on the assumption that the operational transaction exposure is equivalent to the past financial year, and provided that no hedging measures were taken.

Conversion exposure risk

Conversion exposure relates to net investments in foreign operations. CEO has a mandate to implement hedging up to a specific ratio limit. Telia Company's net investments in foreign operations were distributed by currency as follows.

	2018			2017		
SEK in millions	**Net investments**	**Hedged through borrowings or derivatives**	**Net**	**Net investments**	**Hedged through borrowings or derivatives**	**Net**
DKK	3,281	–	3,281	2,940	–	2,940
EUR	80,027	-45,083	34,944	91,095	-43,732	47,363
GBP	96	–	96	96	–	96
NOK	33,714	-603	33,111	14,027	-1,828	12,199
RUB	86	–	86	105	–	105
TRY	8,651	–	8,651	8,276	–	8,276
USD	4,486	-3,580	906	256	–	256
Other currencies	411	–	411	398	–	398
Total	**130,753**	**-49,266**	**81,487**	**117,194**	**-45,560**	**71,634**

Conversion exposure sensitivity

The positive impact on group equity would be approximately SEK 8.1 billion if the Swedish krona weakened by 10 percentage points against all conversion exposure currencies. The calculation is based on the exposure as of December 31, 2018, including hedges but excluding any potential equity impact due to Telia Company's operational need to net purchase foreign currency, or to currency translation of other net income related items. Changes in exposure during 2018 is mainly due to acquisition of Get and TDC Norway (NOK), dividends in EUR and divestment of Eurasia (USD).

Interest rate risk management

Telia Company's sources of funds are primarily equity attributable to owners of the parent, cash flows from operating activities, and borrowings. The interest-bearing borrowing and financial investments expose the group to interest rate risk. Interest rate risk is the risk that a change in interest rates will negatively affect the group's net interest expense and/or cash flows.

Average interest rates, including relevant hedges, on Telia Company's outstanding long-term and short-term borrowings as of the end of the reporting period was as follows.

Percent	**Dec 31, 2018**	**Dec 31, 2017**
Long-term borrowings	2.81	2.76
Short-term borrowings	0.54	1.46

Debt key figures on debt portfolio as of the end of the reporting period was as follows. Amounts indicated represent carrying values.

SEK in millions	**Dec 31, 2018**	**Dec 31, 2017**
Duration (years)	3.4	4.1
Average maturity (years)	6.7	7.7
Short-term borrowings	9,552	3,674
Long-term borrowings	86,990	87,813
Interest rate adjustment <1year	66,029	55,733
Interest rate adjustment >1year	30,513	35,734

Telia Company's financial policy provides the framework for management of interest rates and the average maturity of borrowings and investments. The group aims at balancing the estimated running cost of borrowing and the risk of significant negative impact on earnings, should there be a sudden, major change in interest rates. The group's policy is that the duration of the debt portfolio should be between 1 to 5 years.

If the loan portfolio structure deviates from the desired one, various forms of derivative instruments are used to adapt the structure in terms of duration and/or currency, including interest rate swaps and cross-currency interest rate swaps.

As of December 31, 2018, Telia Company's rate reset periods of interest-bearing assets, liabilities and derivatives represented the following interest types and expected maturities. Amounts indicated represent nominal values.

Expected maturity SEK in millions	Jan-Mar 2019	Apr–Jun 2019	Jul–Sep 2019	Oct–Dec 2019	2020	2021	2022	2023	Later years	Total
Fixed										
Interest bearing asset	6,173	–	–	–	3,214	1,398	1,153	635	–	**12,573**
Interest bearing debt	-2,197	238	–	-781	-6,330	-6,328	-7,261	-10,426	-41,617	**-74,701**
Derivatives	2,197	–	–	781	12,875	5,995	8,183	9,826	16,822	**56,679**
Net	**6,173**	**238**	**–**	**0**	**9,759**	**1,065**	**2,076**	**35**	**-24,795**	**-5,450**
Float										
Interest bearing asset	600	–	–	–	–	–	–	–	–	**600**
Interest bearing debt	-8,074	–	–	–	–	–	–	–	–	**-8,074**
Derivatives	-44,643	-12,111	–	–	–	–	–	–	–	**-56,754**
Net	**-52,117**	**-12,111**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**-64,228**
Total, net	**-45,945**	**-11,873**	**–**	**0**	**9,759**	**1,065**	**2,076**	**35**	**-24,795**	**-69,678**

Telia Company has designated certain interest rate swaps as cash flow hedges to hedge against changes in the amount of future cash flows related to interest payments on existing liabilities also including certain long-term borrowings hedging net investments, see Note C20. Hedge ineffectiveness related to outstanding cash flow hedges was immaterial and recognized in net income. Net changes in fair value recognized in other comprehensive income are offset in a hedging reserve as a component of equity, see Note C11. In 2018, no cash flow hedges were discontinued due to the original forecasted transactions not having occurred in the originally specified time period.

Interest rate risk sensitivity

As of December 31, 2018, Telia Company had interest-bearing debt of SEK 96.5 billion, carrying value, with duration of interest of approximately 3.4 years, including derivatives. The volume of loans exposed to changes in interest rates over the next 12-month period was at the same date approximately SEK 66.0 billion, carrying value, assuming that existing loans maturing during the year are refinanced and after accounting for derivatives.

The exact effect of a change in interest rates on the financial net stemming from this debt portfolio depends on the timing of maturity of the debt as well as reset dates for floating rate debt, and that the volume of loans may vary over time, thereby affecting the estimate.

However, assuming that those loans were reset by January 1, 2019, at a one percentage point higher interest rate than the prevailing rate as per December 31, 2018, and remained at that new level during 12 months, the post-tax interest expense would increase by approximately SEK 517 million. At the same time the effect on equity would be a decrease of SEK 32 million due to cash flow hedges.

Fair value of the loan portfolio would change by approximately SEK 3.6 billion, should the level in market interest rates make a parallel shift of one percentage point, and assuming the same volume of loans and a similar duration on those loans as per year-end 2018.

Refinancing risk management

In order to reduce refinancing risk, the group aims to distribute loan maturity dates over a longer period. The group's policy is that the average maturity of borrowings should exceed 4 years and that a maximum of 25 percent of the funding is allowed to mature within 2 years. As of December 31, 2018, the average maturity of Telia Company's borrowings was 6.7 years and 17 percent of the borrowings due within 2 years.

Pension obligation risk and sensitivity

See Note C21 for details on the pension obligation risks and a sensitivity analysis.

Management of insurable risks

The insurance cover is governed by corporate guidelines and includes a common package of different property and liability insurance programs. The business units and other units being responsible for assessing the risks decide the extent of actual cover. Corporate Insurance at Telia Company manages the common group insurance programs and uses a captive, Telia Försäkring AB, as a strategic tool in managing the insurance programs. The risks in the captive are in part reinsured in the international reinsurance market.

Master netting arrangements and similar agreements

Telia Company has entered into ISDA Master Agreements for its OTC derivative business, i.e. interest rate and currency derivatives, with all of its core banks. These ISDA Master Agreements allow the parties to do close-out nettings. For derivatives in the financial operations, CSAs (credit support annex) may be entered into as an annex to the respective master agreement, and are recognized as other current receivables/liabilities. Under the CSA, the parties agree to provide each other with eligible support, which is calculated based on a weekly exposure under the specific agreement. Funds transferred and interest accrued under a CSA agreement is not considered collateral.

		December 31, 2018					
SEK in millions	**Note**	**Gross amounts, financial assets**	**Gross amounts, financial liabilities**	**Net amounts of financial assets in the statement of financial position**	**Related financial liabilities that are not set off**	**CSA**	**Net amount**
Interest and cross-currency interest rate swaps	C15, C18	2,923	–	2,923	-1,582	-1,082	259
Currency swaps and forward exchange contracts	C15, C17	256	–	256	-54	–	202
Other assets		28	-18	10			10
Total		**3,207**	**-18**	**3,189**	**-1,636**	**-1,082**	**471**

		December 31, 2018					
SEK in millions	**Note**	**Gross amounts, financial liabilities**	**Gross amounts, financial assets**	**Net amounts of financial liabilities in the statement of financial position**	**Related financial assets that are not set off**	**CSA**	**Net amount**
Interest and cross-currency interest rate swaps	C20	2,291	–	2,291	-1,582	-785	-75
Currency swaps and forward exchange contracts	C23, C24	99	–	99	-54	–	45
Other liabilities		38	-18	20			20
Total		**2,428**	**-18**	**2,410**	**-1,635**	**-785**	**-10**

		December 31, 2017					
SEK in millions	**Note**	**Gross amounts, financial assets**	**Gross amounts, financial liabilities**	**Net amounts of financial assets in the statement of financial position**	**Related financial liabilities that are not set off**	**CSA**	**Net amount**
Interest and cross-currency interest rate swaps	C15, C18	3,004	–	3,004	-2,130	-848	26
Currency swaps and forward exchange contracts	C15, C17	214	–	214	-139	–	76
Other assets		96	-41	55			55
Total		**3,314**	**-41**	**3,273**	**-2,269**	**-848**	**156**

		December 31, 2017					
SEK in millions	**Note**	**Gross amounts, financial liabilities**	**Gross amounts, financial assets**	**Net amounts of financial liabilities in the statement of financial position**	**Related financial assets that are not set off**	**CSA**	**Net amount**
Interest and cross-currency interest rate swaps	C20	2,469		2,469	-2,130	-370	-32
Currency swaps and forward exchange contracts	C23, C24	225		225	-139		86
Other liabilities		156	-41	114			114
Total		**2,849**	**-41**	**2,808**	**-2,269**	**-370**	**169**

Hedge accounting

Telia Company applies hedge accounting when hedging interest rate and currency risk in funding activities. Telia Company's objective with the hedge strategies is to mitigate the uncertainty in future payments. The uncertainty is due to changes in future interest fixings but also changes in currency rates against SEK.

A hedge relationship will be perfectly matched by critical terms. That means that the critical terms of the hedged item and the hedging instrument will be identical. The terms that may be considered as critical are nominal amount, currency, maturity date, future coupon payment dates, future coupon fixing dates or fixing rate index.

To assess that the hedge can be assumed to be effective going forward the future cash flows calculated based on the critical terms can be compared between the hedged item and the hedging instrument. If the cash flows offset the hedge it can be deemed to be highly effective going forward (prospectively).

For more information about hedge accounting principles see Note C3.

	Carrying amount of the hedging instrument		Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for 2018
	Assets	Liabilities		
Cash flow hedges				
Foreign-exchange risk	790	265	Long/Short-term interest bearing receivables	N/A
Fair value hedges				
Intererest-rate risk	1,066	208	Long/Short-term interest bearing receivables	N/A

Cash flow hedges

	Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness for 2018	Cash flow hedge reserve
Foreign-exchange risk	Long/short-term borrowings	N/A	-202

Net investment hedges

	Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness for 2018	Foreign currency translation reserve
Foreign-exchange risk	Other financial assets (in parent company)	N/A	-2,250

Fair value hedges

	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness for 2018
	Assets	Liabilities	Assets	Liabilities		
Interest-rate risk		48,366		1,646	Long/short-term borrowings	N/A

Cash flow hedges

	Separate line item recognized in profit or loss as a result of a hedge of a net position	Change in the value of the hedging instrument recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss	Line item in profit or loss (that includes hedge ineffectiveness)	Amount reclassified from the cash flow hedge reserve to profit or loss	Line item affected in profit or loss because of the reclassification
Foreign-exchange risk	Finance Net	-268	0	Finance net	24	Finance net

Fair value hedges

	Ineffectiveness recognized in profit or loss	Line item(s) in profit or loss (that include(s) hedge ineffectiveness)
Interest-rate risk	-10	Financial net

C27 LEASE AGREEMENTS

Telia Company as lessee, continuing operations

Finance leases

The group's finance leases include data center, computers and other it equipment, production vehicles, company cars to employees, and other vehicles. There is no subleasing.

The carrying value of the leased assets as of the end of the reporting period was as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Cost	1,529	354
Less accumulated depreciation and impairment losses	-55	-80
Net carrying value of finance lease agreements	**1,474**	**274**

The increase in the net carrying value of finance lease agreements relates to the new Telia Helsinki Data Center.

In 2018 and 2017, depreciation and impairment losses totaled SEK 43 million and SEK 25 million, respectively. Leasing fees paid in these years totaled SEK 36 million and SEK 16 million, respectively.

As of the end of the reporting period, the present value of future minimum leasing fees under non-cancelable finance lease agreements were as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Total future minimum leasing fees	2,192	237
Less interest charges	-741	-21
Present value of future minimum leasing fees	**1,451**	**216**

As of December 31, 2018, future minimum lease fees and their present values as per finance lease agreements that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2019	Apr–Jun 2019	Jul–Sep 2019	Oct–Dec 2019	2020	2021	2022	2023	Later years	Total
Future minimum leasing fees	24	23	23	23	93	93	90	85	1,737	**2,192**
Present value of future minimum leasing fees	23	23	22	22	87	85	81	80	1,028	**1,451**

Operating leases

Telia Company's operating lease agreements primarily concern office space, technical sites, land, computers and other equipment. Certain contracts include renewal options for various periods of time. Subleasing consists mainly of office premises.

Future minimum leasing fees under operating lease agreements in effect as of December 31, 2018, that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2019	Apr–Jun 2019	Jul–Sep 2019	Oct–Dec 2019	2020	2021	2022	2023	Later years	Total
Future minimum leasing fees	316	314	313	310	957	801	675	596	1,050	**5,332**
Minimum sublease payments	2	2	2	2	1	1	–	–	–	**10**

In 2018 and 2017, total rent and lease fees paid were SEK 1,340 million and SEK 1,631 million, respectively. In these years, revenues for subleased items totaled SEK 9 million and SEK 5 million, respectively.

Apart from certain short-term leases, lease terms range between 3 months and 29 years with an average term of approximately 7 years. All leases have been entered into conventional commercial terms. Certain contracts include renewal options for various periods of time.

Telia Company as lessor, continuing operations

Finance leases

The lease portfolio of Telia Company's customer financing operations in Sweden, Finland, Denmark and Norway, comprise financing related to Telia Company's product offerings. The term of the contract stock is approximately 13 quarters. The term of new contracts signed in 2018 was 12 quarters. Of all contracts, 57 percent carry a fixed interest rate and 43 percent a floating interest rate. Most contracts include renewal options. In Finland, Telia Company provides, under a finance lease agreement, electricity meters with SIM cards for automated reading to a power company as part of Telia Company's service package. The term of the agreement was 15 years and it carries a fixed interest rate and agreement will end at year 2023.

As of the end of the reporting period, the present value of future minimum lease payment receivables under non-cancelable finance lease agreements were as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Minimum lease payments receivables	993	1,089
Unguaranteed residual values accruing to the benefit of the lessor	–	–
Gross investment in finance lease contracts	**993**	**1,089**
Unearned finance income	-81	-94
Present value of future minimum lease payments receivables (net investment in finance lease contracts)	**912**	**995**

As of December 31, 2018, the gross investment and present value of receivables relating to future minimum lease payments under non-cancelable finance lease agreements were distributed as follows.

Expected maturity SEK in millions	Jan–Mar 2019	Apr–Jun 2019	Jul–Sep 2019	Oct–Dec 2019	2020	2021	2022	2023	Later years	Total
Gross investment	128	113	105	96	281	152	77	36	5	**993**
Present value of future minimum lease payments receivables	117	103	95	89	256	141	72	34	5	**912**

As of December 31, 2018 and 2017, the accumulated allowance for uncollectible minimum lease payments receivables totaled SEK 0 million and SEK 0 million, respectively. Credit losses on leasing receivables are reduced by gains from the sale of equipment returned.

Operating leases

The lease portfolio refers mainly to the international carrier business and includes agreements with other international operators and other contracts. The contract periods with operators range between 10 and 25 years with the average term being 20 years. For other contracts, the contract periods range between 3 and 10 years with the average term of approximately 5 years. Apart from this, Telia Company has operating lease agreements related product offerings to end-customers in Sweden and Finland. Contract periods range between 3 and 5 years, with an average term of approximately 3 years.

The carrying value of the leased assets as of the end of the reporting period was as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Cost	1,769	1,634
Less accumulated depreciation and impairment losses	-821	-710
Gross carrying value	**948**	**924**
Less prepaid lease payments	-413	-390
Net value of operating lease agreements	**535**	**534**

Depreciation and impairment losses totaled SEK 377 million in 2018 and SEK 386 million in 2017.

Future minimum lease payment receivables under operating lease agreements in effect as of December 31, 2018, that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2019	Apr–Jun 2019	Jul–Sep 2019	Oct–Dec 2019	2020	2021	2022	2023	Later years	Total
Future minimum lease payments receivables	169	146	128	105	296	153	48	16	49	**1,110**

C28 RELATED PARTY TRANSACTIONS

The Swedish State

At year-end, the Swedish State held 37.3 percent of total shares in Telia Company. The remaining 62.7 percent of the total shares are widely held.

The Telia Company group's services and products are offered to the Swedish state, their agencies, and state-owned companies in competition with other operators and on conventional commercial terms. Certain state-owned companies run businesses that compete with Telia Company. Likewise, Telia Company buys services from state-owned companies at market prices and on otherwise conventional commercial terms. Neither the Swedish State and their agencies, nor state-owned companies represent a significant share of Telia Company's net sales or earnings.

The Swedish telecommunications market is governed mainly by the Electronic Communications Act and ordinances, regulations and decisions in accordance with the Act. Notified operators are required to pay a fee to finance measures to prevent serious threats and disruptions to electronic communications during peacetime. The required fee from Telia Company was SEK 39 million in 2018 and SEK 43 million in 2017. In addition, Telia Company, like other operators, pays annual fees to the Swedish National Post and Telecom Agency (PTS) to fund the Agency's activities under the Electronic Communications Act and the Radio and Telecommunications Terminal Equipment Act. Telia Company paid fees of SEK 47 million in 2018 and SEK 45 million in 2017.

Associated companies and joint ventures

Telia Company sells and buys services and products to and from associated companies. These transactions are based on commercial terms.

Summarized information on transactions and balances with associated companies was as follows.

	January–December or December 31	
SEK in millions	**2018**	**2017**
Sales of goods and services		
PAO MegaFon[1]	–	3
Operators Clearing House A/S	6	4
Turkcell	3	2
Lattelecom	3	2
Other	4	2
Total sales of goods and services	**16**	**13**
Total purchases of goods and services	**34**	**28**
Total trade and other receivables	**10**	**16**
Total trade and other payables	**12**	**21**

1) Refers to transactions made with MegaFon during the period the company was classified as a related party, until October 3, 2017.

Pension and personnel funds

As of December 31, 2018, Telia Company's Finnish pension fund held 366,802 shares and its Finnish personnel fund 668,249 shares in the company, respectively, in total representing 0.03 percent of total shares. For information on transactions and balances, see Note C21.

Key management

See section "Remuneration to corporate officers" in Note C31 for further details.

C29 CONTINGENCIES, OTHER CONTRACTUAL OBLIGATIONS AND LITIGATION

Contingent assets and financial guarantees, continuing operations

As of the end of the reporting period, Telia Company had no contingent assets, while financial guarantees reported as contingent liabilities were distributed as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Credit and performance guarantees, etc.	15	16
Subtotal *(see Liquidity risk – Note C26)*	***15***	***16***
Guarantees for pension obligations	289	352
Total financial guarantees	**304**	**368**

As of December 31, 2018, credit and performance guarantees represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2019	Apr–Jun 2019	Jul–Sep 2019	Oct–Dec 2019	2020	2021	2022	2023	Later years	Total
Credit and performance guarantees	–	–	–	–	15	–	–	–	–	**15**

Some loan covenants agreed limit the scope for divesting or pledging certain assets. Some of Telia Company's more recent bond issuances include change-of-control provisions which under certain conditions allow the lenders to call back the bond before scheduled maturity. Conditions stipulated include a new owner taking control of Telia Company, as such also resulting in a lowering of Telia Company's official credit rating to a "non-investment grade" level.

For all financial guarantees issued, stated amounts equal the maximum potential future payments that Telia Company could be required to make under the respective guarantee.

Collateral pledged, continuing and discontinued operations

As of the end of the reporting period, collateral pledged was distributed as follows and are based on the total Telia Company group including both continuing and discontinued operations.

SEK in millions	Dec 31, 2018	Dec 31, 2017
For cash: Investment bond pledge under repurchase agreements	–	664
For other provisions: Bonds and short-term investments	–	0
For operating leases: Blocked funds in bank accounts	45	50
Total collateral pledged	**45**	**714**

Other unrecognized contractual obligations, continuing operations

As of December 31, 2018, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected investment period SEK in millions	Jan–Mar 2019	Apr–Jun 2019	Jul–Sep 2019	Oct–Dec 2019	2020	2021	2022	2023	Later years	Total
Intangible assets	266	11	2	9	–	–	–	–	–	**287**
Property, plant and equipment	1,157	701	330	407	203	203	75	–	–	**3,077**
Total (see Liquidity risk – Note C26)	**1,423**	**712**	**331**	**416**	**203**	**203**	**75**	**–**	**–**	**3,364**

As of December 31, 2018, contractual obligations (continuing operations) totaled SEK 3,364 million (3,373), of which SEK 1,870 million (1,448) referred to contracted build-out of Telia Company's fixed networks in Sweden. Total contractual obligations per December 31, 2018, also include upgrade of network equipment in Norway. Total contractual obligations as of December 31, 2017, included the lease agreement related to the Telia Helsinki Data Center.

Legal and administrative proceedings

In its normal course of business, Telia Company is involved in a number of legal proceedings. These proceedings primarily involve claims arising out of commercial law issues and matters relating to telecommunications regulations, copyright laws and competition law. Further, Telia Company is involved in some proceedings related to interconnect fees. In addition, there has been an ongoing disgorgement proceeding in Sweden, regarding Telia Company's operations in Uzbekistan and suspected irregularities related to those and to the market entry into Uzbekistan. For more information about this, see section "Events after the reporting period" in Note C4, Risks and uncertainties section "Review of Eurasian transactions" and Note C34.

Except for the proceedings described here, Telia Company or its subsidiaries are not involved in any legal, arbitration or regulatory proceedings which management believes could have a material adverse effect on Telia Company's business, financial condition or results of operations.

During the second half of 2001, a number of operators filed complaints against Telia Company with the Swedish Competition Authority and the Authority initiated an investigation regarding Telia Company's pricing of ADSL services. In December 2011, it was finally decided that Telia Company had abused its dominant position and Telia Company has paid a fine of SEK 35 million. The two operators Tele2 and Spray Network (today Yarps Network Services AB) sued Telia Company for damages they alleged had been caused by the abuse in 2005 and 2006 respectively. The court of first instance ruled against Telia Company and awarded the plaintiffs damages amounting to SEK 305 million plus interest in total. During 2017, the Court of Appeal ruled in Telia Company's favor and dismissed the damage claims. The Supreme court will not take up the case and the decision by the Court of Appeal is now final.

In 2005, Telia Company and Çukurova signed an agreement regarding Telia Company's purchase of shares in Turkcell Holding A.S. from Çukurova. As Çukurova subsequently did not honor the agreement, Telia Company brought legal action. On September 1, 2011, an International Chamber of Commerce (ICC) Arbitral Tribunal awarded Telia Company USD 932 million in damages, plus interest and costs, for Çukurova's failure to deliver the Turkcell Holding shares as required under the share purchase agreement. Due to the refusal of Çukurova to honor the ICC award, Telia Company conducts legal action to pursue enforcement of the award. In parallel, Çukurova pursues legal actions against Telia Company with the aim to revert the ICC award or to refute its enforceability. Telia Company continues to vigorously pursue collection of the ICC award. Telia Company has not recorded any award amount receivable in the financial statements. Following an agreement with Alfa Telecom (now LetterOne) signed in November 2009, LetterOne is under certain circumstances entitled to receive part of the damages amount set out in the ICC award, if such funds will be successfully collected.

In 2012, Telia Company made an investment and acquired a minority stake in Kaztranscom (through the holding company Rodnik), a company that operates a fiber network and provides ITC services for the corporate segment in Kazakhstan. There has been a dispute with another owner in Rodnik regarding, inter alia, the interpretation of agreements between the owners and of the management responsibilities of the company. During 2016, the other owner initiated arbitration proceedings in London against Telia Company and requested damages for alleged breach of contract and mismanagement. The arbitration proceeding has been stayed pending the parties' settlement discussions. The parties have now entered into a final settlement and the arbitration proceedings has therefore ended.

C30 CASH FLOW INFORMATION

Non-cash transactions, continuing and discontinued operations

Asset retirement obligations (AROs)

In 2018 and 2017, obligations regarding future dismantling and restoration of technical sites entailed non-cash investments of SEK 45 million and SEK 69 million, respectively.

Building-infrastructure exchange transactions

Telia Company provides and installs infrastructure in buildings and as compensation is granted an exclusive right to deliver services for 5–10 years through this infrastructure. These activities entailed non-cash exchanges of SEK 101 million in 2018 and SEK 120 million in 2017.

Dividends, interest and income taxes, continuing and discontinued operations

SEK millions	Jan-Dec 2018	Jan-Dec 2017
Dividends received	970	2,851
Interest received	799	611
Interest paid	-2,991	-2,080
Income taxes paid	-1,242	-1,424

Dividends to holders of non-controlling interests, continuing and discontinued operations

SEK in millions	Jan–Dec 2018	Jan–Dec 2017
Subsidiaries		
TeliaSonera Asia Holding B.V.	–	-642
AO Kcell	-74	-81
Latvijas Mobilais Telefons SIA	-131	-118
Telia Lietuva, AB	-50	-20
Other subsidiaries	0	0
Total dividends to holders of non-controlling interests	**-254**	**-861**

Liabilities and cashflows arising from financing activities

SEK in millions	Dec 31, 2017[2]	Cash flows	Non-cash changes: Acquisitions/ Divestments	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	Non-cash changes: Other changes[1]	Dec 31, 2018
Long-term borrowings	**87,813**	**848**	**1**	**2,831**	**258**	**-4,761**	**86,990**
Long-term lease liabilities	171	–	–	–	–	1,192	1,363
Long-term borrowings less Lease liabilities	87,643	848	1	2,831	258	-5,953	85,627
of which derivatives hedging long-term borrowings	*2,266*	*1 683*	–	*-1,995*	–	–	*1,954*
Short-term borrowings	**3,674**	**989**	**1**	**-8**	**-36**	**4,930**	**9,551**
Short-term lease liabilities	6	–	–	–	–	40	46
Short-term borrowings less Lease liabilities	3,668	989	1	-8	-36	4,890	9,504
of which derivatives hedging shot-term borrowings	*203*	*189*	–	*-54*	–	–	*338*
Borrowings discontinued operations	**1,723**	**-86**	**-1,542**	**–**	**–**	**-95**	**–**
Long-term borrowings discontinued operations	*295*	*74*	*-348*	–	–	*-21*	–
Short-term borrowings discontinued operations	*1,428*	*-160*	*-1,194*	–	–	*-74*	–
Total liabilities from financing activities	**93,211**	**1,750**	**-1,540**	**2,823**	**222**	**74**	**96,541**

1) Other changes mainly refer to reclassification due to maturity from long to short term. Increase in long-term lease liabilities related to the HDC (Helsinki Data Center) lease.
2) For 2017, numbers have been restated to include discontinued operations.

SEK in millions	Dec 31, 2016	Cash flows	Non-cash changes: Acquisitions/ Divestments	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	Non-cash changes: Other changes[1]	Dec 31, 2017[2]
Long-term borrowings	**83,161**	**4,269**	**462**	**1,113**	**-772**	**-419**	**87,813**
Long-term lease liabilities	221	-50	–	–	–	–	171
Long-term borrowings less Lease liabilities	82,940	4,319	462	1,113	-772	-419	87,643
of which derivatives hedging long-term borrowings	*2,684*	*-951*	–	*-504*	–	*1,037*	*2,266*
Short-term borrowings	**11,307**	**-8,781**	**43**	**21**	**-27**	**1,111**	**3,674**
Short-term lease liabilities	10	-4	–	–	–	–	6
Short-term borrowings less Lease liabilities	11,297	-8,777	43	21	-27	1,111	3,668
of which derivatives hedging short-term borrowings	*193*	*-52*	–	*61*	–	–	*203*
Borrowings discontinued operations	**1,967**	**134**	**-182**	**–**	**–**	**-196**	**1,723**
Long-term borrowings discontinued operations	*355*	*105*	*-130*	–	–	*-35*	295
Short-term borrowings discontinued operations	*1,612*	*29*	*-52*	–	–	*-161*	1,428
Total liabilities from financing activities	**96,435**	**-4,378**	**323**	**1,133**	**-799**	**497**	**93,211**

1) Other changes mainly refer to reclassification due to maturity from long to short-term.
2) For 2017 and 2016, numbers have been restated to include discontinued operations.

Business combinations, other acquisitions and disposals

The Telia Company group is continually restructured by acquiring and divesting equity instruments or operations.

In 2018, the total net cash outflow from business combinations and other equity instruments acquired was SEK 25,348 million and was mainly related to the acqusitions of Get and TDC in Norway and Inmics Oy and AinaCom in Finland.

The total net cash outflow from business combinations and other equity instruments acquired in 2017 was SEK 4,419 million mainly related to the acqusitions of Phonero and Nebula Top Oy. For information on business combinations, see Note C33.

The total cash inflow from divested operations and other equity instruments in 2018 amounted to SEK 8,654 million and was mainly related to the divestments of the holding in Spotify, Azercell, Geocell, Kcell and Ucell.

The total cash inflow from divested operations and other equity instruments in 2017 amounted to SEK 23,114 million mainly related to the divestments of Turkcell shares, MegaFon and Sergel. For more information on divested operations, see Notes C14 and C34.

C31 HUMAN RESOURCES

Employees, salaries, and social security expenses

During 2018, the number of employees in continuing operations increased by 163 to 20,439 at year-end from 20,276 at year-end 2017. The number of employees in discontinued operations decreased by 4,348 to 397 from 4,745 at year-end 2017. The major part of the decrease derives from the divestments of Azercell, Geocell, Kcell and Ucell.

The average number of full-time employees by country was as follows.

	Jan–Dec 2018		Jan–Dec 2017	
Country	**Total (number)**	**of whom men (%)**	**Total (number)**	**of whom men (%)**
Sweden	7,525	62.9	7,955	63.1
Finland	3,899	68.6	3,463	67.2
Norway	1,738	68.7	1,252	66.2
Denmark	1,052	67.5	1,118	69.2
Lithuania	2,972	53.7	2,820	55.0
Latvia	1,002	46.9	986	47.8
Estonia	1,683	52.0	1,749	53.5
Russian Federation	35	51.4	32	53.1
United Kingdom	53	62.3	50	68.0
Other countries	178	69.1	206	69.9
Total, continuing operations	**20,137**	**61.7**	**19,632**	**61.7**
Kazakhstan	1,922	45.6	1,892	43.1
Azerbaijan	122	58.2	718	42.9
Uzbekistan	1,236	66.5	1,178	66.3
Tajikistan	–	–	150	69.3
Georgia	150	39.3	600	39.9
Moldova	225	37.3	250	38.4
Other countries	22	59.1	48	66.7
Total, discontinued operations	**3,677**	**52.4**	**4,836**	**49.1**
Total	**23,814**	**60.3**	**24,468**	**59.2**

In 2018 and 2017 operations were conducted in 27 and 28 countries, respectively, of which continuing operations were conducted in 21 countries for both 2018 and 2017.

The share of female and male senior executives was as follows. Boards of directors refer to board members in all consolidated group companies. Other senior executives include presidents and other members of executive management teams at the group level, region level and company level.

	Dec 31, 2018		Dec 31, 2017	
Percent	**Boards of directors**	**Other senior executives**	**Boards of directors**	**Other senior executives**
Women	24.3	40.3	24.5	34.0
Men	75.7	59.7	75.5	66.0
Total, continuing operations	**100.0**	**100.0**	**100.0**	**100.0**
Women	0.0	75.0	10.0	34.5
Men	100.0	25.0	90.0	65.5
Total, discontinued operations	**100.0**	**100.0**	**100.0**	**100.0**

Total salaries and other remuneration, along with social security expenses and other personnel expenses, were as follows.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017[1]
Salaries and other remuneration	**9,918**	**9,661**
Social security expenses		
Employer's social security contributions	2,134	2,144
Pension expenses	1,300	1,354
Total social security expenses	**3,434**	**3,498**
Capitalized work by employees	-952	-875
Other personnel expenses	346	391
Total personnel expenses recognized by nature, continuing operations	**12,745**	**12,676**
Total personnel expenses, discontinued operations	**653**	**973**

1) Restated for comparability, see Note C1.

Salaries and other remuneration were divided between senior executives and other employees as follows. Variable pay was expensed in the respective year, but disbursed in the following year.

	Jan–Dec 2018		Jan–Dec 2017[1]	
SEK in millions	Senior executives (of which variable pay)	Other employees	Senior executives (of which variable pay)	Other employees
Salaries and other remuneration, continuing operations	176 (48)	9,742	146 (17)	9,515
Salaries and other remuneration, discontinued operations	34 (24)	490	25 (6)	762

1) Restated for comparability, see Note C1.

Pension expenses for all senior executives totaled SEK 37 million in 2018 and SEK 30 million in 2017.

In 2018 and 2017, employee profit-sharing costs in Telia Company's Finnish subsidiaries amounted to SEK 60 million and SEK 46 million, respectively. In addition to this employee profit-sharing system, all Telia Company regions apply performance-based variable compensation for different groups of employees. In Sweden, for example, all permanent employees are included in variable compensation schemes, one type for the sales force and one for all other staff.

Long-term incentive program (LTI)

The 2010 to 2018 Annual General Meetings in Telia Company resolved to implement performance share programs (PSP), to be offered to a selected group of senior executives and key position holders within the group. Members of the Group Executive Management team are excluded. If the pre-defined financial performance conditions are met during the defined performance period, participants in the programs shall receive a number of Telia Company shares (performance shares) at a share price of SEK 0. The financial targets include a minimum level which must be achieved in order for any allotment of performance shares to occur at all, as well as a maximum level over which no additional allotment of performance shares will occur. Each program shall in total comprise no more than 3,793,200 (PSP 2015), 2,370,400 (PSP 2016), 2,491,202 (PSP 2017) and 2,413,597 (PSP 2018). Telia Company shares, corresponding to approximately 0.08 percent of the total number of outstanding shares for PSP 2015, 0.04 for PSP 2016, 0.06 percent for PSP 2017 and 0.06 percent for PSP 2018, respectively.

Recalculation of final allotments of performance shares shall take place in the event of an intervening bonus issue, a split, a rights issue and/or other similar events.

Performance share program 2015 to 2018

Financial targets are earnings before interest, tax, depreciation and amortization (EBITDA) and total shareholder return (TSR). The maximum number of performance shares a participant can receive corresponds to 30 percent of the participant's annual base salary. The final allotments of performance shares will be based 50 percent on accumulated EBITDA and 50 percent on TSR during the full performance period of three years. TSR is measured in relation to TSR of a group of comparable telecom companies defined by the Board of Directors.

Participants are not required to invest in Telia Company shares. The final number of performance shares awarded shall be capped at such number where the aggregated market value corresponds to 60 percent of each participant's base salary.

PSP 2015 vested during the spring 2018 and final rewards were distributed to 118 participants remaining in the program. 8 participants received cash payments equivalent to the value of 18,410 shares. Telia Company acquired 445,891 shares in May 2018, to an average price of SEK 42.9698 to cover the commitments under PSP 2015 program which corresponds to a cost of SEK 19,159,847.

The summarized performance share program activity in 2018 was as follows.

Performance share program	2018/2021	2017/2020	2016/2019	2015/2018
Participants				
Number of participants, December 31, 2017	–	198	165	126
New participants in 2018	205	–	–	–
Terminated employments in 2018	-5	-19	-19	-8
Vested employees in 2018	–	–	–	-118
Number of participants, December 31, 2018[1]	**200**	**179**	**146**	**–**
Allotted shares				
Preliminary allotments, December 31, 2017	–	884,076	803,210	495,373
Preliminary allotments in 2018	1,447,996	340,266	557,059	–
Forfeited shares	–	–	–	–
Cancelled shares	-33,303	-140,679	-207,630	-31,072
Final allotments	–	–	–	-464,301
Number of allotted shares, December 31, 2018	**1,414,693**	**1,083,663**	**1,152,639**	**–**

1) 9 participants, in total for all performance share programs, are part of discontinued operations.

The estimated fair values at the date of allotment and the assumptions used when estimating the achievements of the performance conditions were as follows.

Performance share program	2018/2021	2017/2020	2016/2019	2015/2018
Fair value at the date of allotment (SEK in millions)	45	35	28	41
Assumptions used (percentages)				
Achievement of EBITDA-based performance condition	50	50	50	50
Achievement of TSR-based performance condition was based on				
Estimated volatility, Telia Company	20	21	20	18
Estimated volatility, peer group companies	16-26	17-28	17-31	15-36
Average reciprocal correlation between Telia Company and the peer group companies	54	49	43	33
Risk-free interest rate	-0.5	-0.5	-0.4	-0.3

The achievement of the TSR-based performance condition was estimated using a Monte Carlo simulation model. The estimated fair value of each performance share program and related social security expenses are amortized to expense over the performance period. Total personnel expenses were as follows.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017
Salaries and other remuneration	36	33
Social security expenses	9	8
Total personnel expenses, performance share programs	**45**	**41**

Remuneration to corporate officers

Board of Directors

As resolved by the 2018 Annual General Meeting of shareholders (AGM) in Telia Company, annual remuneration is paid to the members of the Board of Directors in the amount of SEK 1,740,000 (1,650,000) to the Chair, SEK 820,000 (795,000) to the Vice-Chair and SEK 580,000 (560,000) to each of the other directors, elected by the AGM. In addition, annual remuneration is paid to the members of the Board's Audit and Responsible Business Committee in the amount of SEK 250,000 (250,000) to the Chair and SEK 150,000 (150,000) to each of the other members. Additional annual remuneration is also paid to the members of the Board's Remuneration Committee in the amount of SEK 70,000 (70,000) to the Chair and SEK 50,000 (50,000) to each of the other members.

Remuneration to Board members

SEK in thousands	Board[1]	Audit and Responsible Business Committee	Remuneration Committee	Total remuneration
Board of Directors, AGM 2018				
Marie Ehrling, Chair	1,714	150	70	**1,934**
Olli-Pekka Kallasvuo, Vice-Chair	812	–	50	**862**
Susanna Campbell	574	–	50	**624**
Nina Linander	574	250	–	**824**
Jimmy Maymann	420	–	–	**420**
Anna Settman	574	150	–	**724**
Olaf Swantee	574	150	–	**724**
Martin Tivéus	420	–	–	**420**
Board members 2017–2018				
Mikko Kosonen	155	–	–	**155**
Martin Lorentzon	155	–	–	**155**
Total	**5,973**	**700**	**170**	**6,843**

SEK in thousands	Board[1]	Audit and Responsible Business Committee	Audit, Committee	Remuneration Committee	Sustainability and Ethics Committee	Total remuneration
Board of Directors, AGM 2017						
Marie Ehrling, Chair	1,637	111	39	70	13	**1,870**
Olli-Pekka Kallasvuo, Vice-Chair	790	–	–	50	–	**840**
Susanna Campbell	556	–	–	50	–	**606**
Mikko Kosonen	556	–	–	–	19	**575**
Nina Linander	556	185	52	–	–	**793**
Martin Lorentzon	556	–	–	–	–	**556**
Anna Settman	556	111	–	–	13	**680**
Olaf Swantee	556	111	39	–	–	**706**
Total	**5,763**	**517**	**131**	**170**	**45**	**6,625**

1) Board remuneration, remuneration for Audit and Responsible Business Committee and remuneration for Remuneration Committee are presented in separate columns above. The remuneration is paid monthly. Marie Ehrling, Olli-Pekka Kallasvuo, Susanna Campbell, Nina Linander, Anna Settman and Olaf Swantee were re-elected at the AGM 2018. New board members are Jimmy Maymann and Martin Tivéus. Numbers may not add up due to rounding.

Group Executive Management

The Chief Executive Officer (CEO) and the "Other members of the Group Executive Management" referring to the two EVPs and the eight SVPs directly reporting to the CEO, constituted the Telia Company Group Executive Management.

The 2018 Annual General Meeting decided to approve the following guidelines for remuneration to the Group Executive Management.

Telia Company's objective is to offer remuneration levels and other employment conditions required to attract, retain and motivate high caliber executives needed to maintain the success of the business. Remuneration should be built upon a total reward approach allowing for a market relevant – but not market leading – and cost effective executive remuneration based on the following compensation components: (1) base salary; (2) pension; and (3) other benefits. The base salary should reflect the competence required in the position and the responsibility, complexity and the business contribution of the executive. The base salary should also reflect the performance of the executive and consequently be individual and differentiated. Pension and other retirement benefits should be based on the defined contribution method.

The termination period may be up to six (6) months (twelve (12) for the CEO) when given by the employee and up to twelve (12) months when given by the Company. In case the termination is given by the Company, the individual may be entitled to a severance payment up to twelve (12) months.

The severance payment is not included when calculating vacation pay or pension benefits. The severance payment will be reduced if the executive should receive income from either a new employer or conducting his/her own business.

The executive may be entitled to a company car benefit, health care provisions, travel insurance etc. in accordance with local labor market practice. The Board of Directors are allowed to make minor deviations on an individual basis from the principles stated above.

Acting Group Executive Management members keep their previous terms regarding Short-term and Long-term variable pay, pension and benefits remain during the acting period. They also keep their existing notice periods.

Remuneration to the CEO and other permanent members of Group Executive Management consists of base salary, certain taxable benefits and pension benefits. As per December 31, 2018, Telia Company does not operate any share related incentive program in relation to the

CEO, and other permanent members of Group Executive Management.

Applying the remuneration policy adopted at the AGM, the CEO's total remuneration package is decided by the Board of Directors based on the recommendation of its Remuneration Committee.

Total remuneration packages to other members of Group Executive Management are approved by the Remuneration Committee, based on the CEO's recommendation.

Remuneration and other benefits earned as member of Group Executive Management during the year, capital value of pension commitments

SEK in thousands	Base salary	Other remuneration[1]	Other benefits[2]	Pension expense[3]	Total remuneration	Capital value of pension commitment[4]
Group Executive Management, 2018						
Johan Dennelind, CEO	17,413	403	68	6,846	**24,730**	**–**
Other members of Group Executive Management (including 2 EVPs and 8 SVPs)	51,378	1,590	1,587	14,190	**68,745**	**1,165**
Total	**68,791**	**1,993**	**1,656**	**21,036**	**93,476**	**1,165**
Other former members of Group Executive Management						
Other former members of Group Executive Management (3 individual)[5]	14,578	2,837	315	3,614	**21,343**	**2,057**
Other former CEOs and EVPs (8 individuals)	–	–	–	–	**–**	**166,756**
Total	14,578	2,837	315	3,614	21,343	**168,812**
Grand total	**83,369**	**4,830**	**1,971**	**24,649**	**114,819**	**169,977**

SEK in thousands	Base salary	Other remuneration[1]	Other benefits[2]	Pension expense[3]	Total remuneration	Capital value of pension commitment[4]
Group Executive Management, 2017						
Johan Dennelind, CEO	16,584	322	63	6,516	**23,485**	–
Other members of Group Executive Management (including 2 EVPs and 9 SVPs)	60,645	2,975	1,816	16,567	**82,003**	**2,707**
Total	**77,229**	**3,297**	**1,879**	**23,083**	**105,488**	**2,707**
Other former members of Group Executive Management						
Other former members of Group Executive Management (0 individual)	–	–	–	–	**–**	**–**
Other former CEOs and EVPs (8 individuals)	–	–	–	–	**–**	**167,493**
Total	–	–	–	–	**–**	**167,493**
Grand total	**77,229**	**3,297**	**1,879**	**23,083**	**105,488**	**170,201**

1) Other remuneration for the CEO is holiday allowance SEK 402,986 (320,980) and minor taxable expenses SEK 450 (1,492). Other remuneration for Other Members of Group Executive Management mainly includes holiday allowance and payment for unused vacation days.
2) Other benefits refer to company car benefit, relocation benefits and a number of other taxable benefits. Other benefits for the CEO refer mainly to company car benefit and health insurance.
3) See further disclosures concerning the terms and conditions of pension benefits below.
4) Capital value of pension commitment includes defined benefit plans for eight former CEOs and EVPs (left Telia Company before 2018).
5) Other former members of the Group Executive Management includes three individuals who have left Telia Company. Provisions for the notice period for base salary, benefits and pension costs as well as for, in one individual case, provisions for severance pay are included in the amount. The salary during notice period and severance pay will be reduced by any other income. The provision will then be reduced.

Comments on the table related to 2017 can be found in the Annual and Sustainability Report 2017. Numbers may not add up due to rounding.

Pension benefits

Telia Company offers permanent members of the Group Executive Management defined contribution pension schemes. A defined contribution scheme provides premium contributions to the pension scheme as a percentage of the pensionable salary or as a fixed amount. The level of pension benefits at retirement will be determined by the contributions paid and the return on investments and the costs associated to the plan. The reasons behind the change in the capital value of defined benefit pension commitments are due to changes in discount rate and retirement benefits paid to retirees.

CEO

The CEO is eligible to a defined contribution pension scheme with contributions corresponding to 4.5 percent of base salary up to 7.5 income base amounts and to 30 percent for such salary above 7.5 income base amounts. In addition, contributions of 10 percent of base salary are paid into the scheme. These contributions add up to a total pension contribution per annum of SEK 6,845,668 (compared to base salary for 2018 SEK 17,412,998 representing 39.3 percent). The contributions into the scheme are vested immediately. The income base amount is determined annually by the Swedish Government and was SEK 62,500 for 2018.

The retirement age is variable. Contributions to the pension scheme will cease at retirement or earlier if leaving the company for any other reason.

Other members of Group Executive Management

The EVPs and the SVPs based in Sweden are eligible to defined contribution pension schemes providing contributions corresponding to 4.5 percent of their base salary up to 7.5 income base amounts and 30 percent of such salary above 7.5 income base amounts. One member of Group Executive Management has an additional contribution of 10 percent of the base salary. Group Executive Management members based in other countries are also eligible for defined contributions pension schemes (with the exeption of legally required defined benefit pension plans in Finland). One member based in another country received a cash allowance as part of the pension contribution. The contributions to the pension schemes are vested immediately. The retirement age for members of Group Executive Management is 65 or variable.

Other former members of Group Executive Management

Defined pension benefits earned by former CEOs and EVPs until 2008 are pledged and calculated as capital values (debt) until all their lifelong pensions are fully paid out by Telia Company. Their pensions are paid out from the age of 60. Within the total capital value for this category of SEK 166,755,741 (167,493,239), the capital value for Marie Ehrling of SEK 7,571,762 (7,791,564) is included relating to her period as president of TeliaSonera Sweden during 2002–2006. Pension is paid to Marie Ehrling in the amount of SEK 724,380 (709,344). Since 2008, Telia Company does not offer any defined benefit pension schemes to CEOs and EVPs.

C32 REMUNERATION TO AUDIT FIRMS

Remuneration to audit firms for audit and other reviews based on applicable legislation and for advice and other assistance resulting from observations in the reviews was as follows. Remuneration also includes independent advice, using group auditors or other audit firms, in the fields of Tax/Law and Corporate Finance as well as other consulting services. Audit fees to other audit firms refer to subsidiaries not audited by the group auditors. Auditors are elected by the Annual General Meeting.

Deloitte AB was re-elected at the Annual General Meeting on April 10, 2018, as Telia Company's independent auditor (group auditor) for a one-year term. The audit of the consolidated financial statements has been carried out throughout the year since the election. For review of interim financial statements, no separate remuneration has been debited.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017
Remuneration, continuing and discontinued operations		
Deloitte		
Audits	38	38
Audit-related services	3	3
Tax services	1	1
All other services	7	20
Total Deloitte	**49**	**62**
EY		
Audits	0	0
Audit-related services	0	0
Tax services	1	1
All other services	23	14
Total EY	**24**	**14**
KPMG		
Audits	0	1
Audit-related services	1	0
Tax services	0	0
All other services	9	4
Total KPMG	**10**	**5**
PwC		
Audits	1	1
Audit-related services	0	0
Tax services	18	17
All other services	43	19
Total PwC	**62**	**37**
Other audit firms		
Audits, audit-related services	0	0
Tax services and all other services	0	0
Total other audit firms	**0**	**0**
Total remuneration	**145**	**118**

Within the provisions of Swedish legislation, the Audit and Responsible Business Committee of the Board of Directors of Telia Company is responsible, among other matters, for the oversight of Telia Company's independent auditors. The Board of Directors has adopted a policy regarding pre-approval of audit-related services and permissible non-audit services provided by audit firms.

C33 BUSINESS COMBINATIONS

Business combinations during the period

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.

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 acquisition of Get and TDC Norway was approved by the Norwegian Competition Authority on October 5, 2018, and the transaction was closed on October 15, 2018. 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.

On December 3, 2018, Telia Company acquired all shares in AinaCom Oy, a Finnish provider of ICT services to enterprise customers. The acquisition will further strengthen Telia Company's position as a leading national partner for ICT services in Finland.

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

SEK in millions	Inmics	Cloud Solutions	Get/TDC Norway	AinaCom	Total
Cost of combination	**914**	**82**	**24,582**	**186**	**25,764**
of which cash consideration	*914*	*82*	*24,582*	*186*	*25,764*
Fair value of net assets acquired					
Intangible assets	423	0	4,314	41	4,778
of which customer relationships	*390*	*–*	*3,621*	*33*	*4,044*
of which other intangible assets	*32*	*0*	*693*	*8*	*733*
Property, plant and equipment and other non-current assets	5	1	16,627[1]	12	16,645
Current assets	239	41	987	55	1,323
Total assets acquired	**667**	**42**	**21,929**	**108**	**22,746**
Non-current liabilities	-90	–	-3,750	-15	-3,855
Current liabilities	-62	-24	-1,542	-28	-1,655
Total liabilities assumed	**-152**	**-24**	**-5,292**	**-43**	**-5,511**
Total fair value of net assets acquired	**515**	**18**	**16,637**	**65**	**17,235**
Goodwill	**399**	**64**	**7,945**	**121**	**8,529**

1) Whereof property, plant and equipment (mainly network infrastructure) SEK 16,297 million.

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 accounts receivables). The best estimate at the acquisition date was that all contractual cash flows will be obtained. Acquisition-related costs of SEK 18 million have been recognized as other operating expenses. From the acquisition date, revenues of SEK 546 million and net income of SEK 2 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 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 until end of September when the company was merged, revenues of SEK 83 million and net income of SEK 3 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 2018.

Get and TDC Norway
The net cash flow effect of the business combination was SEK 24,230 million (cash consideration SEK 24,582 million less cash and cash equivalents SEK 352 million). Goodwill consists of the knowledge of transferred personnel and expected synergies related to cross-sales from B2C and B2B, churn reduction and other cost efficiencies. No part of goodwill is expected to be deductible for tax purposes. The fair value of acquired receivables was SEK 284 million (whereof all attributable to accounts receivables), had gross contractual amounts of SEK 303 million. The best estimate at the acquisition date of the contractual cash flows not expected to be collected were SEK 19 million. The total cost of the combination and fair values have been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustments. Acquisition-related costs of SEK 126 million have been recognized as other operating expenses. From the acquisition date, revenues of SEK 880 million and net income of SEK -110 million are included in the condensed consolidated statements of comprehensive income. If Get and TDC Norway had been acquired at the beginning of 2018, revenues and total net income for Telia Company for 2018 had been SEK 86,995 million and SEK 3,475 million, respectively.

AinaCom
The net cash flow effect of the business combination was SEK 178 million (cash consideration SEK 186 million less cash and cash equivalents SEK 9 million). Goodwill consists of the knowledge of transferred personnel and expected synergies from cross-sales of the new acquired services. No part of goodwill is expected to be deductible for tax purposes. The fair value of acquired receivables was SEK 37 million (whereof all attributable to short-term account receivables). The best estimate at the acquisition date was that all contractual cash flows will be obtained. Acquisition-related costs of SEK 8 million have been recognized as other operating expenses. The total cost of combinations and fair values has been determined provisionally, as they are based on preliminary appraisals and subject to confirmation of certain facts. Thus, the purchase price accounting is subject to adjustment. From the acquisition date, revenues of SEK 8 million and net income of SEK -7 million are included in the condensed consolidated statements of comprehensive income. If AinaCom had been acquired at the beginning of 2018 revenues and total net income for Telia Company for 2018 had been SEK 83,696 million and SEK 3,079 million, respectively.

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 Atrox 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.

On July 10, 2018, Telia Company acquired all shares in Romelebygdens Kabel-TV AB. The cost of the acquisition was SEK 36 million.

The total cash flow effect and total goodwill for all minor business combinations amounted to SEK 97 million and SEK 101 million, respectively.

Business combinations after the reporting period
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 15.4×, based on the last 12-month period as of March 31, 2018. Including full run-rate synergies, the EV/EBIT multiple is 7.7×.

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.

Bonnier Broadcasting had revenues of SEK 7.5 billion in the last 12-month period as of 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 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 January 3, 2019, Telia Company acquired all shares in Dalbo Net AB. The cost of the acquisition was SEK 13 million.

C34 DISCOUNTED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

Classification

Region 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 during 2016 and Tcell in Tajikistan was disposed in April 2017. Azercell in Azerbaijan and Geocell in Georgia were disposed in March 2018. The associated company Rodnik in Kazakhstan was disposed in November 2018. Ucell in Uzbekistan and Kcell in Kazakhstan were disposed in December 2018.

Telia Company is still committed to the plan to dispose the remaining part of Eurasia and the delay in the sales process is primarily caused by events and circumstances beyond Telia Company's control. Telia Company has taken actions necessary to respond to the changes in circumstances. Moldcell in Moldova is available for immediate sale and is being actively marketed at reasonable price given the changes in circumstances. The sales process is in the final stage, bids have been received and term negotiations are at various stages with different parties. Disposal of Moldcell in Moldova is therefore deemed highly probable within 2019.

Sergel

Sergel was classified as held for sale from June 30, 2016, and in the segment reporting Sergel was part of Other operations. It was not considered to represent a separate major line of business or geographical area of operations and was therefore not presented as discontinued operations. Sergel was disposed on June 30, 2017.

MegaFon

In September 2017, Telia Company decided to dispose a portion of the investment in MegaFon representing 6.2 percent of MegaFon's issued share capital. The 6.2 percent portion of MegaFon's shares was therefore classified as assets held for sale per September 30, 2017. The remaining part of Telia Company's investment in MegaFon was classified as investments in associated companies per September 30, 2017, since Telia Company per that date had significant influence in MegaFon. The disposal was made on October 3, 2017. As a consequence of the transaction, Telia Company's significant influence in MegaFon was lost and the remaining investment was reclassified from an associated company to a financial asset. On November 2, 2017, Telia Company completed the disposal of the remaining 19.0 percent holding. MegaFon was not considered to represent a separate major line of business or geographical area of operations and was therefore not presented as discontinued operations. For more information, see Note C14.

Presentation

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

Net income from discontinued operations (region Eurasia)

SEK in millions, except per share data	Jan-Dec 2018	Jan-Dec 2017[4]
Net sales	6,687	11,275
Expenses and other operating income, net[1]	-4,720	-2,841
Operating income	**1,967**	**8,433**
Financial items, net	-139	-218
Income after financial items	**1,828**	**8,216**
Income taxes	-307	-543
Net income before remeasurement and gain/loss on disposal	**1,522**	**7,673**
Impairment loss on remeasurement to fair value less costs to sell[2]	-1,105	-5,729
Loss on disposal of Azercell in Azerbaijan (including cumulative Azercell exchange loss in equity reclassified to net income of SEK -2,944 million)[3]	-3,065	–
of which loss attributable to parent shareholders	*-3,024*	–
of which loss attributable to non-controlling interests	*-41*	–
Loss on disposal of Geocell in Georgia (including cumulative Geocell exchange loss in equity reclassified to net income of SEK -101 million)[3]	-241	–
of which loss attributable to parent shareholders	*-190*	–
of which loss attributable to non-controlling interests	*-52*	–
Loss on disposal of associated company Rodnik (including cumulative Rodnik exchange loss in equity reclassified to net income of SEK -259 million)[3]	-271	–
Gain on disposal of Kcell in Kazakhstan (including cumulative Kcell exchange loss in equity reclassified to net income of SEK -668 million)[3]	210	–
of which gain attributable to parent shareholders	*509*	–
of which loss attributable to non-controlling interests	*-299*	–
Loss on disposal of Ucell in Uzbekistan (including cumulative Ucell exchange loss in equity reclassified to net income of SEK -3,934 million)[3]	-3,449	–
of which loss attributable to parent shareholders	*-3,198*	–
of which loss attributable to non-controlling interests	*-251*	–
Loss on disposal of Tcell in Tajikistan (including cumulative Tcell exchange loss in equity reclassified to net income of SEK -193 million)[3]	–	-193
Net income from discontinued operations	**-6,399**	**1,751**
EPS from discontinued operations (SEK)	-1.42	0.33
Adjusted EBITDA	2,341	4,262

1) 2017 includes the adjustment made in the first quarter of the provision for the settlement amount proposed by the US and Dutch authorities regarding the Uzbekistan investigations, which had a positive effect of SEK 4,098 million (including foreign exchange effects). In addition, the global settlement with the authorities in the third quarter 2017, resulted in a positive effect of SEK 252 million. 2) Non-tax deductible. 3) Non-taxable gain/loss 4) Restated for comparability, see Note C1.

Assets and liabilities classified as held for sale

	Dec 31, 2018	Dec 31, 2017		
SEK in millions	Eurasia	Eurasia[5]	Property, plant and equipment[3]	Total[5]
Goodwill and other intangible assets	216	2,694	–	2,694
Property, plant and equipment	402	6,329	28	6,358
Other non-current assets[1,4]	79	189	–	189
Short-term interest-bearing receivables	0	2,091	–	2,091
Other current assets	274	1,807	–	1,807
Cash and cash equivalents[1]	3,827	5,368	–	5,368
Assets classified as held for sale	**4,799**	**18,480**	**28**	**18,508**
Long-term borrowings	–	295	–	295
Long-term provisions	8	1,887	–	1,887
Other long-term liabilities	193	1,197	–	1,197
Short-term borrowings	–	1,428	–	1,428
Other current liabilities	359	3,749	–	3,749
Liabilities associated with assets classified as held for sale	**560**	**8,556**	**–**	**8,556**
Net assets classified as held for sale[2]	**4,239**	**9,924**	**28**	**9,951**

1) 2018 includes the sales prices for minority owner Turkcell's share of Azercell, Geocell and Kcell, whereof SEK 2.6 billion is included in cash and cash equivalents. The sales prices for Telia Company's shares in Azercell, Geocell, Kcell and Ucell 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 in 2018.
4) As of Jan 1, 2017, the implementation of IFRS 15 had impact mainly on Other non-current assets related to capitalization of incremental costs for obtaining new contracts.
5) Restated for comparability, see Note C1.

Measurement

In accordance with IFRS 5, discontinued operations and assets held for sale are measured at the lower of carrying value and estimated fair value less costs to sell. The valuation is based on an assessment of the input from the sales processes and the risks in the different countries. Fair value is the price that would be received to sell the discontinued operations and assets held for sale in an orderly transaction between market participants at the measurement date under current market conditions. There are no directly observable (quoted) prices for Telia Company's discontinued operations and assets held for sale and fair values have therefore been estimated using other valuation techniques which require the use of judgment.

Non-current assets held for sale and non-current assets included in discontinued operations or disposal groups held for sale are not depreciated or amortized. Depreciation and amortization in discontinued operations (Eurasia) of SEK 1.2 billion (1.8) have been reversed in 2018.

Moldova

Management's best estimate of the fair value less costs to sell for Moldcell in Moldova is based on bids received and other input from the ongoing sales process. The estimated cash and debt free value for Moldcell per December 31, 2018, is SEK 0.5 billion (0.5). Updated estimate of fair value less costs to sell for Moldcell resulted in an impairment of SEK 450 million in 2017. Due to increased carrying values Moldcell was impaired by SEK 85 million in 2018.

Uzbekistan

Since December 31, 2015, and up until the disposal in December 2018, the operation in Uzbekistan (Ucell) was measured at estimated fair value less costs to sell and was classified within Level 3 of the fair value hierarchy of IFRS 13. For Ucell, valuations were prepared based on the current business plan. Input from both internal and external advisors were considered in the valuations. The following different valuation models were used:

- Valuation multiples from comparable companies (peers) on relevant financial metrics such as EBITDA and Operating free cash flow (OpFCF)
- Discounted cash flow (DCF) calculations, and
- Brokers' EBITDA multiple valuations of Ucell

The key assumptions used in the valuation models per December 31, 2017, are presented in the table below.

	Multiple range	WACC, %	Terminal growth rate, %
Enterprise value/EBITDA	3.00-3.50	–	–
Enterprise value/OpFCF	5.00-6.00	–	–
DCF	–	22.31-23.31	2.00-3.00
Brokers' EBITDA multiples	1.0-4.3	–	–

The combined results of the different valuation models provided an estimated range reflecting a normalized Enterprise value based on normal business risks. Apart from the normal business risks, there were a number of specific risks related to the valuation of Ucell such as cash repatriation issues, the foreign exchange risks, the unstable regulatory environment, the historical compliance issues associated with Ucell's previous minority shareholder and finding the right buyer from a sustainability point of view. Given the lack of precedents and factual evidence, it was difficult to quantify the valuation impact of all such risks. Moreover, any potential discount, was highly subject to the specific views of an interested buyer. The normalized range for the estimated enterprise value was adjusted to reflect management's best estimate of these specific risks. Changes in any of the estimated risk adjustments made for Ucell would have had a material impact on the estimated fair value. The most significant impact on fair value was the buyer's ability to operate in the country and convert local currency. Management's best estimate of the risk adjusted debt free value of Ucell was SEK 3.3 billion as of December 31, 2016. Due to increased regulatory and currency risks in Uzbekistan as well as an updated view of the risk adjusted valuation ranges based on input from the sales process for Ucell, management's best estimate of the risk adjusted debt free value of Ucell was reduced to SEK 1.3 billion as of June 30, 2017. During the third quarter 2017 the Uzbek currency was devaluated. Management's best estimate of the risk adjusted debt free value of Ucell was SEK 1.3 billion per December 31, 2017 and up until the disposal.

The remeasurement of the net assets in region Eurasia per December 31, 2015, resulted in an impairment charge of SEK 5.3 billion related to goodwill and other fixed assets in Uzbekistan. In 2016 Ucell was impaired by SEK 1,950 million due to increased carrying values. As a result of reduced estimated debt free value, increased carrying values and devaluation, Ucell was impaired by SEK 1,600 million in 2017. Due to increased carrying value for Ucell, an impairment charge of SEK 300 million was recognized in the first quarter of 2018. In the second quarter of 2018 the value of Ucell was further impaired by SEK 550 million due to increased carrying value and changes in debt adjustments. In the third quarter of 2018, Ucell was impaired by SEK 170 million due to increased carrying value. In total Ucell was impaired by SEK 1,020 million in 2018.

Other parts of discontinued operations
The estimated fair values less costs to sell for other parts of discontinued operations per December 31, 2017 and up to the disposals were based on bids received and prices in signed disposal agreements.

Updated estimates of fair values less costs to sell for Geocell and Azercell resulted in impairments in 2017 of SEK 550 million and SEK 2,550 million, respectively.

In 2017 Telia Company made a write-down of SEK 330 million of its holding in Rodnik. Based on the development in the ongoing negotiations during 2017, the holding was no longer deemed having a recoverable value.

Disposals

Ncell in Nepal
On April 11, 2016, Telia Company completed the disposal of its holding 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.

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

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

Sergel
In June 2016, Telia Company signed an agreement to dispose its 100 percent holding in Sergel (credit management services and debt purchase business) to Marginalen at an enterprise value of SEK 2.1 billion. The transaction was approved by the Swedish Financial Supervisory Authority as well as Competition Authorities, and Sergel was disposed on June 30, 2017. The disposal resulted in a capital gain of SEK 1,213 million, which was included in "Other operating income" (continuing operations) in the consolidated statements of comprehensive income. The disposal had a positive net cash flow effect of SEK 1,908 million and reduced net debt by SEK 1,942 million.

MegaFon in Russia
On October 5, 2017, Telia Company completed the disposal of an aggregate of 38.5 million ordinary shares representing 6.2 percent of MegaFon's issued share capital to institutional investors by way of an accelerated book building offering ("placing"). The placing was made at a price of RUB 585 per ordinary share, raising gross proceeds of SEK 3.2 billion and resulted in a capital gain of SEK 2,795 million (including cumulative exchange losses in equity reclassified to net income of SEK -6,083 million), which was recognized in "Other operating income" (continuing operations) in the consolidated statements of comprehensive income. Following the completion of the transaction, Telia Company's share in MegaFon was reduced from 25.2 percent to 19.0 percent. As a consequence of the transaction, Telia Company's significant influence in MegaFon was lost and the remaining investment was reclassified from an associated company to a financial asset. On November 2, 2017, Telia Company completed the disposal of the remaining 19.0 percent holding in MegaFon to Gazprombank at a price of RUB 514 per share, raising gross proceeds of RUB 60.4 billion (equivalent to approximately SEK 8.6 billion) billion and resulting in a capital loss of SEK 1,275 million, which was recognized in finance net. The disposals in total reduced net debt by approximately SEK 11.8 billion and led to a net capital gain of SEK 1,521 million.

Azercell in Azerbaijan
On March 5, 2018, Fintur Holdings B.V. (Fintur), jointly owned by Telia Company (58.55 percent) and Turkcell (41.45 percent) disposed its 51.3 percent holding in Azertel Telekommünikasyon Yatirim Dis Ticaret A.S. (Azertel) to Azerbaijan International Telecom LLC (Azintelecom), wholly-owned company by the Republic of Azerbaijan. Azertel is the sole shareholder of the leading Azeri mobile operator Azercell LLC (Azercell). The price for Fintur's 51.3 percent in Azertel was EUR 222 million (SEK 2.3 billion), which implied an equity value of EUR 432 million for 100 percent of Azercell and an enterprise value of EUR 197 million on a cash and debt free basis. The price corresponded to and EV/EBITDA multiple of 2.1x based on 2017. The total price was received in cash as of March 31, 2018. 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 Telekomünikasyon Yatirim ve Dis Ticaret A.S. (Gürtel) disposed its 100 percent holding in Geocell LLC (Geocell) to the Georgian telecommunications company JSC Silknet. The price for Geocell of SEK 1.2 billion was based on an enterprise value of USD 153 million for 100 percent of the company and corresponded to an EV/EBITDA multiple of 4.5x based on 2017. Per December 31, 2018, SEK 1.1 billion was received in cash. 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 the entity 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.

Rodnik and KazTransCom

On November 5, 2018, Telia Company completed the transfer of its holding in the associated company TOO Rodnik in Kazakhstan, which Telia Company consolidated to 50 percent, to Amun Services. Rodnik owns the listed company AO KazTransCom, a company which operates a fiber network and provides ICT services for the corporate segment in Kazakhstan. In addition, Telia Company entered into a settlement with Amun Services in respect of claims Amun Services and its affiliates had made or could direct against Telia Company and its affiliates. Telia Company has also entered into a settlement with its former partner in Rodnik, Almaty Engineering Company, with respect to certain claims related to the historic management and investments in Rodnik. The transaction resulted in a capital loss of SEK 271 million, whereof accumulated foreign exchange losses reclassified from equity to net income from discontinued operations of SEK 259 million. The reclassification of accumulated exchange losses had no effect on equity.

Ucell in Uzbekistan

On December 5, 2018, Telia Company disposed its interest in Ucell in Uzbekistan to the State Committee of the Republic of Uzbekistan for Assistance to Privatized Enterprises and Development of Competition, a governmental authority of the sovereign state of Uzbekistan, for a price corresponding to USD 215 million (SEK 1.9 billion) on a debt free basis for 100 percent. The transaction was not subject to any conditions, such as regulatory or competition approvals. The transaction resulted in a capital loss for the group of SEK 3,449 million, whereof accumulated foreign exchange losses reclassified from equity to net income from discontinued operations of SEK 3,934 million. The reclassification of accumulated exchange losses had no effect on equity. The transaction had a positive cash flow effect for the group in the fourth quarter of 2018 of SEK 1,154 million (price received less cash and cash equivalents in the entity sold).

Kcell in Kazakhstan

On December 21, 2018, Telia Company, together with Fintur Holdings B.V. (Fintur), jointly owned by Telia Company and Turkcell, disposed their 75 percent holding in the leading Kazakhi telecommunications operator Kcell JSC, to the telecom operator Kazakhtelecom JSC, a company controlled by the government of the Republic of Kazakhstan through the sovereign wealth fund Samruk-Kazyna. The price for Telia Company's and Fintur's 75 percent in Kcell was USD 445 million (SEK 4.0 billion), which implied an enterprise value (EV) of USD 771 million for 100 percent on a cash and debt free basis. This price corresponded to an EV/EBITDA multiple of 5.0x based on the last twelve months per September 2018. The transaction resulted in a capital gain of SEK 210 million for the group, whereof accumulated foreign exchange losses reclassified from equity to net income from discontinued operations of SEK 668 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 fourth quarter of 2018 of SEK 3,716 million (price less cash and cash equivalents in the entity sold). Telia Company's share of the sales price of SEK 2.9 billion was classified within continuing operations within cash and cash equivalents. The minority owner Turkcell's share of the sales price of SEK 1.1 billion was included within discontinued operations and was classified as held for sale.

At the same time Telia Company signed an agreement to acquire Turkcell's 41.45 percent share in Fintur for a price based on their proportional share of the cash in Fintur. The total cash position in Fintur was approximately SEK 6.1 billion by the end of November 2018 which will be split proportionally whereby Telia Company pays 95 percent on the cash value to Turkcell for their part. In total Telia Company keeps approximately SEK 3.7 billion plus its proceeds from Kcell. The cash in Fintur will be distributed to Telia Company in full. Closing is expected in early 2019. Subsequent to the Fintur transaction, Telia Company will be the sole shareholder of Moldcell in Moldova.

Subsidiaries in discontinued operations with material non-controlling interests

AO Kcell and Azercell Telekom B.M. were held partly by intermediate holding companies where one is partly held by the associated company Turkcell. The non-controlling interest (NCI) in Kcell before the disposal was 41.0 percent (41.0). Based on a put option granted, the NCI in Azercell before the disposal was accounting-wise reduced to 35.9 percent (35.9).

Put options

Azertel Telekomünikasyon A.S. (Azertel), the parent company of the mobile operator Azercell Telekom B.M. (Azercell) in Azerbaijan, had a put option granted in 2008 in conjunction with the privatization of Azercell, now wholly-owned by Azertel. Should a deadlock regarding material decisions at the general assembly have arised, the resolution supported by Fintur Holdings B.V. would have applied. In such circumstances, the put option gave the largest holder of non-controlling interests the right to sell its 42 percent holding in Azertel to Fintur Holdings B.V. Telia Company consolidated 68.6 percent of Fintur (68.5) (minor increase due to Turkcell's acquisition of treasury shares). The exercise price was equal to the fair value at the time of exercise and was to be determined by independent appraisal. The provision represented the present value of management's best estimate of the amount required to settle the liability. The provision varied as a result of changes in Azertel's estimated fair value and the timing of the option exercise. Based on the updated estimated fair value of Azercell, the provision for the put option was reduced by SEK 399 million with a corresponding reduction of goodwill in the fourth quarter of 2017. Azertel and Azercell were disposed on March 5, 2018, and after the disposal the put option is no longer applicable to Fintur.

Put options and financial receivables were offset in the statement of financial position when there was an enforceable right to offset the recognized amounts and there was an intention to settle on a net basis, or to settle the put option and financial receivable simultaneously (Rodnik before the disposal).

Financial risk management

Telia Company's net investments in region Eurasia is although classified as discontinued operations, still exposed to fluctuations in foreign exchange rates and managed accordingly.

Transaction risk on proceeds of the disposals is dealt with as a part of the group's established foreign exchange risk management procedures following the group policy on financial management. The currency of the future sales proceeds will probably not be the same as the local currency of the disposed operations.

Conversion risk in discontinued operations relates to the net investments in foreign operations. The major currencies contributing to the remaining conversion risk are MDL, USD, EUR and TRY.

The surplus liquidity and liquidity position for the discontinued operations as of December 31, 2018, was SEK 3,827 million (5,368), which relates to cash and cash equivalents. Based on the current liquidity position and the expected disposal of the remaining Eurasian operations, Telia Company's liquidity risk relating to discontinued operations is considered limited.

Credit risk is dealt with as part of the group's established credit risk management procedures following the group policy, or where applicable, the subsidiary's policy on financial management.

Interest rate risk is the risk that a change in interest rates will negatively affect the group's net interest income or cash flows. As per December 31, 2018, there are no material interest-bearing borrowings remaining within discontinued operations. The interest rate risk relating to cash and cash equivalents and receivables is deemed limited.

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 payment was included in the line item "Increase (+)/Decrease (-) in operating liabilities" in the Consolidated statements of cash flows and was classified within discontinued operations.

The remaining part, 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 1,854 million per December 31, 2018 (1,650). The provision was reclassified during 2018 from the line item "Other long-term provisions" to "Short-term provisions" (continuing operations) in the consolidated statements of financial position. The provision is classified as part of liabilities relating to continuing operations as the provision will not be part of the sales of the Eurasian net assets.

The net income effect from the provision of SEK -44 million in 2018 was mainly related to discount effects. The corresponding net income effect for 2017 was SEK 4,423 million, whereof SEK 4,293 million related to adjustment of the proposed settlement amount and SEK 130 million related to discount effects and exchange rate fluctuations. The net income effects are recognized within discontinued operations and are disclosed as "Expenses and other operating income, net" in the table "Net income from discontinued operations (region Eurasia)" above. The net income effects and the cash flow effect are classified as part of discontinued operations based on that the expenses and the cash flows are related to the operations in Uzbekistan. The settlement amount excluding foreign currency effects and hedge effects is non-tax deductible.

During the fourth quarter of 2018 Telia Company disposed its interest in Ucell in Uzbekistan, as described under section disposals above. Telia Company has complied with all requirements of its September 21, 2017 Deferred Prosecution Agreement with the US Department of Justice (DOJ) with respect to the transaction.

PARENT COMPANY INCOME STATEMENTS

SEK in millions	Note	Jan–Dec 2018	Jan–Dec 2017
Net sales	P2	417	413
Cost of sales		–	–
Gross income		**417**	**413**
Selling and marketing expenses	P3	-74	-55
Administrative expenses	P3	-1,035	-1,075
Other operating income	P4	30	7,034
Other operating expenses	P4	-397	-719
Operating loss/income		**-1,060**	**5,597**
Finance income	P5	22,662	14,437
Finance costs	P5	-5,666	-12,344
Income after financial items		**15,936**	**7,689**
Appropriations	P6	7,284	7,000
Income before taxes		**23,220**	**14,689**
Income taxes	P6	-563	-536
Net income		**22,657**	**14,153**

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

SEK in millions	Note	Jan–Dec 2018	Jan–Dec 2017
Net income		**22,657**	**14,153**
Items that may be reclassified to net income			
Cash flow hedges, net change in fair value		-336	-180
Cash flow hedges, transferred to finance costs in net income		24	33
Cost of hedging		45	–
Available-for-sale financial instruments, net change in fair value		–	729
Debt instruments at fair value through OCI		-64	–
Income taxes relating to other comprehensive income		74	34
Items that may not be reclassified to net income			
Equity instruments at fair value through OCI		554	–
Income taxes relating to items that will not be reclassified		–	–
Total other comprehensive income	P7	**298**	**615**
Total comprehensive income		**22,955**	**14,769**

PARENT COMPANY BALANCE SHEETS

SEK in millions	Note	Dec 31, 2018	Dec 31, 2017
Assets			
Intangible assets	P8	6	9
Property, plant and equipment	P9	0	1
Deferred tax assets	P6	85	32
Other financial assets	P10	175,974	156,551
Total non-current assets		**176,064**	**156,592**
Trade and other receivables	P11	35,056	39,200
Current tax receivables		234	375
Short-term investments	P12	6,150	15,957
Cash and bank	P12	6,072	12,024
Total current assets		**47,512**	**67,556**
Total assets		**223,577**	**224,148**
Shareholders' equity and liabilities			
Restricted equity			
Share capital		13,856	13,856
Statutory reserve		1,855	1,855
Reserve for capitalized development expenses		1	2
Non-restricted equity			
Fair value reserve		1,506	1,207
Retained earnings		55,314	55,327
Net income		22,657	14,153
Total shareholders' equity		**95,189**	**86,400**
Untaxed reserves	P6	**6,882**	**8,029**
Provisions for pensions and employment contracts	P14	403	417
Deferred tax liabilities	P6	–	–
Other provisions	P15	131	1,736
Total provisions		**534**	**2,153**
Interest-bearing liabilities			
Long-term borrowings	P16	84,184	85,437
Short-term borrowings	P16	33,943	40,849
Non-interest-bearing liabilities			
Long-term liabilities	P17	16	13
Short-term provisions, trade payables and other current liabilities	P15, P18	2,829	1,267
Total liabilities		**120,972**	**127,566**
Total shareholders' equity and liabilities		**223,577**	**224,148**

PARENT COMPANY CASH FLOW STATEMENTS

SEK in millions	Note	Jan–Dec 2018	Jan–Dec 2017
Net income		22, 657	14,153
Adjustments for:			
Amortization, depreciation and impairment losses		555	8,187
Capital gains/losses on sales/discards of non-current assets		16	-1,061
Pensions and other provisions		106	-4,227
Financial items		2, 596	2,899
Group contributions and appropriations		-7, 284	-7,000
Income taxes		166	194
Cash flow before change in working capital		**18,811**	**13,145**
Increase (-)/Decrease (+) in operating receivables		306	-34
Increase (+)/Decrease (-) in operating liabilities		-304	-6,238
Change in working capital		**2**	**-6,271**
Cash flow from operating activities		**18,813**	**6,874**
Intangible and tangible non-current assets acquired		0	0
Repayment of capital in subsidiary		14	219
Equity instruments acquired		-20,120	-4,082
Equity instruments and operations divested		2,347	1,373
Net change in loans granted and other similar investments		-18,406	8,410
Net change in interest-bearing current receivables		15,309	-8,056
Repayment of long-term loans		8,004	2,774
Cash flow from investing activities		**-12,851**	**638**
Cash flow before financing activities		**5,963**	**7,512**
Repurchased treasury shares including transaction costs		-4,062	-4
Dividend to shareholders		-9,881	-8,660
Group contributions net		6,243	7,687
Proceeds from borrowings		1,020	15,670
Repayment of borrowings		-2,927	-18,589
Settlement of derivative contracts for economic hedges and CSA		1,707	-1,927
Cash received for repurchase agreements		12,037	1,812
Cash paid for repurchase agreements		-12,700	-1,707
Cash flow from financing activities		**-8,564**	**-5,719**
Change in cash and cash equivalents		**-2,601**	**1,793**
Cash and cash equivalents, opening balance		**14,418**	**12,232**
Change in cash and cash equivalents		-2,601	1,793
Exchange rate differences in cash and cash equivalents		405	393
Cash and cash equivalents, closing balance	P12	**12,222**	**14,418**
Dividends received		21,913	12,916
Interest received		984	723
Interest paid		-2,673	-1,701
Income taxes paid		-397	-342

PARENT COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SEK in millions	Note	Share capital	Statutory reserve	Reserve for capitalized develop-ment expenses	Fair value reserve	Retained earnings	Total share-holders' equity
Closing balance, December 31, 2016		**13,856**	**1,855**	1	**591**	**63,983**	**80,286**
Dividend	P13	–	–	–	–	-8,660	-8,660
Share-based payments	P25	–	–	–	–	10	10
Treasury shares		–	–	–	–	-4	-4
Capitalized development expenses	P8	–	–	1	–	-1	0
Total comprehensive income		–	–	–	615	14,153	14,769
Closing balance, December 31, 2017		**13,856**	**1,855**	**2**	**1,207**	**69,480**	**86,400**
Change in accounting principle		–	–	–	–	-150	-150
Adjusted opening balance, January 1, 2018		**13,856**	**1,855**	**2**	**1,207**	**69,329**	**86,250**
Dividend	P13	–	–	–	–	-9,881	-9,881
Share-based payments	P25	–	–	–	–	10	10
Treasury shares		–	–	–	–	-4,146	-4,146
Capitalized development expenses	P8	–	–	-1	–	1	–
Total comprehensive income		–	–	–	298	22,657	22,955
Closing balance, December 31, 2018		**13,856**	**1,855**	**1**	**1,506**	**77,970**	**95,189**

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

CONTENTS

P1 BASIS OF PREPARATION

General

The parent company Telia Company AB's financial statements have been prepared in accordance with the Swedish Annual Accounts Act, other Swedish legislation, and standard RFR 2 "Accounting for Legal Entities" and other statements issued by the Swedish Financial Reporting Board. The standard is applicable to Swedish legal entities whose equities at the end of the reporting period are listed on a Swedish stock exchange or authorized equity market place. In their consolidated financial statements such companies have to comply with the EU regulation on international accounting standards, while they still have to comply with the Annual Reports Act in their separate financial statements. RFR 2 states that as a main rule listed parent companies should apply IFRSs and specifies exceptions and additions, caused by legal provisions or by the connection between accounting and taxation in Sweden.

Measurement bases and significant accounting principles

With the few exceptions below, Telia Company applies the same measurement bases and accounting principles as described in Notes to consolidated financial statements, Note C3.

Item	Note	Accounting treatment
Intra company lendning and credit rating	P5, P16	Telia Company has an internal model for credit rating of subsidiaries used when pricing internal lending to subsidiaries. The model has four risk categories and, depending on risk rating, the model has a credit spread curve to be applied on top of the benchmark rate when lending money to subsidiaries. The model is based on pricing of inter-company lending at an arms-length basis and if the credit spreads used represent an unbiased pricing of credit risk, this is used for calculating expected credit losses on inter-company receivables.
Group contributions	P6	Under certain conditions, it is possible to transfer profits through group contributions between Swedish companies in a group. A group contribution is normally a deductible expense for the contributor and a taxable income for the recipient. Group contributions are recognized as appropriations in the income statement.
Borrowing costs	P5, P8, P9	Borrowing costs directly attributable to the acquisition, construction or production of an asset are not capitalized as part of the cost of that asset.
Investments in subsidiaries and associated companies	P5, P10	Shares in subsidiaries and associated companies are recognized at cost less any impairment. Dividends received are brought to income while repayment of certain contributed capital reduces the carrying value.
Provisions for pensions and employment contracts	P5, P14	Pension obligations and pension expenses are recognized in accordance with the simplification rule for pensions in RFR 2 "Accounting for legal entities."
Untaxed reserves and appropriations	P6	Untaxed reserves and appropriations are reported gross excluding deferred tax liabilities related to the temporary differences.
Capitalized development expenses	P8	The corresponding amount that has been capitalized as development expenses in the balance sheet as intangible assets have been recognized in the reserve for capitalized development expenses in equity.
Lease agreements	P21	All leasing agreements are accounted for as operating leases.

Amounts and dates

Unless otherwise specified, all amounts are in millions of Swedish kronor (SEK million) or other currency specified and are based on the twelve-month period ended December 31 for income statement and cash flow statement items, and as of December 31, for balance sheet items, respectively.

Recently issued accounting standards

For information relevant to Telia Company, see Note C1.

IFRS 9 "Financial Instruments"

As of January 1, 2018, IFRS 9 "Financial instruments" replaced IAS 39 "Financial instruments: Recognition and Measurement" as the standard on reporting for financial instruments in IFRS. In accordance with IFRS 9, a company that is preparing the financial statements in accordance with RFR 2 "Accounting for Legal Entities" is allowed to choose to apply IFRS 9 or not. Telia Company has chosen to apply IFRS 9 in the legal entity as of January 1, 2018. See Note C1 for further information regarding IFRS 9. Telia Company has a transition effect from impairment of intra-group receivables of SEK 150 million. The amount has been recognized as per January 1, 2018, as a decrease in Trade and Other Receivables and a decrease in Equity. See Note P11 for further information.

Judgments and key sources of estimation uncertainty

For information relevant to Telia Company, see Note C2.

P2 NET SALES

Net sales were mainly related to group common services to subsidiaries and were distributed among individually material countries as follows.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017
Sweden	209	194
Finland	80	73
Norway	45	49
Denmark	30	38
Netherlands	15	29
Other countries	37	29
Total	**417**	**413**

P3 EXPENSES BY NATURE

Operating expenses are presented on the face of the income statement using a classification based on the functions “Cost of sales,” “Selling and marketing expenses” and “Administrative expenses.” Total expenses by function were distributed by nature as follows.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017
Other network expenses	-11	-11
Personnel expenses (see also Note P25)	-809	-777
Rent and leasing fees	-5	-36
Consultants’ services	-182	-174
IT expenses	-17	-10
Other expenses and net of intra group invoicing	-81	-118
Amortization, depreciation and impairment losses	-3	-4
Total	**-1,109**	**-1,130**

Amortization, depreciation and impairment losses were distributed by function as follows.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017
Administrative expenses	-3	-4
Total	**-3**	**-4**

P4 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses were distributed as follows.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017
Other operating income		
Reversal of provisions	–	6,807
of which adjustment of provision for the global settlement with the authorities regarding the Uzbekistan investigations	–	*4,293*
of which transfer of parts of the original provision regarding the Uzbekistan investigation to other group companies	–	*2,514*
Discount effect on outstanding provision related to the Uzbekistan investigations	–	66
Exchange rate gains	25	161
Other operating income	5	–
Total other operating income	**30**	**7,034**
Impairment of intra-group receivables	–	-341
Exchange rate losses	-20	-30
Capital losses	–	-6
Unwinding of provision discount	-44	-9
Restructuring costs	-7	-14
Other operating expenses	-327	-318
Total other operating expenses	**-397**	**-719**
of which amortization, depreciation and impairment losses	–	*-341*
Net effect on income	**-368**	**6,314**

Other operating expenses mainly relate to transaction costs in business combinations.

P5 FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs were distributed as follows.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017
Finance income		
Dividends from subsidiaries	21,912	12,916
Capital gains from subsidiaries	1	1,098
Dividends from associated companies	1	0
Interest from subsidiaries	415	330
Other interest income	89	75
Exchange rate gains	241	5
Other financial revenues	2	14
Total finance income	**22,662**	**14,437**
Finance costs		
Impairment losses from subsidiaries	-475	-7,837
Capital losses from subsidiaries	0	-38
Impairment losses from other financial investments	-125	-11
Other interest expenses	-2,228	-2,956
Interest expenses related to subsidiaries	-17	-25
Interest component of pension expenses	-16	-17
Exchange rate losses	-2,759	-1,461
Other financial expenses	-46	0
Total finance costs	**-5,666**	**-12,344**
Net effect on income	**16,995**	**2,093**

For more information regarding Impairment losses from subsidiaries see Notes P10 and P11.

Details on other interest expenses, net exchange rate gains and losses and other interest income related to hedging activities, loan receivables, bonds and borrowings were as follows.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017	Jan–Dec 2018	Jan–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
	Other interest expenses		Net exchange rate gains and losses		Other interest income	
Fair value hedge derivatives	813	76	–	-50	–	–
Cash flow hedge derivatives	-53	95	-27	-131	–	–
Derivatives at fair value through income statement[1]	-59	145	1,493	-186	–	–
Financial assets at amortized cost[1]	–	–	-607	-1,486	15	20
Bonds at fair value through OCI[1]	–	–	–	–	73	55
Borrowings in fair value hedge relationships	-2,592	-1,906	-2,519	-832	–	–
Borrowings and other financial liabilities at amortized cost	-279	-1,254	-857	1,229	–	–
Other	-58	-111	–	–	–	–
Total	**-2,228**	**-2,956**	**-2,518**	**-1,456**	**89**	**75**

1) For comparable 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. Further, Financial assets at amortized cost refer to Loans and receivables under IAS 39.

P6 INCOME TAXES

Tax items recognized in comprehensive income

Tax items recognized in comprehensive income were distributed as follows.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017
Tax items recognized in net income		
Current tax	-551	-533
Adjustment of current tax related to prior years	-2	-1
Deferred tax	-2	-2
Effect on deferred tax from changes in tax rates	-9	–
Total tax expense recognized in net income	**-563**	**-536**
Tax items recognized in other comprehensive income		
Current tax	14	2
Deferred tax	60	32
Total tax recognized in other comprehensive income	**74**	**34**
Tax items recognized directly in equity		
Deferred tax	–	37
Total tax recognized directly in equity	**–**	**37**

Pre-tax income was SEK 23,220 million in 2018 (14,689). The difference between the nominal Swedish income tax rate and the effective tax rate comprises the following components.

Percent	Jan–Dec 2018	Jan–Dec 2017
Swedish income tax rate	22.0	22.0
Underprovided or overprovided current tax expense in prior years	0.0	0.0
Effect on deferred tax expense from changes in tax rates	0.0	–
Non-deductible expenses	1.1	12.4
Tax-exempt income	-20.8	-30.8
Effective tax rate in net income	**2.4**	**3.6**

Non-deductible expenses in 2017 was affected by impairment write-downs of subsidiaries. Tax-exempt income 2018 and 2017 consisted primarily of dividends from subsidiaries. Further, the reversal of part of the provision for settlement amount proposed by the US and Dutch authorities was treated as a tax-exempt income 2017.

SEK in millions	2018 Opening balance	Recognized in Income Statement	Recognized in Other Comprehen-sive income	Recognized in equity	Closing balance
Gross deferred tax assets					
Non-current assets	2	0	–	–	2
Provisions	134	-8	–	–	126
Subtotal	**136**	**-8**	**–**	**–**	**128**
Offset deferred tax liabilities/assets	-105	–	60	–	-44
Total deferred tax assets	**32**	**-8**	**60**	**–**	**85**
Deferred tax liabilities					
Fair value adjustments, cash flow hedges and assets available-for-sale	105	–	-60	–	45
Subtotal	**105**	**–**	**-60**	**–**	**45**
Offset deferred tax assets/liabilities	-105	–	60	–	-45
Total deferred tax liabilities	**–**	**–**	**–**	**–**	**–**
Net deferred tax assets (+)/liabilities (-)	**32**	**-8**	**60**	**–**	**85**

SEK in millions	2017 Opening balance	Recognized in Income Statement	Recognized in Other Comprehen-sive income	Recognized in equity	Closing balance
Gross deferred tax assets					
Non-current assets	2	0	–	0	2
Provisions	99	-1	–	37	134
Subtotal	**101**	**-2**	**–**	**37**	**136**
Offset deferred tax liabilities/assets	-101	2	–	-5	-105
Total deferred tax assets	**–**	**–**	**–**	**32**	**32**
Deferred tax liabilities					
Fair value adjustments, cash flow hedges and assets available-for-sale	137	–	-32	–	105
Subtotal	**137**	**–**	**-32**	**–**	**105**
Offset deferred tax assets/liabilities	-101	2	-5	–	-105
Total deferred tax liabilities	**36**	**2**	**-37**	**–**	**–**
Net deferred tax assets (+)/liabilities (-)	**-36**	**-2**	**37**	**32**	**32**

In 2018 and 2017, there were no accumulated non-expiring tax loss carry-forwards or unrecognized deferred tax assets. As of December 31, 2018, the unrecognized deferred tax liability in untaxed reserves amounted to SEK 1,514 million (1,766).

Untaxed reserves and appropriations

As of December 31, 2018 and 2017, untaxed reserves in the balance sheet consisted of profit equalization reserves totaling SEK 6,882 million and SEK 8,029 million, respectively.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017
Change in profit equalization reserves	1,148	757
Group contributions received	6,485	6,711
Group contributions paid	-348	-468
Net effect on income	**7,284**	**7,000**

P7 OTHER COMPREHENSIVE INCOME

Other comprehensive income was distributed as follows.

SEK in millions	Equity component	Jan–Dec 2018	Jan–Dec 2017
Other comprehensive income that may be reclassified to net income			
Cash flow hedges			
Net changes in fair value	Hedging reserve	-336	-180
Transferred to financial items in net income	Hedging reserve	24	33
Income tax effect	Hedging reserve	69	32
Total cash flow hedges		**-243**	**-115**
Cost of hedging			
Changes in fair value	Cost of hedging reserve	45	–
Income tax effect	Cost of hedging reserve	-9	–
Total cost of hedging		**35**	**–**
Financial instruments measured at fair value through OCI			
Net changes in fair value - available-for-sale financial instruments	Fair value reserve	–	563
Disposals transferred to other financial items in net income - available-for-sale financial instruments	Fair value reserve	–	166
Net changes in fair value - debt instruments at fair value through OCI	Fair value reserve	-64	–
Income tax effect	Fair value reserve	14	2
Total financial instruments measured at fair value through OCI		**-50**	**731**
Other comprehensive income that will not be reclassified to net income			
Equity instruments at fair value through OCI			
Net changes in fair value	Fair value reserve	554	–
Income tax effect	Fair value reserve	–	–
Total equity instruments at fair value through OCI		**554**	–
Total other comprehensive income		**298**	**615**
of which total income tax effects (see also Note P6)		*74*	*34*

P8 INTANGIBLE ASSETS

The total carrying value was distributed and changed as follows.

No general changes of useful lives were made during the year. For useful lives applied, see Notes to consolidated financial statements (corresponding section in Note C2). In the income statement, amortization and impairment losses are, if applicable, included in all expense line items by function as well as in line item Other operating expenses. Accelerated amortization, to the extent allowed by Swedish tax legislation, is recorded as untaxed reserves and appropriations, see this section in Note P6.

The carrying value of intangible assets was distributed as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Capitalized development expenses	1	2
Other intangible assets	5	5
Work in progress	–	2
Total carrying value	**6**	**9**

P9 PROPERTY, PLANT AND EQUIPMENT

The total carrying value was distributed and changed as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
	Plant and machinery		Equipment, tools and installations		Total	
Accumulated cost	6	6	17	17	**23**	**23**
Accumulated depreciation	-6	-6	-17	-17	**-23**	**-23**
Carrying value	**–**	**1**	**0**	**0**	**0**	**1**
Carrying value, opening balance	1	2	**0**	0	**1**	**2**
Depreciation for the year	-1	-1	**–**	0	**-1**	**-1**
Carrying value, closing balance	**–**	**1**	**0**	**0**	**0**	**1**

No general changes of useful lives were made in 2018. For useful lives applied, see Note C2. In the income statement, depreciation and impairment losses are, if applicable, included in all expense line items by function as well as in line item Other operating expenses. Accelerated depreciation, to the extent allowed by Swedish tax legislation, is recorded as untaxed reserves and appropriations, see this section in Note P6.

P10 OTHER FINANCIAL ASSETS

The total carrying value changed as follows.

SEK in millions	Investments in associated companies and joint ventures Dec 31, 2018	Dec 31, 2017	Investments in other equity instruments Dec 31, 2018	Dec 31, 2017	Investments in subsidiaries and other non-current financial assets Dec 31, 2018	Dec 31, 2017	Total Dec 31, 2018	Dec 31, 2017
Carrying value, opening balance	72	54	1,917	1,186	154,561	161,031	**156,551**	**162,273**
New share issues and shareholder contributions	6	4	3	–	92	122	**101**	**126**
Repayment of capital	–	–	-6	-2	-14	-219	**-20**	**-221**
Repayment of borrowings and interest	–	–	–	–	–	–	**–**	**–**
Additions	0	20	36	1	38,946	13,578	**38,980**	**13,599**
Disposals	-53	–	-2,269	–	-13,464	-5,936	**-15,786**	**-5,936**
Impairment losses	-39	-6	–	-5	-444	-7,830	**-483**	**-7,843**
Reclassifications to short-term investments	41	–	–	–	-3,964	-6,184	**-3,923**	**-6,184**
Other reclassifications	–	–	–	–	0	–	**0**	**–**
Changes in fair value	–	–	554	738	–	–	**554**	**738**
Carrying value, closing balance	**27**	**72**	**234**	**1,917**	**175,712**	**154,562**	**175,974**	**156,551**

For other financial assets, fair values equal carrying values. Impairment losses in 2018 and 2017 were mainly related to Impairment losses of Skanova AB. For more information regarding Equity instruments measured at fair value through OCI, see Note C25. The total carrying values of other financial assets were distributed as follows.

SEK in millions	Carrying value Dec 31, 2018	Carrying value Dec 31, 2017
Investments in other equity instruments at fair value through OCI[1]	220	1,898
Investments in other equity instruments at fair value through income statement[1]	13	19
Borrowings at fair value through OCI[1]	7,267	12,084
Interest rate and cross-currency interest rate swaps at fair value	2,381	2,977
of which designated as fair value hedges	*985*	*719*
of which at fair value through income statement[1]	*606*	*1,268*
of which designated as cash flow hedges	*790*	*990*
***Subtotal** (see Fair value hierarchy levels – Note P19)*	***9,881***	***16,978***
Financial assets at amortized cost[1]	46	10
***Subtotal** (see Categories – Note P19 and Credit risk – Note P20)*	***9,927***	***16,989***
Investments in subsidiaries	154,484	134,963
Receivables from subsidiaries (see Note P22)	11,535	4,528
Investments in associated companies	27	72
Total other financial assets	**175,974**	**156,551**
of which interest-bearing	*21,229*	*19,599*
of which non-interest-bearing	*154,745*	*136,952*

1) For comparable 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.

For Loans and receivables (including claims on associated companies), fair value is estimated at the present value of future cash flows discounted by applying market interest rates at the end of the reporting period.

For more information on financial instruments by category/fair value hierarchy level and exposed to credit risk, see Note P19 and section "Credit risk management" in Note P20, respectively. Conventional commercial terms apply for receivables from subsidiaries.

Investments in subsidiaries are specified below, while corresponding information on associated companies and other equity instruments is presented in Notes C14 and C15.

Subsidiary, Corp. reg. no., registered office	**Participation (%)**	**Number of shares**	**Carrying value (SEK in millions)**	
			Dec 31, 2018	**Dec 31, 2017**
Swedish companies				
Skanova AB, 556446-3734, Solna	100	1,000,000	18,233	18,531
Telia Sverige AB, 556430-0142, Stockholm	100	3,000,000	4,376	4,376
Telia Nättjänster Norden AB, 556459-3076, Stockholm	100	68,512	3,146	3,146
TeliaSonera Mobile Networks AB, 556025-7932, Stockholm	100	550,000	663	663
Cygate AB, 556549-8952, Solna	100	61,000	659	659
Telia Finance AB, 556404-6661, Solna	100	45,000	616	541
Telia Mobile Holding AB, 556855-9040, Stockholm	100	50,000	476	476
Telia Carrier AB, 556583-2226, Stockholm	100	1,000,000	453	453
Zitius Service Delivery AB, 556642-8339, Gothenburg	100	2,079,000	353	353
Telia Försäkring AB, 516401-8490, Stockholm	100	2,000,000	200	200
Telia Sverige Net Fastigheter AB, 556368-4801, Stockholm	100	5,000	169	169
Fält Communications AB, 556556-1999, Umeå	100	31,857,538	150	158
C-Sam AB, 556628-1498, Gnesta	100	1,000	94	94
Svenska Stadsnät AB, 556577-9195, Lund	100	100,000	70	70
Humany AB, 556569-7314, Stockholm	100	62,161,368	69	69
SalaNet AB, 556612-1686, Sala	100	40,000	43	43
Romelebygdens Kabel-TV AB, 556426-1716, Lund	100	1,000	36	–
Rätt Internet Kapacitet i Sverige AB, 556669-1704, Umeå	100	8,500	31	31
Telia Asset Finance AB, 556599-4729, Solna	100	1,000	22	22
TV-Net i Löddeköpinge AB, 556419-9908, Löddeköpinge	100	1,000	21	21
Atrox Development AB, 556672-3275, Stockholm	100	1,453	20	–
Axelerate Solutions AB, 556988-3076, Stockholm	100	1,000	17	–
Quadracom Networks AB, 556606-6055, Gothenburg	100	10,000	9	9
Telia Network Sales AB, 556458-0040, Stockholm	100	10,000	7	7
Svenska Stadsnät Perspektiv AB, 559028-4153, Stockholm	100	500	4	4
We Care and Repair Nordic AB, 556989-3679, Stockholm	100	500	2	2
Växjö Support Center Försäljnings AB, 556663-4514, Växjö	100	1,000	1	1
Svenska Stadsnät Transit AB, 556333-0934, Täby	100	1,000	–	8
Telia Towers Sweden AB, 559162-3342, Stockholm	100	50,000	0	–
Other operating, dormant and divested companies			0	0

Subsidiary, Corp. reg. no., registered office	Participation (%)	Number of shares	Carrying value (SEK in millions) Dec 31, 2018	Dec 31, 2017
Non-Swedish companies				
Telia Finland Oyj, 1475607-9, Helsinki	100	1,417,360,515	74,863	74,863
Nebula Top Oy, 2546028-1, Helsinki	100	46,921,852	2,049	1,117
Cygate Oy, 0752421-0, Helsinki	100	1,500,000	416	252
Telia Communication Oy, 0962834-7, Hämeenlinna	100	2700	194	–
Telia Carrier Finland Oy, 1649304-9, Helsinki	100	100	98	98
Assembly Organizing Oy, 2245136-3, Helsinki	80.1	750	23	–
Propentus Oy, 1841830-9, Kouvola	100	720	–	79
Get AS, 919394056, Oslo	100	56,684	18,674	–
Telia Norge AS, 981929055, Oslo	100	30,000	15,139	12,786
Telia Towers AS, 921589298, Oslo	100	300	0	–
Phonero AS, 992984856, Kristiansand	100	41,315	–	2,382
Telia Carrier Denmark A/S, 24210413, Copenhagen	100	1,000	172	172
Telia Company Danmark A/S, 18530740, Copenhagen	100	14,500	19	19
Argon A/S, 36462272, Copenhagen	100	500,000	1	1
Telia Lietuva, AB, 121215434, Vilnius	88.2	513,594,774	4,144	4,144
Telia Global Services Lithuania, UAB,134517169, Vilnius	100	20,000	12	–
SIA Telia Latvija, 000305757, Riga	100	353,500	24	24
Telia Carrier Latvia SIA, 000325135, Riga	100	108,542	7	7
Latvijas Mobilais Telefons SIA, 50003050931, Riga	24.5	200,165	2	2
Telia Eesti AS, 10234957, Tallinn	100	137,954,528	5,690	5,690
Telia Carrier Estonia OÜ, 12606073, Tallinn	100	1	11	11
Telia Carrier France S.A.S., B421204793, Paris	100	1,366,667	482	482
Telia Carrier UK Ltd, 02796345, London	100	1,010,000	268	268
Telia Carrier Germany GmbH, HRB50081, Frankfurt am Main	100	0	249	249
AO Telia Carrier Russia, 1027809197327, Moscow	100	220,807,825	200	200
Telia Carrier U.S. Inc., 541837195, Herndon, VA	100	3,000,100	136	136
Telia Carrier Czech Republic a.s.,26207842, Prague	100	20,000	126	126
Telia Carrier Austria GmbH, FN191783i, Vienna	100	0	118	118
Telia Carrier Netherlands B.V., 34128048, Amsterdam	100	910	59	59
Telia Carrier Switzerland AG, CHE-105.398.242, Zürich	100	1,000	54	54
Telia Carrier Poland Sp.z.o.o., KRS0000018616, Warsaw	100	22,500	37	37
Telia Carrier Italy S.p.A., 07893960018, Turin	100	530,211	17	17
Telia Carrier Hungary Kft, 01-09-688192, Budapest	100	0	13	13
Telia Carrier Turkey Telekomunikasyon L.S., 609188, Istanbul	99.5	55,919	8	8
Telia Carrier Ireland Ltd., 347074, Dublin	100	27	6	6
TOV Telia Carrier Ukraine, 34716440, Kyiv	100	0	6	6
Telia Carrier Romania S.R.L., 20974985, Bukarest	100	10,001	3	3
Telia Carrier Slovakia s.r.o., 36709913, Bratislava	100	0	3	3
Telia Carrier Belgium S.A., 0469422293, Brussels	100	50,620	3	3
Telia Carrier Canada Inc., BC0968600, Vancouver, British Columbia	100	100	1	1
Telia Carrier Singapore Pte. Ltd., 200005728N, Singapore	100	1,200,002	1	1
Telia Carrier d.o.o. Beograd-Stari Grad, 21372820, Belgrade	100	0	1	–
Telia Carrier Communications Mexico S. A. de C.V., TCC1707186Y6, Mexico City	99.9	1,079,200	1	–
Telia Carrier Croatia d.o.o., 081061252, Zagreb	100	112,500	0	0
Telia Carrier Japan Godo-Kaisha, 10403018587, Tokyo	100	1	0	–
Telia Carrier Bulgaria EOOD, 175215740, Sofia	100	29,210	0	14
Telia Frankfurt Property GmbH, HRB98956, Frankfurt am Main	100	0	–	49
TeliaSonera Kazakhstan Holding B.V., 6547289, Rotterdam	100	10	1,209	1,355
TeliaSonera Telekomünikasyon Hizmetleri A.S., 381395, Istanbul	99.0	79,193	10	10
TeliaSonera Assignments B.V., 24300363, Rotterdam	100	1,810,719,000	1	0
Other operating, dormant and divested companies			1	1
Total			**154,484**	**134,963**

In 2018 and 2017 the carrying value of Skanova AB was written down to reflect the operational performance and capital structure. Phonero AS has during 2018 been merged into Telia Norge AS and Propentus Oy was merg-erd into Cygate Oy. Get AS was acquired during 2018.

For information regarding acqusitions see Note C33. In March 2019 the wholly-owned subsidiary Skanova AB was disposed to the wholly-owned subsidiary Telia Sverige AB. Telia Danmark is a branch of Telia Nättjänster Norden AB. Telia Company's holdings in the networksharing operations in Sweden and Denmark are held through Telia Sverige AB and Telia Mobile Holding AB, respectively. Another 24.5 percent of the shares in Latvijas Mobilais Telefons SIA are owned by a subsidiary. Telia Company has a board majority in Latvijas Mobilais Telefons SIA. Remaining shares in TeliaSonera Telekomünikasyon Hizmetleri A.S. is owned by Telia Finland Oyj which also indirectly controls Fintur Holdings B.V. and TeliaSonera UTA Holding B.V.

Equity participation corresponds to voting rights participation in all companies.

Other operating and dormant companies do not control group assets of significant value. In addition to companies mentioned above, Telia Company indirectly controls a number of operating and dormant subsidiaries of subsidiaries.

P11 TRADE AND OTHER RECEIVABLES

The carrying value of trade and other receivables were distributed as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Interest rate and cross-currency interest rate swaps designated as fair value hedges	81	–
Currency swaps and forward exchange contracts at fair value through income statement[1]	717	240
Subtotal *(see Fair value hierarchy levels – Note P19)*	***798***	***240***
Accounts receivable at amortized cost	32	20
Loans and receivables at amortized cost	2	2
Subtotal *(see Categories – Note P19 and Credit risk – Note P20)*	***832***	***261***
Receivables from subsidiaries (see Note P22)	34,074	38,706
of which cash-pool balances and short-term deposits	*27,724*	*31,923*
of which trade and other receivables	*6,350*	*6,783*
Other current receivables	67	200
Deferred expenses	85	32
Total trade and other receivables	**35,056**	**39,200**
of which interest-bearing	*28,334*	*32,106*
of which non-interest-bearing	*6,724*	*7,094*

1) For comparable figures 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.

For Accounts receivable and Loans and receivables, the carrying values equal fair value as the impact of discounting is insignificant. Receivables from subsidiaries includes impairment charges amounting to SEK 182 million of which SEK 150 million is recognized as transition effect when applying IFRS 9 as a decrease in Equity and SEK 32 million is recognized as a finance cost included in the line "Impairment losses from subsidiaries", se Note P5. For Accounts receivable and Loans and receivables (including receivables from associated companies and joint ventures), at the end of the reporting period, concentration of credit risk by geographical area and by customer segment was as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Geographical area		
Sweden	13	2
Other countries	20	20
Total carrying value	**34**	**22**
Customer segment		
Other customers	34	22
Total carrying value	**34**	**22**

For more information on financial instruments by category/fair value hierarchy level and exposed to credit risk, see Note P19 and section "Credit risk management" in Note P20, respectively. Conventional commercial terms apply for receivables from subsidiaries.

As of the end of the reporting period, allowance for expected credit losses and ageing of Accounts receivable, respectively, were as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Accounts receivable invoiced	32	20
Allowance for expected credit losses, accounts receivable	–	–
Total accounts receivable	**32**	**20**
Accounts receivable not due	12	20
Accounts receivable past due but not impaired	20	–
of which 30–180 days	*17*	–
of which more than 180 days	*3*	–
Total accounts receivable	**32**	**20**

As of the end of the reporting period, ageing of Loans and receivables (including receivables from associated companies) were as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Loans and receivables not due	2	2
Total loans and receivables	**2**	**2**

There were no expenses for credit losses and no recovered accounts receivable in 2018 and in 2017.

P12 SHORT-TERM INVESTMENTS, CASH AND CASH EQUIVALENTS

Short-term investments, cash and cash equivalents were as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Short term investments with maturities longer than 3 months	–	13,563
of which bonds at fair value through OCI[1]	–	*8,651*
Short-term investments with maturities up to and including 3 months	6,150	2,394
of which bonds at fair value through OCI[1]	–	*1,411*
of which bank deposits at amortized cost	*6,150*	*982*
Total short-term investments	**6,150**	**15,957**
Cash and bank	6,072	12,024
Total *(see Categories – Note P19 and Credit risk – Note P20)*	**12,222**	**27,981**
of which cash and cash equivalents	*12,222*	*14,418*

1) For comparable figures, financial assets measured at fair value through Other Comprehensive Income (OCI) refer to financial assets classified as "available-for-sale" under IAS 39.

Cash and cash equivalents are defined as the sum of Short-term investments with maturities up to and including 3 months and the balance sheet item Cash and bank. The carrying values are assumed to approximate fair values as the risk of changes in value is insignificant. As of December 31, 2018, there were no blocked funds in Telia Company's bank accounts. For more information on financial instruments by category and exposed to credit risk, see Note P19 and section "Credit risk management" in Note P20, respectively.

P13 SHAREHOLDERS' EQUITY

Share capital, treasury shares, earnings per share and dividends
See Notes to consolidated financial statements (corresponding sections in Note C19).

At the disposal of the Annual General Meeting (AGM):

	SEK
Non-restricted equity excluding net income	56,820,604,123
Net income	22,657,116,171
Total	**79,477,720,294**

The Board proposes that this sum be appropriated as follows:

	SEK
SEK 2.36 per share ordinary dividend to the shareholders[1]	9,984,704,090
To be carried forward	69,493,016,204
Total	**79,477,720,294**

1) Based on outstanding shares as per December 31, 2018.

The dividend should be split and distributed into two equal tranches, one in April 2019 and one in October 2019.

The Board of Directors has, according to Chapter 18 Section 4 of the Swedish Companies Act, assessed whether the proposed dividend is justified. The Board of Directors assesses that:

The parent company's restricted equity and the group's total equity attributable to the shareholders of the parent company, after the distribution of profits in accordance with the proposal, will be sufficient in relation to the scope of the parent company's and the group's business.

The proposed dividend does not jeopardize the parent company's or the group's ability to make the investments that are considered necessary. The proposal is consistent with the established cash flow forecast under which the parent company and the group are expected to manage unexpected events and temporary variations in cash flows to a reasonable extent.

The full statement by the Board of Directors on the same will be included in the AGM documentations.

P14 PROVISIONS FOR PENSIONS AND EMPLOYMENT CONTRACTS

Pension obligations and pension expenses
The employees in Telia Company AB are covered by one of the three occupational pension plans ITP1, ITP2 or ITP-Tele due to collective agreement. ITP2 and ITP-Tele are defined benefit pension plans which means that the individual is guaranteed a pension equal to a certain percentage of his or her salary. All employees born in 1979 or later are covered by ITP1.

Most pension obligations are secured by Telia Pension Fund. Certain commitments, such as certain supplementary individual pension benefits and a right under the employment contracts for certain categories of personnel to retire at age 55, 60, or 63, are provided for by taxed reserves in the balance sheet.

Pension obligations are calculated annually, as of the end of the reporting period, based on actuarial principles.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Opening balance, pension obligations covered by plan assets	1,547	1,568
Opening balance, pension obligations not covered by plan assets	417	432
Opening balance, total pension obligations	**1,964**	**2,001**
Current service cost	13	38
Interest cost, paid-up policy indexation	103	72
Benefits paid	-129	-120
Divested operations	0	0
Other changes in valuation of pension obligations	4	-27
Termination benefits	–	–
Closing balance, pension obligations covered by plan assets	1,551	1,547
Closing balance, pension obligations not covered by plan assets	403	417
Closing balance, total pension obligations	**1,954**	**1,964**
of which PRI Pensionsgaranti pensions	*1,334*	*1,330*

The fair value of plan assets changed as follows.

SEK in millions, except return	Dec 31, 2018	Dec 31, 2017
Opening balance, plan assets	2,690	2,555
Actual return	-10	135
Closing balance, plan assets	**2,680**	**2,690**
Actual return on plan assets (%)	*-0.4*	*5.3*

Provisions for pension obligations were recognized in the balance sheet as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Present value of pension obligations	1,954	1,964
Fair value of plan assets	-2,680	-2,690
Surplus capital in pension fund	1,129	1,143
Provisions for pension obligations	**403**	**417**

Total pension expenses (+)/income (-) were distributed as follows.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017
Current service cost	13	38
Interest cost, paid-up policy indexation	103	72
Less interest expenses recognized as financial expenses	-16	-17
Actual return on plan assets	10	-135
Divested operations, pension obligations	0	0
Other changes in valuation of pension obligations	4	-27
Termination benefits	–	–
Pension expenses (+)/income (-), defined benefit pension plans	**113**	**-69**
Pension premiums, defined benefit/defined contribution pension plans and other pension costs	70	82
Pension-related social charges and taxes	52	48
Less termination benefits (incl. premiums and pension-related social charges) reported as restructuring cost	-1	-5
Pension expenses (+)/income (-)	**121**	**125**
Decrease (-)/Increase (+) of surplus capital in pension fund	-14	156
Recognized pension expenses (+)/income (-)	**220**	**212**
of which pension premiums paid to the ITP pension plan	*5*	*5*

Principal actuarial assumptions

The actuarial calculation of pension obligations and pension expenses is based on principles set by PRI Pensionsgaranti and the Swedish Financial Supervisory Authority, respectively.

The principal calculation assumption is the discount rate which, as a weighted average for the different pension plans and, as applicable, net of calculated yield tax, was 3.0 percent in 2018 (3.0). Obligations were calculated based on the salary levels prevailing at December 31, 2018 and 2017, respectively.

Plan-asset allocation

At the end of the reporting period, plan assets were allocated as follows.

	Dec 31, 2018		Dec 31, 2017	
Asset category	SEK in millions	Percent	SEK in millions	Percent
Fixed income instruments, liquidity	1,353	50.5	1,138	42.3
Shares and other investments	1,326	49.5	1,552	57.7
Total	**2,680**	**100.0**	**2,690**	**100.0**
of which shares in Telia Company	–	–	–	–

Future contributions and pension payments

As of December 31, 2018, the fair value of plan assets exceeded the present value of pension obligations. Unless the fair value of plan assets during 2019 should fall short of the present value of pension obligations, Telia Company has no intention to make any contribution to the pension fund.

P15 OTHER PROVISIONS

Changes in other provisions were as follows.

	December 31, 2018					
SEK in millions	**Payroll taxes on future pension payments**	**Restructuring provisions**	**Other provisions**	**Damages and court cases**	**Insurance provisions**	**Total**
Opening balance	48	8	35	1,650	21	**1,762**
of which financial liabilities at amortized cost	–	–	–	–	–	–
Provisions for the period	–	7	*162*	–	–	**169**
Utilized provisions	-1	-12	-23	–	–	**-36**
Reversal of provisions	–	–	–	–	–	–
Exchange rate differences	–	–	–	44	–	**44**
Discount effect, net	–	–	–	160	–	**160**
Closing balance	**47**	**2**	**174**	**1,854**	**21**	2,099
of which non-current portion	*47*	–	*63*	–	*21*	***131***
of which current portion	–	*2*	*111*	*1,854*	–	***1,968***

For financial liabilities, the carrying value equals fair value as provisions are discounted to present value. See Note P19 for more information on financial instruments classified by category.

Restructuring provisions mainly refer to staff redundancy costs related to cost saving programs. The remaining provision as of December 31, 2018, is expected to be fully utilized in 2019. Provisions for damages and court cases comprises of the provision for settlement amount with the US and Dutch authorities. During 2018 this provision was reclassified to short term provision. For more information see Note C34. Full utilization of payroll taxes on future pension payments, damages and court cases, and insurance provisions is expected in the period 2019-2059.

The provisions represent the present value of management's best estimate of the amounts required to settle the liabilities. The estimates may vary mostly as a result of changes in actual pension payments, changes in the actual number of months an employee is staying in redeployment before leaving, changes in tax and other legislation and changes in the actual outcome of negotiations with lessors, sub-contractors and other external counterparts as well as the timing of such changes.

P16 LONG-TERM AND SHORT-TERM BORROWINGS

Open-market financing programs

For information on Telia Company's open-market financing programs, see Note C20.

Borrowings

Long-term and short-term borrowings were distributed as follows.

SEK in millions	Dec 31, 2018 Carrying value	Dec 31, 2018 Fair value	Dec 31, 2017 Carrying value[2]	Dec 31, 2017 Fair value[2]
Long-term borrowings				
Open-market financing program borrowings in fair value hedge relationships[2]	49,963	55,014	45,185	49,967
Interest rate swaps at fair value	162	162	276	276
of which designated as hedging instruments	*162*	*162*	*276*	*276*
Cross-currency interest rate swaps at fair value	1,792	1,792	1,990	1,990
of which hedging net investments	*1,527*	*1,527*	*1,417*	*1,417*
of which designated as hedging instruments	*265*	*265*	*381*	*381*
of which at fair value through income statement[1]	–	–	*192*	*192*
***Subtotal** (see Fair value hierarchy levels – Note P19)*	***51,917***	***56,968***	***47,450***	***52,233***
Open-market financing program borrowings at amortized cost[2]	32,267	39,767	37,987	46,877
***Subtotal** (see Categories – Note P19)*	***84,184***	***96,735***	***85,437***	***99,110***
Total long-term borrowings	**84,184**	**96,753**	**85,437**	**99,110**
Short-term borrowings				
Open-market financing program borrowings in fair value hedge relationships	3,018	3,019	729	735
Interest rate swaps designated as hedging instruments	45	45	4	4
Cross-currency interest rate swaps designated as hedging instrument	–	–	106	106
Cross-currency interest rate swaps as at fair value through income statement[1]	292	292	93	93
***Subtotal** (see Fair value hierarchy levels – Note P19)*	***3,355***	***3,357***	***932***	***937***
Open-market financing program borrowings at amortized cost	1,771	1,776	1,460	1,462
of which hedging net investments	–	–	*983*	*984*
Repurchase agreement liabilities	–	–	664	664
***Subtotal** (see Categories – Note P19)*	***5,127***	***5,133***	***3,056***	***3,063***
Borrowings from subsidiaries (see Note P22)	*28,816*		37,793	
of which cash pool balances	*28,660*		*36,718*	
of which other borrowings	*156*		*1,074*	
Total short-term borrowings	**33,943**		**40,849**	

1) For comparable figures 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.
2) For 2017, carrying value of SEK 267 million has been reclassified from "Open-market financing program borrowings" to "Open-market financing program borrowings 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 -4,998 million and SEK 3,609 million, respectively.

As of December 31, 2018, fully unutilized bank overdraft facilities had a total limit of SEK 1,416 million (1,246).

For additional information on financial instruments classified by category/fair value hierarchy level, see Note P19, and for information on maturities and liquidity risks, see section "Liquidity risk management" in Note P20. See Note C20 for further information on borrowings and the swap portfolio. Conventional commercial terms apply for borrowings from subsidiaries, which comprise cash-pool balances and other borrowings.

P17 LONG-TERM LIABILITIES

The carrying value of long-term liabilities were distributed as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Liabilities to subsidiaries (see Note P22)	–	–
Other liabilities	16	13
Total long-term liabilities	**16**	**13**

For the years 2018 and 2017, no long-term liabilities fell due more than 5 years after the end of the reporting period.

P18 SHORT-TERM PROVISIONS, TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Short-term provisions, trade payables and other current liabilities were distributed as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Currency swaps, forward exchange contracts and currency options measured at fair value through profit or loss (income statement)	99	225
Subtotal *(see Fair value hierarchy levels – Note P19)*	***99***	***225***
Accounts payable at amortized cost	129	82
Current liabilities at amortized cost	15	17
Subtotal *(see Categories – Note P19)*	***243***	***324***
Liabilities to subsidiaries (see Note P22)	156	731
Other current liabilities and short-term provisions	2,430	212
Total short-term provisions, trade payables and other current liabilities	**2,829**	**1,267**

Other current liabilities and short-term provisions include the remaining short-term provision for the settlement with the US and Dutch authorities regarding the Uzbekistan investigations amounting to SEK 1,854 million as per December 31, 2018.

For Accounts payable and Current liabilities, the carrying value equals fair value as the impact of discounting is insignificant. For additional information on financial instruments classified by category/fair value hierarchy level and on liquidity risks, see Note P19 and section "Liquidity risk management" in Note P20. As of December 31, 2018, contractual cash flows for liabilities at amortized cost represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2019	Apr–Jun 2019	Jul–Sep 2019	Oct–Dec 2019	Total
Liabilities at amortized cost	144	0	0	0	**144**

Corresponding information for currency derivatives held-for-trading is presented in section "Liquidity risk management" to Note P20.

Conventional commercial terms apply for trading with subsidiaries.

P19 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND LEVEL

Categories

Carrying values of classes of financial assets and liabilities were distributed by category as follows. Financial liabilities exclude pension obligations as presented in Note P14.

SEK in millions	Note	Dec 31, 2018	Dec 31, 2017
Financial assets			
Derivatives designated as hedging instruments	P10, P11	1,856	1,708
Financial assets at fair value through profit and loss[1]		1,336	1,527
of which derivatives measured at fair value through income statement[1]	*P10, P11*	*1,323*	*1,508*
of which other investments at fair value through income statement[1]	*P10*	*13*	*19*
Long- and short-term bonds measured at fair value through OCI[1]	P10, P12	7,267	22,146
Financial assets at amortized cost[1]	P10, P11, P12	45,756	43,466
Financial assets mesaured at fair value through OCI[1]	P10, P12	220	1,898
Total financial assets by category		**56,435**	**70,745**
Financial liabilities			
Derivatives designated as hedging instruments	P16	2,000	2,180
Derivatives mesaured at fair value through income statement[1]	P16, P18	392	514
Financial liabilities measured at amortized cost	P16, P18	116,133	124,720
Total financial liabilities by category		**118,525**	**127,414**

1) For comparable 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. Financial assets at amortized cost refer to Lons and receivables under IAS 39.

Fair value hierarchy levels

The carrying values of classes of financial assets and liabilities were distributed by fair value hierarchy level as follows.

		December 31, 2018				December 31, 2017			
			of which				of which		
SEK in millions	Note	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Financial assets at fair value[1]									
Equity instruments at fair value through OCI[2]	P10	**220**	–	–	220	**1,898**	–	–	1,898
Equity instruments at fair value through income statement[2]	P10	**13**	–	–	13	**19**	–	–	19
Long-and short-term bonds at fair value through OCI[2]	P10, P12	**7,267**	7,267	–	–	**22,148**	17,438	4,709	–
Derivatives designated as hedging instruments	P10, P11	**1,856**	–	1,856	–	**1,709**	–	1,709	–
Derivatives at fair value through income statement[2]	P10, P11	**1,323**	–	1,323	–	**1,508**	–	1,508	–
Total financial assets at fair value by level		**10,679**	**7,267**	**3,179**	**234**	**27,282**	**17,438**	**7,926**	**1,917**
Financial liabilities at fair value									
Derivatives designated as hedging instruments	P16	**2,000**	–	2,000	–	**2,180**	–	2,180	–
Derivatives at fair value through Income Statement[2]	P16, P18	**392**	–	392	–	**514**	–	514	–
Total financial liabilities at fair value by level		**2,392**	**–**	**2,392**	**–**	**2,693**	**–**	**2,693**	**–**

1) For information on fair value hierarchy levels and fair value estimation, see Note C3.
2) For comparable 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.

There were no transfers between Level 1, 2 or 3 in 2018 and 2017.

Level 3 financial assets changed as follows.

SEK in millions	December 31, 2018 Equity instruments at fair value through OCI	Equity instruments at fair value through income statement	Derivatives at fair value through income statement	Total	December 31, 2017 Equity instruments at fair value through OCI[1]	Equity instruments at fair value through income statement[1]	Derivatives at fair value through income statement	Total
Level 3, opening balance	1,897	19	–	**1,917**	1,160	26	–	**1,186**
Changes in fair value	554	–	–	**554**	738	-7	–	**731**
of which recognized in net income	–	–	–	–	–	-7	–	***-7***
of which recognized in other comprehensive income	*554*	–	–	***554***	*738*	–	–	***738***
Purchases/capital contributions	39	0	–	**39**	–	–	–	**–**
Disposal	-2,269	-6	–	**-2,275**	–	–	–	**–**
Level 3, closing balance	**220**	**13**	**–**	**234**	**1,897**	**19**	**–**	**1,917**

1) For comparable 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.

The changes in fair value and the disposals of equity instruments relates mainly to Telia Company's holding in Spotify. Changes in fair value recognized in net income are included in line item Financial income and expenses. For more information see Note P5 and Note C25.

P20 FINANCIAL RISK MANAGEMENT

Principles, capital management and management of financial risks

For information relevant to Telia Company, see Note C26.

Credit risk management

Telia Company's exposure to credit risk arises from default of counterparts (including price risks as regards investments in equity instruments), with a maximum exposure equal to the carrying amount of these instruments (detailed in the respective Note and excluding receivables from subsidiaries), as follows.

SEK in millions	Note	Dec 31, 2018	Dec 31, 2017
Other financial assets excluding investments and receivables on subsidiaries and associated companies and investments in other equity instruments	P10	9,694	15,072
Trade and other receivables	P11	832	262
Short-term investments, cash and cash equivalents	P12	12,222	27,981
Total		**22,748**	**43,315**

Telia Company has an internal model for credit rating of subsidiaries used when pricing internal lending to subsidiaries. For information on the model, see Note P1 and for information on credit risk management relevant to Telia Company, see Note C26.

Liquidity risk management

Liquidity risk is the risk that Telia Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. For information on liquidity risk management relevant to Telia Company, see Note C26.

As of December 31, 2018, contractual undiscounted cash flows for interest-bearing borrowings and non-interest-bearing currency derivatives (excluding intra-group derivatives) represented the following expected maturities, including instalments and estimated interest payments. The balances due within 12 months equal their carrying values as the impact of discounting is insignificant.

Expected maturity SEK in millions	Jan–Mar 2019	Apr–Jun 2019	Jul–Sep 2019	Oct–Dec 2019	2020	2021	2022	2023	Later years	Total
Open-market financing program borrowings	-3,798	-391	-411	-2,670	-9,850	-9,459	-15,307	-13,202	-50,085	**-105,173**
Cross-currency interest rate swaps and interest rate swaps										
Payables	-7,843	-1,730	-175	-2,316	-7.527	-7,048	-3,619	-2,841	-24,199	**-57,298**
Receivables	8,215	1,761	116	2,392	7,989	7,216	3,574	2,926	23,711	**57,900**
Currency swaps and forward exchange contracts										
Payables	-28,697	-417	-5	-574	–	–	–	–	–	**-29,693**
Recievables	28,840	421	5	562	–	–	–	–	–	**29,828**
Total, net	**-3,283**	**-356**	**-470**	**-2,606**	**-9,388**	**-9,291**	**-15,352**	**-13,117**	**-50,573**	**-104,436**

Expected maturities for and additional information on non-interest-bearing liabilities, guarantees and other contractual obligations are presented in Notes P15, P18 and P23, respectively.

P21 OPERATING LEASE AGREEMENTS

Telia Company leases primarily office premises. Most of the leases are from outside parties. The leases are on commercial terms with respect to prices and duration.

Future minimum leasing fees under operating lease agreements in effect as of December 31, 2018, that could not be canceled in advance and were in excess of one year were as follows.

Expected maturity SEK in millions	Jan–Mar 2019	Apr–Jun 2019	Jul–Sep 2019	Oct–Dec 2019	2020	2021	2022	2023	Later years	Total
Future minimum leasing fees	10	10	10	10	38	25	2	2	2	**107**

In 2018 total rent and leasing fees paid were SEK 35 million (39).

P22 RELATED PARTY TRANSACTIONS

General
Conventional commercial terms apply for the supply of goods and services to and from subsidiaries, associated companies and joint ventures.

Subsidiaries
In 2018 sales to subsidiaries totaled SEK 413 million (406), while purchases from subsidiaries totaled SEK 162 million (27). For information regarding receivables from and liabilities to subsidiaries see Notes P10, P11, P16, P17 and P18.

Commitments on behalf of related parties
Telia Company has made certain commitments on behalf of group companies and joint ventures. See Note P23 for further details.

Other transactions
For descriptions of certain other transactions with related parties, see Note C28.

P23 CONTINGENCIES, OTHER CONTRACTUAL OBLIGATIONS AND LITIGATION

Contingent assets and financial guarantees

As of the end of the reporting period, Telia Company had no contingent assets, while financial guarantees reported as contingent liabilities were distributed as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Guarantees on behalf of subsidiaries	3,461	10,762
Guarantees for pension obligations	38	38
Guarantees for pension obligations on behalf of former subsidiaries	–	*67*
Total financial guarantees	**3,500**	**10,867**

Some loan covenants agreed limit the scope for divesting or pledging certain assets. For information on change-of-control provisions included in some of Telia Company's more recent bond issuances, see Notes to consolidated financial statements (corresponding section in Note C30). For all financial guarantees issued, stated amounts equal the maximum potential future payments that Telia Company could be required to make under the respective guarantee. As per December 31, 2018, guarantees on behalf of subsidiaries included SEK 502 million related to Swedish pension obligations and SEK 1,500 million related to vendor financing. As per December 31, 2017, guarantees on behalf of subsidiaries included SEK 8,183 million to TeliaSonera UTA Holding B.V. and Sonera Holding B.V. to support the companies financially if they can not meet their payment obligations until March 2018. The guarantee was necessary for the companies to distribute dividends within the group. Guarantees on behalf of subsidiaries also included SEK 509 million related to Swedish pension obligations and SEK 1,678 million related to vendor financing. In addition to financial guarantees indicated above, guarantees for fulfilment of contractual undertakings are granted by Telia Company on behalf of subsidiaries, as part of the group's normal course of business. At the end of the reporting period, there was no indication that payment will be required in connection with any such contractual guarantee.

Collateral pledged

As of the end of the reporting period, collateral pledged was distributed as follows.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Investment bonds pledged under repurchase agreements	*156*	*664*
Total collateral pledged	**156**	**664**

Other unrecognized contractual obligations

As of December 31, 2018, unrecognized contractual obligations regarding future acquisitions (or equivalent) of non-current assets represented the following expected maturities.

Expected maturity SEK in millions	Jan–Mar 2019	Apr–Jun 2019	Jul–Sep 2019	Oct-Dec 2019	2020	2021	2022	2023	Later years	Total
Other holdings	–	1	–	1	1	1	–	–	–	4
Total *(see Liquidity risk – Note P20)*	**–**	**1**	**–**	**1**	**1**	**1**	**–**	**–**	**–**	**4**

Legal and administrative proceedings

For additional information relevant to Telia Company, see Note C29.

P24 CASH FLOW INFORMATION

Non-cash transactions

No non-cash transactions were performed during 2018 or 2017.

Liabilities and cash flows arising from financing activities

SEK in millions	Dec 31, 2017	Cash flows	Non-cash changes: Foreign exchange movements	Non-cash changes: Fair value changes	Non-cash changes: Other changes[1]	Dec 31, 2018
Long-term borrowings	**85,437**	**1,580**	**2,831**	**258**	**-5,922**	**84,184**
Long-term borrowings (excluding borrowings from subsidiaries)	85,437	1,580	2,831	258	-5,922	84,184
of which derivatives held to hedge long-term borrowings	*2,266*	*1,683*	*-1,995*	–	–	*1,954*
Short-term borrowings	**40,849**	**-2,444**	**-62**	**-36**	**-4,364**	**33,943**
Short-term borrowings (excluding borrowings from subsidiaries)	3,056	-2,444	-62	-36	4,612	5,127
of which derivatives held to hedge short-term borrowings	*203*	*189*	*-54*	–	–	*338*
Change in borrowings from subsidiaries	37,793	–	–	–	-8,977	28,816
Total liabilities from financing activities	**126,286**	**-864**	**2,769**	**222**	**-10,287**	**118,127**

1) Other changes mainly refer to reclassification due to maturity from long to short term.

SEK in millions	Dec 31, 2016	Cash flows	Non-cash changes: Foreign exchange movements	Non-cash changes: Fair value changes	Non-cash changes: Other changes[1]	Dec 31, 2017
Long-term borrowings	**81,207**	**4,111**	**1,113**	**-772**	**-221**	**85,437**
Long-term borrowings (excluding borrowings from subsidiaries)	81,207	4,111	1,113	-772	-221	85,437
of which derivatives held to hedge long-term borrowings	*2,684*	*-951*	*-504*	–	*1,037*	*2,266*
Short-term borrowings	**29,642**	**-8,852**	**21**	**-27**	**20,065**	**40,849**
Short-term borrowings (excluding borrowings from subsidiaries)	10,496	-8,852	21	-27	1,418	3,056
of which derivatives held to hedge short-term borrowings	*193*	*-52*	*61*	–	–	*203*
Change in borrowings from subsidiaries	19,146	–	–	–	18,647	37,793
Total liabilities from financing activities	**110,849**	**-4,741**	**1,133**	**-799**	**19,844**	**126,286**

1) Other changes mainly refer to reclassification due to maturity from long to short term.

P25 HUMAN RESOURCES

The number of employees was 338 at December 31, 2018 (332). The average number of full-time employees was as follows.

Country	Jan–Dec 2018 Total (number)	Jan–Dec 2018 of whom men (%)	Jan–Dec 2017 Total (number)	Jan–Dec 2017 of whom men (%)
Sweden	329	52	262	50
Total	**329**	**52**	**262**	**50**

The share of female and male Corporate Officers was as follows. Corporate Officers include all members of the Board of Directors, the President and the 7 other members (8) of Group Executive Management employed by the parent company.

Percent	Dec 31, 2018 Board of Directors	Dec 31, 2018 Other Corporate Officers	Dec 31, 2017 Board of Directors	Dec 31, 2017 Other Corporate Officers
Women	45.5	25.0	41.7	44.4
Men	54.5	75.0	58.3	55.6
Total	**100.0**	**100.0**	**100.0**	**100.0**

Total personnel expenses were distributed by nature as follows.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017
Salaries and other remuneration	**422**	**405**
of which performance share programs	*10*	*10*
Social security expenses		
Employer's social security contributions	136	122
of which performance share programs	*3*	*3*
Pension expenses	220	213
Total social security expenses	**356**	**335**
Other personnel expenses	32	36
Total personnel expenses recognized by nature	**809**	**777**

Salaries and other remuneration were divided between Corporate Officers and other employees as follows.

	Jan–Dec 2018		Jan–Dec 2017	
SEK in millions	**Corporate Officers (of which variable pay)**	**Other employees**	**Corporate Officers (of which variable pay)**	**Other employees**
Salaries and other remuneration	79 (–)	343	65 (–)	340

Corporate Officers include members of the Board of Directors and, as applicable, former Board members (but exclude employee representatives); the President and, as applicable, former Presidents and Executive Vice Presidents; and the 7 other members (8) of Group Executive Management employed by the parent company.

Pension expenses and outstanding pension commitments for Corporate Officers were as follows. There are no pension benefit arrangements for external members of the Board of Directors.

	January–December or December 31,	
SEK in millions	**2018**	**2017**
Pension expenses	21	21
Outstanding pension commitments	167	167

For additional information, see sections "Performance share programs" and "Remuneration to corporate officers" in Note C31.

P26 REMUNERATION TO AUDIT FIRMS

Remuneration to audit firms was as follows. See additional information in Note C32.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017
Remuneration		
Deloitte		
Audit	11	8
Audit-related services	1	0
Tax services	0	0
All other services	4	14
Total	**15**	**22**

SUSTAINABILITY NOTES

CONTENTS

S1 GENERAL INFORMATION

The Board of Directors' Report, section Sustainability and the Sustainability Notes together constitute Telia Company's statutory sustainability report according to the requirements in the Swedish Annual Accounts Act. It also serves as Telia Company's and all subsidiaries' Global Compact Communication On Progress.

The report has been prepared according to Telia Company's Sustainability Reporting Framework (TCSRF). TCSRF contains general guidance on reporting principles and content guidance as well as detailed information on basis for preparation of information and definitions. TCSRF is available on www.teliacompany.com/sustainability/reporting.

To facilitate comparability, TCSRF and the Sustainability Notes contain references to other frameworks commonly used in sustainability reporting. This sustainability report shall not be considered to be prepared in accordance with the GRI Standards or Guidelines, as was the practice for Telia Company's previous reports.

Scope for the information provided is generally continuing operations unless otherwise specified. The same applies to the Responsible business focus area goals. Where relevant, baseline for the Responsible business focus area goals is 2018. As far as possible, information presented in the sustainability report mirrors financial reporting in structure and scope.

The adoption of TCSRF has led to the inclusion of new information as well as restructuring or recalculation of earlier reported information. For this reason, comparable historical information has not always been available. Our aim is to provide at least one year, and preferably two years, of comparable historical information. Material omissions or limited scope of information are explained in the respective note.

All remaining assets in discontinued operations except Moldcell in Moldova were divested during the year, which had a significant impact on total energy consumption and greenhouse gas emissions. There were no organizational changes in continuing operations that had a significant impact on the sustainability work or performance.

Deloitte has been engaged to provide limited assurance of the sustainability report, see Auditors' Limited Assurance Report on the Sustainability Report for more information. All disclosures which constitute the sustainability report are covered by the limited assurance engagement.

Comments and feedback help us develop our sustainability work and reporting. You are welcome to contact us at sustainability-group (at) teliacompany.com.

This material refers to:

- GRI 102-10 Significant changes to the organization and its supply chain
- GRI 102-45 Entities included in the consolidated financial statements
- GRI 102-48 Restatements of information
- GRI 102-53 Contact point for questions regarding the report
- GRI 102-56 External assurance

S2 SUSTAINABILITY GOVERNANCE

See Corporate Governance Statement, sections Board of Directors, CEO and Group Executive Management, and Group-wide governance framework for a description of roles and responsibilities of Group Executive Management and the Board of Directors. Governance of the Responsible business focus areas as well as human rights is described in the respective chapters, see Board of Directors' Report, section Sustainability.

More detailed information on risk management, identified risks and uncertainties and mitigating activities can be found in Corporate Governance Statement, section Enterprise risk management (ERM) framework and Board of Directors' Report, section Risks and uncertainties. The Code of Responsible Business Conduct and other governing documents can be found at www.teliacompany.com/en/about-the-company/public-policy.

Telia Company is a signatory, or committed to adhering to the principles, of a number of international frameworks. See Corporate Governance Statement, section Statement of materiality and significant audiences. We are also members on group level or locally of various industry inititiatives. Read more in the respective chapters in Board of Directors' Report, section Sustainability.

This material refers to:

- GRI 102-12 External initiatives
- GRI 102-15 Key impacts, risks, and opportunities
- GRI 102-16 Values, principles, standards and norms of behaviour
- GRI 102-18 Governance structure
- GRI 102-26 Role of the highest governance body in setting purpose, values, and strategy
- GRI 102-29 Identifying and managing economic, environmental, and social impacts
- GRI 201-2 Financial implications and other risks and opportunities due to climate change
- Task Force on Climate Related Financial Disclosures (TCFD): Risk management

S3 STAKEHOLDER ENGAGEMENT AND MATERIALITY DETERMINATION

It is Telia Company's firm belief that the best way of ensuring sustainable growth and profitability is integrating sustainable, responsible business practices into all parts of business and strategy, to create long-term shared value for the company, its significant stakeholders and society as a whole. See Corporate Governance Statement, section Statement of materiality and significant audiences for more information.

We engage both qualitatively and quantitatively with stakeholders from key stakeholder groups with the purpose by understanding our impacts and their expectations. Stakeholders are generally selected for engagement either because we believe that they represent the opinions of a stakeholder group as a whole (e.g. respondents of consumer surveys), or because we consider them influential or critical in order to better understand our impacts and expectations (e.g. industry associations or certain institutional investors).

Material topics are considered material both for management and for inclusion in the sustainability report and/or other relevant reporting. In addition, some topics are included in reporting that are not considered prioritized to manage from an impact perspective, but rather to satisfy information requests used for various ESG assessment purposes.

Responsible business focus areas have remained largely the same since 2014-2015, when we carried out a comprehensive materiality review. Children's rights was added as a focus area in 2017. Many focus areas have been closely connected to the risks related to doing business in region Eurasia. With the nearly complete exit from region Eurasia in 2018, we aim to revise our view on material topics with a stronger focus on shared value creation and our impact on the SDGs.

Below are some stakeholder engagement activities during the year which have directly or indirectly impacted our view on materiality in management and in reporting. Throughout the Board of Directors's Report, section Sustainability you will find more information on topic-specific statekeholder engagement.

Purple Voice
Purple Voice is our annual employee engagement survey, sent out to employees in core markets. The results are compiled to produce an overall figure – the Purple Voice index – which indicates how employees perceive the organization's performance in four key areas:
- Employee engagement
- Organizational efficiency, capabilities and innovation
- Understanding of, and alignment with, goals and strategy
- Strategic success

The 2018 Purple Voice index score was 78 (79). The results indicated that we generally do well across all areas compared to the external benchmark, particularly within innovation, empowerment and accountability, but need to improve collaboration between teams and functions.

Since 2015, the score of the statement "I am proud of the way Telia Company contributes to a better society" has gone from 65 to 78. 77 percent of employees believed that the employee volunteering program Younite is a valuable opportunity to contribute to the communities where Telia Company operates.

Sustainability Perception Index
The Sustainability Perception Index (SPI) survey was carried out in all core markets. Around 2,000 respondents, both consumers and business customers were asked whether they believe that Telia contributes positively to society and the environment, and whether we conduct our business in an ethical way. The findings showed that many respondents still feel uninformed about our impact, in particular our environmental impact. Informed respondents however are generally very positive towards our impact and ethical business practices.

Sustainable Brand Index
In the Sustainable Brand Index consumer perception study which is carried out annually in all Nordic countries, local Telia brands achieved top ranking in the telecom industry in several markets. Telia Sweden placed eighth overall out of over a hundred of the largest brands in Sweden in the first B2B survey. The survey provided valuable insight into how Nordic consumers are increasingly including sustainability performance as part of buying decisions, and the expectations on mobile operators especially in offering circular business models for mobile devices.

Investor outreach
Each year we invite some of our largest and most active shareholders to a sustainability update, where we inform of our work and future plans. We also engage with them annually for feedback on our sustainability reporting. During investor roadshows and in regular investor meetings we actively discuss and ask for feedback on our sustainability work and performance, aiming to engage also traditional financial investors on sustainability and ESG integration in company evaluation.

Valuable input during the year included how to quantify Telia Company's positive and negative impacts on the SDGs, further clarifying our shared value creation approach and the need for ambitious climate goals.

This material refers to:

GRI 102-43 Approach to stakeholder engagement
GRI 102-44 Key topics and concerns raised
GRI 102-46 Defining report content and topic boundaries

S4 ANTI-BRIBERY AND CORRUPTION

See Board of Directors' Report, section Sustainability, Anti-bribery and corruption for more information about this focus area.

Facilitation payments and political donations
As stated in the *Group policy – Anti-bribery and corruption* and related guiding documents, making or accepting facilitation payments and political donations is strictly forbidden. This principle extends to our suppliers through the Supplier code of conduct.

This material refers to:

- GRI 205 Anti-corruption
- GRI 415 Public policy
- Global Compact principle 10: Work against corruption in all its forms, including extortion and bribery
- EU Non-Financial Reporting Directive: Anti-corruption and bribery matters

S5 CHILDREN'S RIGHTS

See Board of Directors' Report, section Sustainability, Children's rights for more information about this focus area.

This material refers to:

- Global Compact principle 1: Support and respect the protection of internationally proclaimed human rights
- Global Compact principle 2: Non-complicity in human rights abuses

S6 CUSTOMER PRIVACY

See Board of Directors' Report, section Sustainability, Customer privacy for more information about this focus area. Read more about our information security work in Board of Director's Report, section Information security.

This material refers to:

- GRI 418 Customer privacy
- Global Compact principle 1: Support and respect the protection of internationally proclaimed human rights
- Global Compact principle 2: Non-complicity in human rights abuses

S7 ENVIRONMENTAL RESPONSIBILITY

See Board of Directors' Report, section Sustainability, Environmental responsibility for more information about this focus area. Please note the following:

- As a result of recalculation using a market-based approach, 2017 greenhouse gas (GHG) emissions abatement from using renewable electricity has been revised to 289 ktons from 148 ktons CO_2e
- As a result of ongoing divestments, scope 1 and 2 energy consumption and GHG emissions figures for discontinued operations are not historically directly comparable. 2018 data does not include Azercell in Azerbaijan and Geocell in Georgia
- As complete, reliable actual 2018 data for discontinued operations has not been available, 2017 data has been used for Kcell in Kazakhstan and Ucell in Uzbekistan
- For reasons of lack of completeness and reliability of data, scope of waste reporting is operations in Estonia, Finland and Sweden

See TCSRF for more details on calculation methods, emission factors and more.

Energy

ENERGY CONSUMPTION

Direct energy consumption (scope 1), GWh	2018	2017	2016
Continuing operations	27	27	30
Discontinued operations	56	79	104
Total direct energy consumption	**83**	**106**	**134**

Indirect energy consumption (scope 2), GWh	2018	2017	2016
Continuing operations	1,118	1,063	1,037
Discontinued operations	297	375	401
Total indirect energy consumption	**1,415**	**1,438**	**1,438**

Total scope 1 and 2 energy consumption was 1,498 (1,544) GWh.

Energy efficiency and savings initiatives

There are new and ongoing energy savings initiatives mainly related to replacing older equipment at base stations and data centers and consolidating smaller technical sites, as this is where the majority of energy consumption and related savings can be found. It is practically impossible to accurately estimate the number of such initiatives and the savings generated in a meaningful way, but realized annual savings of initiatives carried out over the last three years are estimated to be in the range of tens of GWh's.

Greenhouse gas emissions

GREENHOUSE GAS (GHG) EMISSIONS

Direct GHG emissions (scope 1), ktons CO_2e	2018	2017	2016
Continuing operations	7	7	8
Discontinued operations	13	19	25
Total direct GHG emissions	**20**	**26**	**33**

Indirect GHG emissions (scope 2), ktons CO_2e	2018	2017	2016
Continuing operations	57	75	78
Discontinued operations	138	168	176
Total indirect GHG emissions	**195**	**243**	**254**

Total scope 1 and 2 GHG emissions were 215 (269) ktons CO_2e.

OTHER INDIRECT GREENHOUSE GAS EMISSIONS – BUSINESS TRAVEL (SCOPE 3, CATEGORY 6)

Other indirect GHG emissions (scope 3), ktons CO_2e	2018	2017	2016
Continuing operations	7	6	7
Discontinued operations	2	3	2
Total other indirect emissions from business travel	**9**	**9**	**9**

Emissions reductions initiatives

While energy efficiency and savings initiatives generally have a correlating positive effect on reducing emissions, we also engage in specific emissions reductions activities. The most significant is using renewable electricity. As per the group travel instruction, we aim to replace fossil-based travel, particularly air travel, with low-carbon travel options or remote meetings. To reduce emissions in the supply chain, we have general requirements for all suppliers to continuously manage and reduce their negative environmental impacts, and more specific requirements on some supplier categories such as logistics providers.

Waste

As stated in the group environmental policy, waste is a key environmental aspect and we are committed to reducing our total hazardous and non-hazardous waste footprint. We consider electronic waste to be the most material waste category. Approximately 370 (510) tons of electronic waste, which is considered hazardous waste, was reported. This waste is mainly decommissioned network equipment or consumer hardware, which is recycled.

Water

Water is not considered a key environmental aspect as we do not have a material water footprint. Our water consumption is limited to the use of "office water". We do not use water cooling anywhere in our mobile networks or data centers in a way that generates water consumption or has an impact on water quality.

This material refers to:

GRI 302 Energy
GRI 303 Water
GRI 305 Emissions
GRI 306 Effluents and waste
Global Compact principle 7: Support a precautionary approach to environmental challenges
Global Compact principle 8: Undertake initiatives to promote greater environmental responsibility
Global Compact principle 9: Encourage the development and diffusion of environmentally friendly technologies
Task Force on Climate Related Financial Disclosures (TCFD): Metrics and Targets
EU Non-Financial Reporting Directive: Environmental matters

S8 FREEDOM OF EXPRESSION AND SURVEILLANCE PRIVACY

See Board of Directors' Report, section Sustainability, Freedom of expression and surveillance privacy for more information about this focus area.

Law enforcement disclosure reporting

Several factors make it difficult to compare the statistics between countries. Telia Company has different market shares in different countries, which is probably reflected in the figures. Furthermore, Telia Company does not have knowledge of the authorities' working methods and priorities in different countries, but the methods are likely to differ. Also, within the group, there are different internal methods of collecting data in different countries, causing issues related to completeness and accuracy of reported data. Also note that the figures show the number of requests from authorities, not the number of individuals that have been targeted. Not even we as the operator and provider of the information have this knowledge. Most likely, in the category of lawful interception, the number of requests is larger than the number of individuals that have been targeted.

Pertaining to requests for cell tower dumps (i.e. requests that oblige the local operator to disclose data about the identity, activity and location of any device that connects to targeted cell towers over a set span of time) the number of affected individuals will naturally become larger than the number of requests. Depending on the scope of the request, Telia Company is required to hand out varying amounts of customer data. This depends on the timeframe of the request as well as where the cells within the scope of the request are situated. In urban areas, the amount of disclosed data is naturally higher.

AUTHORITY REQUESTS 2018

Country	Lawful interception	Historical data	Subscription data	Challenged or rejected requests
Denmark	7,071	2,096	13,940	0
Estonia	6,209[1]	1,568	582,487[2]	126,545[3]
Finland	4,626	2,787	8,432	11
Lithuania	No permission to publish	No permission to publish	No permission to publish	No permission to publish
Moldova	Direct access – no statistics	7,453	3,158	135
Norway	1,198	5,879	9,182	82[4]
Sweden	3,659	4,235	1,651	355

1) In Estonia, a direct access system is used. Telia in Estonia has full visibility into the number of requests.
2) Includes all requests for Subscription data. For other countries the corresponding figure covers only requests that are handled by authorized personnel, and automated requests that refer to a criminal case.
3) This figure includes all requests to which we were not able to answer, most often because the requested information was about a customer of another operator.
4) Invalid requests due to administrative form errors.

This material refers to:

- GRI 412 Human rights assessment
- Global Compact principle 1: Support and respect the protection of internationally proclaimed human rights
- Global Compact principle 2: Non-complicity in human rights abuses

S9 HEALTH AND WELL-BEING

See Board of Directors' Report, Sustainability, section Health and well-being for more information about this focus area. Please note the following:

- As a result of changing HR systems which was not implemented in all core markets, 2018 sickness absence rate (SAR) has been calculated using a new methodology. Historical figures could not be recalculated using the same methodology and are therefore not included to avoid any incorrect comparison.
- 2018 lost-time injury frequency (LTIF) has been calculated using the above scope to provide the best possible comparability. 2017 LTIF has been recalculated to the same scope.

Sickness absence

Average sickness absence rate (SAR) for the countries where the new HR system was implemented (Denmark, Estonia, Finland, Norway, Sweden as well as Telia Carrier) was 2.5 percent.

Lost-time injuries and fatalities

Average lost-time injury frequency (LTIF) was 0.14 (0.37). 5 (13) lost-time injuries were reported, all of which occurred in offices or shops. There have been no fatal accidents involving Telia Company employees in any country during 2016-2018.

See the TCSRF for more details on calculation methods and definitions.

This material refers to:

- GRI 403 Occupational health and safety
- EU Non-Financial Reporting Directive: Social and employee matters

S10 RESPONSIBLE SOURCING

See Board of Directors' Report, section Sustainability, Responsible sourcing for more information about this focus area. See Note S17 about risks and our work to abolish child, forced and compulsory labor in the supply chain.

This material refers to:

GRI 204 Procurement practices
GRI 308 Supplier environmental assessment
GRI 414 Supplier social assessment

S11 HUMAN RIGHTS

See Board of Directors' Report, section Sustainability, Human rights for more information about our work.

This material refers to:

GRI 412 Human rights assessment
Global Compact principle 1: Support and respect the protection of internationally proclaimed human rights
Global Compact principle 2: Non-complicity in human rights abuses
UN Guiding Principles Reporting Framework
EU Non-Financial Reporting Directive: Respect for human rights

S12 LABOR PRACTICES

According to the *Group policy - People*, all employees regardless of location or employment type have the right to choose whether or not to be represented by a trade union for the purpose of collective bargaining. No employee shall be discriminated against for exercising this right. All employees should be aware of the basic terms and conditions of their employment.

Telia Company cooperates with employee representatives and national labor unions. Employees in core markets have established a European Works Council (EWC) which serves as an employee representatives' forum for information and consultation with the Group Executive Management on matters such as the employment situation and its anticipated development, in- and outsourcing and transfers in location of business. Additionally, local companies in core markets regularly engage with local trade unions. During the year, there were no labor disputes resulting in strike or notice of strike.

80 percent of employees in Continuing operations were covered by collective bargaining agreements.

This material refers to:

- GRI 102-41 Collective bargaining agreements
- GRI 402 Labor/management relations
- GRI 407 Freedom of association and collective bargaining
- Global Compact principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining
- Global Compact principle 6: Uphold the elimination of discrimination in respect of employment and occupation
- EU Non-Financial Reporting Directive: Social and employee matters

S13 WHISTLE-BLOWING CASES

For more information about the whistle-blowing process and the whistle-blowing channel Speak-Up Line, see Corporate Governance Statement, section Enterprise Risk Management (ERM) framework, Whistle-blowing and Speak-Up Line.

During 2018, 136 (179) whistle-blowing reports were recorded. The reported issues related mainly to reproach to management, leadership, conflict of interest, and customer complaint or enquiry. Reports were received through the Speak-Up Line website or e-mail address which are available to both employees and third parties, through direct contact with group or local ethics and compliance officers or through Group Executive Management. The majority of reports came from Sweden, Kazakhstan and Uzbekistan.

59 (51) internal investigations were opened by the Special Investigations Office. 12 (11) of these investigations were requested by managers. During the period, six disciplinary decisions were taken by management representatives decided on a case by case basis. These included warnings to and terminations of employees and managers. Read more about discrimination and harassment cases in Note S15.

Consolidated case reports were presented to the Audit and Responsible Business Committee throughout the year. The reports included allegations of certain significance, progress of investigations and the final results of the investigations.

The significant decrease in the percentage of cases closed within eight weeks can be explained mainly by an increased number of investigations opened.

Number of whistle-blowing case reports	2018	2017
Investigations opened by the Special Investigations Office	59	51
Reports related to Human Resource matters (handled jointly with Group People & Brand)	42	51
Reports sent for information to other departments (e.g. customer or supplier complaints), or closed after an initial review and response to the whistle-blower concerned (e.g. in cases of ethical reproach)	35	77
Total	**136**	**179**

Reporting channel (%)	2018	2017
Speak-Up Line website	70	67
Sent to the Speak-Up Line e-mail address	20	15
Direct contact with ethics and compliance officers at group or local level	8	9
Group Executive Management	2	4
Line managers	0	4

Origin of reports (%)	2018	2017
Nordics	37	44
Region Eurasia	43	42
Other group companies	20	14

Internal investigation KPI (%)	Target	2018	2017
Whistle-blowing cases closed within eight weeks	80	56	72

This material refers to:

- GRI 102-17 Mechanisms for advice and concerns about ethics

S14 RESPONSIBLE TAX PRACTICES

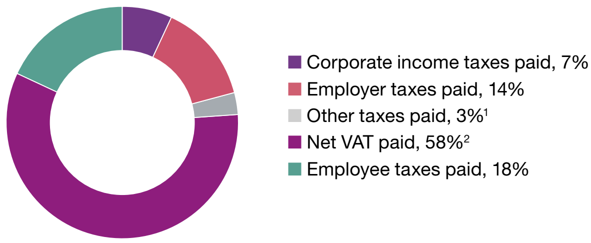
Tax is an important sustainability topic, with high expectations from stakeholders. Telia Company is a responsible tax payer, paying the amount of taxes legally due in any territory, in accordance with local legislation and international accepted principles. We promote the importance of transparency and fair, ethical tax practices.

Corporate income taxes paid SEK in millions	2018	2017	2016
Denmark	-7	-2	0
Estonia	117	–	123
Finland	37	31	0
Latvia	-33	30	27
Lithuania	65	28	38
Norway	382	27	12
Russia	4	41	90
Sweden	416	421	1,773
Turkey	41	138	4
Other countries	33	-4	11
Total, continuing operations	**1,054**	**710**	**2,078**
Azerbaijan[1]	17	515	416
Georgia[1]	0	0	-10
Kazakhstan[1]	52	114	268
Moldova	–	–	–
Nepal[2]	0	0	453
Tajikistan[3]	–	25	73
Uzbekistan[1]	27	–	0
Other countries	91	60	97
Total, discontinued operations	**188**	**714**	**1,297**
Total	**1,242**	**1,424**	**3,375**

1) Operations divested in 2018.
2) Operations divested in 2016.
3) Operations divested in 2017.

In addition to corporate income tax payments, Telia Company generates billions of SEK in other tax payments throughout its footprint. The total tax contribution, including both taxes borne and taxes collected, in 2018 amounted to SEK 18.3 billion (18.0). This includes both continuing and discontinued operations, the first amounting to 91 (85) percent of the total tax contribution.

Total tax contribution



1) Includes for example environmental taxes, property taxes and telecommunication taxes. Other taxes paid, or the total tax contribution as such, does not include customs duties and licenses.
2) If a Telia Company entity was in a recovery position regarding VAT, this has reduced the total amount of net VAT paid. The net VAT paid, or the total tax contribution as such, does not capture our irrecoverable VAT.

This material refers to:

GRI 201 Economic performance

S15 DIVERSITY, EQUAL OPPORTUNITY AND NON-DISCRIMINATION

We see diversity as a critical asset in building a high-performing organization. To ensure that everyone feels safe, respected and fairly treated, we do not accept discrimination, victimization, harassment and bullying of any kind. As stated in the *Group Policy – People*, Telia Company promotes a culture of diversity and equal opportunity based on competence, experience and performance. No employee shall be treated differently because of their gender, ethnicity, religion, age, disability, sexual orientation, nationality, political opinion, union affiliation, social background and/or other characteristics protected by applicable law.

In 2018, we took the first steps to develop and implement a comprehensive approach with group governance to diversity, equal opportunity and non-discrimination. Work is coordinated by a steering group consisting of representatives from the group-level sustainability, HR and brand teams. The steering group reports to Group Executive Management and to the Board. The group diversity lead manages a network of country leads who coordinate the local work in core markets.

To guide our work we developed a diversity framework built on three elements:

- **Employee engagement:** Increasing awareness through training and by supporting internal network groups
- **Processes:** Eliminating bias and integrating diversity perspectives into key HR processes
- **Initiatives and partnerships:** Actively engaging in local diversity charters and other organizations

For gender-related workforce statistics, see Board of Directors' Report, section People. We do not to provide statistics on other diversity parameters mainly because the data has not previously been part of our HR systems, collecting the data would be challenging considering GDPR employee privacy requirements, or collecting it would be considered unethical or even illegal in our core markets (such as data on sexual orientation or ethnicity).

Work during the year

Bloomberg Gender Equality Index

Telia Company was included in the 2018 Bloomberg Gender Equality Index. Inclusion represents a commitment to equality and advancing women in the workplace.

Unconscious bias training

To better address unconscious bias, development of a specific unconscious bias training course started in 2018, to be launched in 2019 as part of the Code of responsible business conduct e-learning. The training will be mandatory for all employees.

Review of HR processes

Key HR processes - recruitment, talent management and performance evaluation, succession planning and compensation - were reviewed and subsequently adjusted to support diversity and ensure equal opportunity. Adjustments were for example including diversity as part of recruitment training for managers. During performance reviews, managers were presented a new set of questions to make them aware of their possible unconscious bias and the current gender and age balance of their teams.

Initiative and partnerships

During the year, we engaged in a number of external and internal initiatives and partnerships. Telia in Denmark, Estonia, Finland, Lithuania and Sweden became signatories of local diversity charters. A new internal employee gender diversity network started in Norway, and similar networks in Lithuania and Sweden were expanded.

Discrimination and harassment

The Purple Voice employee survey included two questions related to discrimination and harassment:

- Have you during the past year been badly treated or passed over because of your gender, age, or for other reasons?
- Do you know to whom or where to report these types of behaviors within the company?

The results were almost identical to 2016 and 2017 and showed that across all countries, 95 percent of employees perceived that they had not been badly treated or passed over because of gender, 93 percent because of age and 96 percent for other reasons. The share of respondents who claimed to know to whom or where to report increased to 81 percent, up from 65 percent in 2016.

During the year, around 20 discrimination or harassment reports were handled by local HR or security organizations. Around ten were substantiated, one of which resulted in dismissal and the others in minor disciplinary actions.

Work also started on improving registration and investigations of potential discrimination and harassment cases, by managing these in the whistle-blowing tool Speak-Up Line database.

This material refers to:

	GRI 102-8 Information on employees and other workers
	GRI 102-22 Composition of the highest governance body and its committees
	GRI 405 Diversity and equal opportunity
	GRI 406 Non-discrimination
	EU Non-Financial Reporting Directive: Social and employee matters

S16 LEGAL COMPLIANCE

For information about legal cases and proceedings, see Note C29 to the Consolidated financial statements.

This material refers to:

	GRI 419 Socio-economic compliance

S17 CHILD, FORCED AND COMPULSORY LABOR

We consider risks related to child, forced and compulsory labor as very small in our own operations, but significant in parts of our supply chain. Child, forced and compulsory labor are covered in the Supplier code of conduct and are followed up during on-site supplier audits and in supplier due diligence.

Telia Company has operational presence in the UK through a Telia Carrier subsidiary. For this reason, we have prepared a UK Modern Slavery Act Statement, see www.teliacompany.com/sustainability/reporting/uk-modern-slavery-act-statement/

(The Modern Slavery Act Statement is not part of the sustainability report and has not been subject to limited assurance.)

This material refers to:

	GRI 408 Child labor
	GRI 409 Forced or compulsory labor
	GRI 414 Supplier social assessment
	Global Compact principle 4: The elimination of all forms of forced and compulsory labor
	Global Compact principle 5: The effective abolition of child labor

S18 DUE DILIGENCE IN M&A

The work is guided by the M&A handbook, which describes the M&A process and is used in majority transactions, both acquisitions and divestments. A questionnaire is provided to the target seller or buyer, which carries out a self-declaration. The questionnaire assesses the company's structure, policies and processes regarding e.g:

- General code of conduct and supplier code of conduct including training in these
- Anti-corruption program including anti-money laundering checks
- Whether the company or its affiliates are subject to international sanctions
- Shareholding structure and Ultimate Beneficiary Owners (UBO)
- Politically Exposed Persons (PEP) and other political affiliations
- Human rights due diligence including labor practices and whistle-blowing
- Environmental and occupational health and safety management systems
- IT security and privacy including GDPR compliance where relevant

The target company is required to provide supporting documentation. In addition, a database check is carried out by the group ethics and compliance office to verify the accuracy of the information provided by the company. The questionnaire is continuously revised to ensure alignment with updated group policies and other guiding documents.

The M&A handbook is not applied in non-majority transactions, but the questionnaire is applied and other relevant checks such as UBO checks are carried out to ensure sufficient due diligence.

Significant divestments

During the year, all remaining assets except Moldcell in Moldova in region Eurasia were divested to local parties. Read more about the process to ensure a responsible exit from the region in Board of Directors' Report, section Sustainability, Significant events. In the divestment of Telia Company's shares in Spotify prior to its listing, a database screening on the buyer against adverse media, PEP checks and sanctions was carried out.

Significant acquisitions

In July, Telia Company signed an agreement to acquire Swedish media company Bonnier Broadcasting (pending approval 2019 by EU competition authorities). Besides completing the questionnaire, Bonnier Broadcasting underwent more extensive due diligence including human rights due diligence. Also in July, Telia Company acquired Norwegian fixed network company Get/TDC. The companies underwent additional database screening.

During the integration processes, the ethics and compliance integration guidelines will be applied.

This material refers to:

GRI 412 Human rights assessment

S19 COMMUNITY ENGAGEMENT

Younite

Younite is Telia Company's volunteering program. Through Younite we enable and encourage all employees, as part of their employment, to engage in activities and societal contributions connected to digitalization in our communities. Employees are given one day per year to contribute. The program is part of the work to support the UN SDGs. Some examples of activities are:

SDG 3: Good health and well-being
Educate and spread awareness of a balanced approach to online and offline life

SDG 4: Quality education
Promote the spreading of digital skills by introducing children to programming

SDG 8: Decent work and economic growth
Inspire children or students to pursue work in the tech sector

SDG 10: Reduced inequalities
Introduce digital services to those who are not yet fully connected such as seniors or new citizens

SDG 16: Peace, justice and strong institutions
Inform about respectful and safe behavior online

Since its launch in early 2017, close to 8,000 employees have participated in various activities. Achievements since launch include interacting in schools and online with more than 60,000 children about internet's opportunities and online safety, teaching coding to children and introducing seniors to life online.

Each year, four larger events will be hosted in conjunction with internationally recognized theme days such as the Safer Internet Day and the UN International Family Day. The first major event took place on the third anniversary of the launch of the SDGs, when school children across all core markets visited our offices to participate in an innovation hackathon around how digitalization can contribute to the SDGs. On the UN International Volunteering Day on December 5, around 600 employees gathered in 30 offices across 14 countries to map buildings and roads from satellite pictures to create digital open access maps for humanitarian organizations.

Local companies also arrange local community involvement activities with close connection to societal needs and challenges. Examples include supporting local partner organizations' activities such as Generation Pep's events to promote healthy lives for all children in Sweden.

Individual employees are also invited to arrange activities at their own initiative. Examples during the year include employees engaging with tech students or hosting coding activities for children.

Sponsorships and donations

Sponsorships and donations and governed by the ***Group instruction – Sponsorships and donations***. The general principle is to sponsor or partner with organizations to support activities that are long-term, linked to digitalization and our geographical presence. Sponsorships and donations are generally decided by local companies. In rare circumstances we provide philanthropic donations or financial support related to disaster relief or humanitarian aid.

There are corruption risks connected to sponsorships and donations, particularly in region Eurasia. See Board of Directors' Report, section Sustainability, Anti-bribery and corruption.

Substantial sponsorships and donations during the year included donations and partnership fees to World Childhood Foundation, Friends and Generation Pep in Sweden. Read more about these collaborations in Board of Directors' Report, section Sustainability, Children's rights.

Disaster relief

Telia Company and local companies stand ready to support in disaster relief or crisis support, primarily through the use of our networks, products and services. Common measures are zero-rating traffic to help people reach family and friends, as we did during the terrorist attack in Stockholm, Sweden in 2017, or supporting with additional network capacity to ensure coverage, as we did during the forest fires in Sweden during the summer of 2018.

This material refers to:

GRI 413 Local communities

S20 ELECTROMAGNETIC FIELDS (EMF)

Telia Company's work is governed by the *Group policy - Electromagnetic fields (EMF)*. We adhere to local norms issued by authorities and the World Health Organization (WHO), and follow the guidelines of the International Commission on Non-Ionizing Radiation Protection (ICNIRP) when contructing radio networks and for the mobile devices we sell. As per the internal EMF instruction, suppliers providing radio network base station equipment shall provide relevant EMF exposure documentation.

This material refers to:

GRI 416 Customer health and safety

BOARD OF DIRECTORS' AND PRESIDENT'S CERTIFICATION

The Board of Directors and the President and CEO certify that the consolidated financial statements have been prepared in accordance with IFRSs as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The Board of Directors' Report for the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 13, 2019

Marie Ehrling
Chair of the Board

Olli-Pekka Kallasvuo
Vice-Chair of the Board

Agneta Ahlström
Board member,
employee representative

Stefan Carlsson
Board member,
employee representative

Hans Gustavsson
Board member, deputy,
employee representative

Nina Linander
Board member

Jimmy Maymann
Board member

Anna Settman
Board member

Olaf Swantee
Board member

Martin Tivéus
Board member

Johan Dennelind
President and CEO

Our auditors' report was rendered on March 13, 2019

Deloitte AB

Jan Nilsson
Authorized Public Accountant

AUDITORS' REPORT

To the general meeting of the shareholders of Telia Company AB (publ)
corporate identity number 556103-4249

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Telia Company AB (publ) for the financial year 2018-01-01 – 2018-12-31 except for the corporate governance statement on pages 71-86 and the statutory sustainability report on pages 40-62 and 208-223. The annual accounts and consolidated accounts of the company are included on pages 16-207 and 224 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 71-86 or the statutory sustainability report on pages 40-62 and 208-223. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statements of comprehensive income and statements of financial position for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our
Key audit matters of the audit are those matters that, in our
professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition

Risk description

There is an inherent risk around the accuracy of revenue recorded given the complexity of the systems generating the revenue and the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.).

Telia Company's revenues comprise several different revenue streams such as traffic charges, subscription fees, installation fees, services and equipment sales. Telia Company may bundle services and products into one customer offering. Offerings may involve the delivery or performance of multiple products, services, or rights to use assets.

In addition, Telia Company adopts IFRS 15 "Revenue from Contracts with Customers" from January 1, 2018 using the full retrospective method with adjustments to all periods presented.

Revenue recognition requires significant judgements and estimates on behalf of management as to when, and to which amount revenues are recognized.

For further information, refer to notes C1 "Basis of preparation", C3 "Significant accounting policies" and C6 "Net sales" of the consolidated accounts.

Audit procedures

Our audit procedures included, but were not limited to:

- assessing the application of the group's accounting policies with respect to IFRS 15 to services and products delivered and the accounting implications of new business models to verify that group accounting policies were appropriate for these models and were followed;
- evaluating the design and testing the implementation of key internal controls used for revenue recognition;
- with the support of our information technology specialists testing the IT environment in which billing, rating and other relevant support systems reside, including the

change control procedures in place around systems that bill material revenue streams;
- analytical and detailed substantive procedures on a sample basis for a selection of recognized revenue; and
- evaluating the adequacy of disclosures related to the various revenue streams.

With regard to the adoption of IFRS 15, our audit procedures included but were not limited to:
- with the support of our IFRS specialists assessing the group's adoption of the new standard;
- assessing the accounting estimates and judgements made in respect of the business models of the Group;
- with the support of our information technology specialists testing the IT systems set up by management to account for transactions in accordance with the new standard; and
- evaluating whether the financial statements include the required disclosures regarding revenue.

Carrying value of goodwill and other intangible assets

Risk description

Telia Company's carrying values of goodwill and other intangible assets represent a significant part of Telia Company´s total assets. Telia Company is required to test such assets for impairment annually or whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. The determination of recoverable amount, being the higher of fair value less costs of disposal and value in use, requires judgement on the part of management in both identifying and then valuing the relevant cash generating units ("CGU's"). Management normally determines recoverable amounts on the basis of value in use. Calculations of value in use are based on management's view of variables such as sales growth, EBITDA margin development, weighted average cost of capital, CAPEX-to-sales ratio and terminal growth rate.

For further information, refer to notes C2 "Judgments and key sources of estimation uncertainty" and C12 "Goodwill and other intangible assets" of the consolidated accounts.

Audit procedures

Our audit procedures included, but were not limited to:
- evaluating the appropriateness of management's identification of the Group's CGU's;
- with the support of our valuation specialists, benchmarking and challenging key assumptions in management's valuation models used to determine recoverable amount, including assumptions of sales growth, EBITDA margin development, weighted average cost of capital, CAPEX-to-sales ratio and terminal growth rate;
- comparing historical forecasting to actual results;
- testing of the mathematical accuracy of the cash flow models and challenged and agreed the key assumptions to the management approved long-term business plans; and
- evaluating the adequacy of disclosures related to those assumptions and CGU's to which the outcome of the impairment tests are most sensitive.

Divestments in Eurasia

Risk description

During 2018, Telia Company divested its operations in Azerbaijan, Georgia, Kazakhstan and Uzbekistan and former segment region Eurasia is classified as discontinued operations in the consolidated accounts. One effect of this is that these operations have been separately presented from continuing operations in the statement of comprehensive income with comparative numbers represented accordingly. Accounting for discontinued operations requires management's judgment and estimates in assessing if the criteria in IFRS 5 are fulfilled to account for discontinued operations and determine the fair value of assets classified as held for sale. For divested operations, the assessment of capital gain or loss can be complex.

For further information, refer to notes C2 "Judgments and key sources of estimation uncertainty" and C34 "Discontinued operations and assets classified as held for sale" of the consolidated accounts.

Audit procedures

Our audit procedures included, but were not limited to:
- challenging management's assessment whether the requirements under IFRS 5 for the former segment region Eurasia to be classified as held for sale and discontinued operations were met;
- reviewing and evaluating management's process to determine fair value less costs of disposal; and
- reviewing the accounting and disclosures of the capital gains and losses from the divestments made in 2018.

Business combinations

Risk description

During 2018 Telia Company acquired all the shares in Inmics, Cloud Solutions, Get and TDC Norway and Aina-com. Acquisitions are accounted for using the acquisition method which measures goodwill at the acquisition date as the fair value of the consideration transferred less the fair value of assets acquired and liabilities assumed. Valuation of assets and liabilities at fair value in accordance to IFRS is complex and requires management to make significant judgements and estimates.

For further information, refer to note C3 "Significant accounting policies" and C33 "Business combinations" of the consolidated accounts.

Audit procedures

Our audit procedures, for significant acquisitions, included, but were not limited to:
- reviewing management's purchase price allocation including calculation and accounting for contingent considerations;
- with the support of our valuation specialists, reviewing and challenging management's assessment of fair value of acquired assets and liabilities for significant acquisitions;
- limited review and other audit procedures to assure correct consolidation of material acquisitions as from the acquisition date; and

- assessing whether disclosures in the consolidated accounts meet the requirements under IFRS.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 4-15, 208-223 and 230-237. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Telia Company AB (publ) for the financial year 2018-01-01 – 2018-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Auditor's examination of the corporate governance report

The Board of Directors is responsible for that the corporate governance statement on pages 71-86 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 40-62 and 208-223 and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Deloitte AB, was appointed auditor of Telia Company AB by the general meeting of the shareholders on April 10, 2018 and has been the company's auditor since April 2, 2014.

Stockholm, March 13, 2019
Deloitte AB

Jan Nilsson
Authorized Public Accountant

AUDITORS' LIMITED ASSURANCE REPORT ON THE SUSTAINABILITY REPORT

This is the translation of the auditor's report in Swedish.

To Telia Company AB (publ), corporate identity number 556103-4249.

Introduction

We have been engaged by the Management of Telia Company AB (publ) to undertake a limited assurance engagement of the Telia Company Sustainability Report for the year 2018. The Company has defined the scope of the Sustainability Report on pages 40-62 and 208-223 in this report.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT FOR THE SUSTAINABILITY REPORT

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 209 in the Annual and Sustainability Report, and the Telia Company Sustainability Reporting Framework 2018, available at www.teliacompany.com/sustainability/reporting, the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements We are independent of Telia Company AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Accordingly, the conclusion of the procedures performed do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, March 13, 2019

Deloitte AB

Signatures on Swedish original

Jan Nilsson
Authorized Public Accountant

Didrik Roos
Authorized Public Accountant

FIVE-YEAR SUMMARY

Telia Company group Financial data	2018	2017	2016	2015	2014
Income statement (SEK in millions)[1, 8]					
Net sales	83,559	79,790	84,178	86,569	81,131
Operating income	13,238	13,768	21,090	14,606	17,743
Adjusted EBITDA[9]	26,649	25,151	25,836	25,281	24,364
EBITDA[9]	26,042	25,519	29,813	23,992	23,453
Net income from continuing operations	9,489	8,492	16,433	9,532	12,219
Net income from discontinued operations	-6,399	1,751	-9,937	673	3,379
Net income	3,090	10,243	6,496	10,205	15,599
Financial position (SEK in millions)[2, 8]					
Goodwill and other intangible assets	93,018	76,652	70,947	67,933	86,161
Property, plant and equipment	78,220	60,024	58,107	55,093	69,669
Other non-current assets	29,784	37,326	51,685	50,824	54,592
Current assets	47,570	69,365	74,071	80,167	61,645
Total assets	*248,592*	*245,367*	*254,811*	*254,017*	*272,066*
Total equity	102,394	106,517	96,059	102,202	116,364
of which attributable to owners of the parent	*97,344*	*101,226*	*90,991*	*97,884*	*111,383*
Non-current liabilities	107,254	106,946	101,920	109,175	118,163
Current liabilities	38,943	31,904	56,832	42,641	37,539
Total equity and liabilities	*248,592*	*245,367*	*254,811*	*254,017*	*272,066*
Capital employed, continuing and discontinued operations	193,393	192,465	184,900	193,486	208,365
Operating capital, continuing and discontinued operations	158,006	135,188	136,041	144,609	155,683
Net debt, continuing and discontinued operations	55,363	33,823	50,756	55,717	59,320
Cash flows (SEK in millions)[3]					
Cash flow from operating activities	26,696	23,204	25,970	35,249	29,252
Cash flow from investing activities	-14,041	-9,750	-7,428	-28,985	-21,979
Cash flow from financing activities	-12,446	-13,905	-22,491	-9,628	-10,269
Cash flow for the year	*209*	*-451*	*-3,949*	*-3,363*	*-2,997*
Free cash flow	11,902	7,164	7,267	16,550	13,046
of which from discontinued operations	*347*	*-4,640*	*116*	*4,030*	*4,905*
Investments (SEK in millions)[4, 9]					
CAPEX	16,361	15,307	15,625	14,595	11,955
Acquisitions and other investments	30,186	4,973	483	5,818	1,210
Total investments	*46,547*	*22,066*	*16,108*	*20,413*	*13,165*
Key ratios[5, 9]					
Return on equity (%)	3.6	11.2	4.5	9.3	15.0
Return on capital employed (%)	4.7	9.2	7.7	8.9	12.2
Equity/assets ratio (%)	37.3	39.4	34.0	35.1	38.0
Net debt/EBITDA rate excluding adjustment items	2.07	1.15	1.69	1.53	1.68
Owners' equity per share (SEK)	23.0	23.4	20.8	22.6	25.7
Share data					
Number of outstanding shares (millions)					
– at the end of the period	4,230.8	4,330.1	4,330.1	4,330.1	4,330.1
– average, basic	4,292.7	4,330.1	4,330.1	4,330.1	4,330.1
– average, diluted	4,292.7	4,330.1	4,330.1	4,330.1	4,330.1
Basic and diluted total earnings per share (SEK)	0.74	2.22	0.86	1.97	3.35
Cash dividend per share (SEK)[6]	2.36	2.30	2.00	3.00	3.00
Total cash dividend (SEK in millions)[6]	9,985	9,959	8,660	12,990	12,990
Pay-out ratio (%)[7]	85	81	115	152	90

1) Former segment region Eurasia is classified as held for sale and discontinued operations since December 31, 2015, and is therefore presented in one line in the income statement 2018 - 2014. The above presented income statement line items for 2018 - 2014 refer to continuing operations if not otherwise stated.
2) Assets and liabilities in former segment region Eurasia are presented separately in two line items in the consolidated statement of financial position as of December 31, 2018, 2017, 2016 and 2015. The Sergel companies (Sergel) are included in continuing operations until the divestment as per June 30, 2017, but classified as assets held for sale since June 30, 2016. In the above presented balance sheet line items assets classified as held for sale and liabilities directly associated with assets classified as held for sale are included in current assets and current liabilities.
3) Cash flow information is presented including discountinued operations.
4) 2018-2014 including continuing operations only.
5) Key ratios are based on the total Telia Company group including both continuing and discontinued operations for 2018-2014. The definition for the key ratio Return on capital employed was changed during 2014 (see Definitions). 2018-2014 have been calculated with the current definition.
6) For 2018 as proposed by the Board of Directors.
7) For 2018, the Board of Directors proposes to the Annual General Meeting an ordinary dividend of SEK 2.36 per share, or 85 percent of free cash flow attributable to continuing operations excluding licenses. In 2016 the dividend policy and definition of pay-out ratio were updated. 2014-2015 have not been recalculated.
8) Only 2016 and 2017 have been restated for IFRS 15.
9) 2017 is restated to reflect the discovery of certain classification errors, see Note C1 for further information.

Telia Company group Operational data	2018	2017	2016	2015	2014
Mobile services					
Total subscriptions (thousands)[1]	16,804	16,734	16,695	20,033	19,179
of which Sweden					
Mobile telephony, total subscriptions (thousands)[2]	6,095	6,118	6,207	6,119	6,186
Mobile telephony, blended churn (%)	19	19	17	19	19
Mobile telephony, ARPU (SEK)	219	213	209	206	200
of which Finland					
Mobile telephony, subscriptions (thousands) [8]	3,278	3,278	3,253	3,306	3,281
Mobile telephony, blended churn (%)	24	26	23	21	21
Mobile telephony, ARPU (EUR)	18	18	17	16	17
of which Norway[3]					
Mobile telephony, subscriptions (thousands)	2,324	2,345	2,211	2,311	1,344
Mobile telephony, blended churn (%)	31	32	33	35	37
Mobile telephony, ARPU (NOK)	257	256	252	259	283
of which other countries					
Mobile telephony, subscriptions, Denmark (thousands)	1,451	1,479	1,606	1,644	1,581
Mobile telephony, subscriptions, Lithuania (thousands)	1,389	1,352	1,318	1,327	1,378
Mobile telephony, subscriptions, Latvia (thousands)	1,281	1,237	1,200	1,119	1,097
Mobile telephony, subscriptions, Estonia (thousands)	986	925	901	863	841
Mobile telephony, subscriptions, Spain (thousands)	–	–	–	3,344	3,471
Fixed services					
Broadband, total subscriptions (thousands)	2,916	2,512	2,559	2,589	2,543
of which					
Broadband, subscriptions, Sweden (thousands)	1,287	1,286	1,299	1,306	1,275
Broadband, subscriptions, Finland (thousands)	457	464	497	527	561
Broadband, subscriptions, Norway (thousands)	417	–	–	–	–
Broadband, subscriptions, Denmark (thousands)	104	114	128	135	114
Broadband, subscriptions, Lithuania (thousands)[4]	409	410	402	390	369
Broadband, subscriptions, Estonia (thousands)	242	238	233	231	224
Fixed telephony, total subscriptions (thousands)[5]	1,855	2,182	2,565	2,838	3,034
of which					
Fixed telephony, subscriptions, Sweden (thousands)	1,102	1,381	1,675	1,896	2,054
Fixed telephony, subscriptions, Finland (thousands)	38	50	65	80	99
Fixed telephony, subscriptions, Norway (thousands)	59	11	–	–	–
Fixed telephony, subscriptions, Denmark (thousands)	78	90	101	114	122
Fixed telephony, subscriptions, Lithuania (thousands)	315	371	417	447	468
Fixed telephony, subscriptions, Estonia (thousands)	263	279	307	301	291
Human Resources[6]					
Number of employees as of December 31[7]	20,836	25,021	26,017	26,895	26,166
Average number of full-time employees during the year	23,814	24,468	24,898	25,450	24,973
of whom, in Sweden	*7,525*	*7,955*	*8,109*	*8,172*	*7,977*
of whom, in Finland	*3,899*	*3,463*	*3,276*	*3,326*	*3,577*
of whom, in other countries	*12,390*	*13,050*	*13,513*	*13,953*	*13,419*
of whom, women	*9,461*	*9,990*	*10,227*	*10,777*	*10,579*
of whom, men	*14,353*	*14,478*	*14,670*	*14,673*	*14,394*
Salaries and remuneration (SEK in millions)	9,918	9,661	9,534	9,408	9,746
Employer's social security contributions (SEK in millions)	2,134	2,144	2,056	1,992	1,893
Salaries and employer's social security contributions as a percentage of operating costs	14.5	15.5	13.2	12.6	14.4
Net sales per employee (SEK in thousands)	3,790	3,722	3,929	4,220	4,047
Operating income per employee (SEK in thousands)	323	907	518	639	908
Net income per employee (SEK in thousands)	130	419	261	401	625

1) The definition of number of mobile prepaid subscriptions was changed in 2015. 2013 and 2014 were restated for comparability in 2015. Prepaid subscriptions are counted if the subscriber has been active during the last three months.
2) As a result of a review of certain types of mobile subscriptions in Sweden the operational data for number of subscriptions has for 2015 been restated for comparability.
3) As a result of a review of certain types of mobile subscriptions in Norway the operational data for number of subscriptions has for 2014 been restated for comparability. 2014 and 2015 have also been restated to reflect the discovery of certain classification errors between net sales and cost of sales referring to insurance sales in Norway.
4) The definition for number of broadband subscriptions in Lithuania was changed in 2015. 2013 and 2014 were restated for comparability in 2015.
5) Fixed telephony subscriptions include PSTN and VoIP.
6) HR data is based on the total Telia Company group including both continuing and discontinued operations.
7) For 2017 the number of employees in Lithuania has been restated for hourly paid employees.
8) 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. Only 2017 subscription base has been restated.

ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures

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 (multiple) and Adjusted EBITDA margin. These alternative measures are considered to be important performance indicators for investors and other users of the Annual 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 Definitions. These terms may be defined differently by other companies and are therefore not always comparable to similar measures used by other companies.

EBITDA and Adjusted EBITDA

Telia Company considers EBITDA as a relevant measure for investors to be able to understand profit generation before investments in fixed assets. To assist the understanding of Telia Company's underlying financial performance we believe it is also useful to analyze Adjusted EBITDA. Adjustment items within EBITDA are specified in Board of Director's Report, section "Adjustment items."

Continuing operations

SEK in millions	Jan–Dec 2018	Jan–Dec 2017[1]
Operating income	**13,238**	**13,768**
Income from associated companies and joint ventures	-835	-778
Total depreciation/amortization/write-down	13,638	12,528
EBITDA	**26,042**	**25,519**
Adjustment items within EBITDA	607	-368
Adjusted EBITDA	**26,649**	**25,151**

Discontinued operations

SEK in millions	Jan–Dec 2018	Jan–Dec 2017[1]
Operating income	**1,967**	**8,433**
Income from associated companies and joint ventures	267	-8
Total depreciation/amortization/write-down	-218	–
Capital gain/loss on disposal	-6,816	-193
EBITDA	**-4,800**	**8,233**
Adjustment items within EBITDA	7,141	-3,971
Adjusted EBITDA	**2,341**	**4,262**

1) Restated for comparability, see Note C1.

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 specificed in Board of Director's Report, section "Adjustment items."

SEK in millions	Jan–Dec 2018	Jan–Dec 2017[1]
Operating income	**13,238**	**13,768**
Adjustment items within operating income	908	1,013
Adjusted operating income, continuing operations	**14,146**	**14,781**

1) Restated for comparability, see Note C1.

CAPEX, CAPEX excluding license and spectrum fees and Cash CAPEX

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

SEK in millions	Jan–Dec 2018	Jan–Dec 2017[1]
Continuing operations		
Intangible assets	4,342	4,014
Property, plant and equipment	12,019	11,293
CAPEX	**16,361**	**15,307**
Net of not paid investments and additional payments from previous periods[2]	-2,587	-1,162
Cash CAPEX	**13,774**	**14,144**
CAPEX	**16,361**	**15,307**
License and spectrum fees	-1,378	-457
CAPEX excluding license and spectrum fees	**14,984**	**14,849**
Discontinued operations		
Intangible assets	203	178
Property, plant and equipment	658	1,609
CAPEX	**861**	**1,787**
Net of not paid investments and additional payments from previous periods	158	109
Cash CAPEX	**1,020**	**1,896**

1) Restated for comparability, see Note C1.
2) 2018 was impacted by acquired spectrums in Sweden and the Telia Helsinki Data Center, while 2017 mainly refers 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 after CAPEX.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017[1]
Cash flow from operating activities	26,696	23,204
Cash CAPEX (paid Intangible and tangible assets)	-14,794	-16,040
Free cash flow, continuing and discontinued operations	**11,902**	**7,164**

1) Restated for comparability, see Note C1.

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. Operational free cash flow in continuing operations represents Telia Company's outlook. Telia Company intends to distribute a minimum of 80 percent of free cash flow from continuing operations, excluding licenses and spectrum fees.

SEK in millions	Jan–Dec 2018	Jan–Dec 2017[1]
Cash flow from operating activities from continuing operations	25,330	25,948
Deduct: Cash CAPEX from continuing operations	-13,774	-14,144
Free cash flow continuing operations	**11,555**	**11,804**
Add back: Cash CAPEX for licenses from continuing operations	188	561
Free cash flow that forms the basis for dividend	**11,743**	**12,365**
Deduct: Dividends from associated companies from continuing operations	-968	-2,851
Add back: Taxes paid on dividends from associated companies from continuing operations	41	173
Operational free cash flow	**10,816**	**9,687**

1) Restated for comparability, see Note C1

Net debt

Telia Company considers Net debt to be an important measure to be able to understand the group's indebtedness. Net debt presented below is based on the total Telia Company group for both continuing and discontinued operations.

SEK in millions	Dec 31, 2018	Dec 31, 2017
Long-term borrowings	86,990	88,108
Less 50 percent of hybrid capital[1]	-7,861	-7,670
Short-term borrowings	9,552	5,102
Less derivatives recognized as financial assets and hedging long-term and short-term borrowings and related credit support annex (CSA)	-2,946	-3,032
Less long-term bonds at fair value through OCI[2]	-7,267	-12,084
Less short-term investments	-513	-15,616
Less cash and cash equivalents	-22,591	-20,984
Net debt, continuing and discontinued operations	**55,363**	**33,823**

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

Net debt/Adjusted EBITDA ratio (multiple)

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

SEK in millions, except for multiple	Jan–Dec 2018	Jan–Dec 2017[1]
Net debt	**55,363**	**33,823**
Adjusted EBITDA continuing operations	26,649	25,151
Adjusted EBITDA discontinued operations	2,341	4,262
Deduct disposed operations	-2,259	-109
Adjusted EBITDA rolling 12 months excluding disposed operations	**26,731**	**29,304**
Net debt/adjusted EBITDA ratio (multiple)	**2.07x**	**1.15x**

1) Restated for comparability, see Note C1.

Adjusted EBITDA margin

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

SEK in millions	Jan–Dec 2018	Jan–Dec 2017[1]
Net sales	83,559	79,790
Adjusted EBITDA	26,649	25,151
Adjusted EBITDA margin (%), continuing operations	**31.9**	**31.5**

1) Restated for comparability, see Note C1.

DEFINITIONS

CONCEPTS AND KEY RATIOS

Acquisitions and other investments
Investments in goodwill, intangible and tangible non-current assets acquired in business combinations, shares and participations, and asset retirement obligations.

Adjusted EBITDA
EBITDA adjusted for adjustment items within EBITDA.

Adjusted EBITDA margin
Adjusted EBITDA in relation to net sales.

Adjusted equity
Reported equity attributable to owners of the parent less the (proposed) dividend. For the parent company also including untaxed reserves net of tax.

Adjusted operating income
Operating income adjusted for adjustment items within operating income.

Adjustment items
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.

ARPU
Average monthly revenue per user.

Blended churn
The number of lost subscriptions (postpaid and prepaid) expressed as a percentage of the average number of subscriptions (postpaid and prepaid).

Cash CAPEX
CAPEX with addition/deduction of net of paid investments and additional payments from previous periods.

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.

CAPEX excluding license and spectrum fees
CAPEX deducted with license and spectrum fees.

Capital employed
Total assets less non-interest-bearing liabilities and non-interest-bearing provisions, and the (proposed) dividend.

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.

Earnings and equity per share
Earnings per share are based on the weighted average number of shares before and after dilution with potential ordinary shares, while equity per share is based on the number of shares at the end of the period. Earnings equal net income attributable to owners of the parent and equity is equity attributable to owners of the parent.

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.

EBITDA margin
EBITDA expressed as a percentage of net sales.

Equity/assets ratio
Adjusted equity and equity attributable to non-controlling interests expressed as a percentage of total assets.

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

Interest coverage ratio
Operating income plus financial revenues divided by financial expenses.

Mobile billed revenues
Voice, messaging, data and content.

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

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

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

Net debt/equity ratio
Net debt expressed as a percentage of adjusted equity and equity attributable to non-controlling interests.

Net interest-bearing liability
Interest-bearing liabilities and provisions less interest-bearing assets but including investments in associated companies and joint ventures.

Operating capital
Non-interest-bearing assets less non-interest-bearing liabilities, including the (proposed) dividend, and non-interest-bearing provisions.

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

Operating margin
Operating income expressed as a percentage of net sales.

Pay-out ratio
For 2013–2015 dividend per share divided by basic total earnings per share. For 2016, 2017 and 2018 proposed dividend divided by free cash flow excluding licenses.

Return on assets
Operating income plus financial revenues expressed as a percentage of average total assets.

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

Return on equity
Net income attributable to owners of the parent expressed as a percentage of average adjusted equity.

Return on sales
Net income expressed as a percentage of net sales.

Segment assets and liabilities (Segment operating capital)
As Operating capital, but assets and liabilities excluding items related to foreign currency derivatives and accrued interest as well as to deferred and current tax, respectively, and liabilities excluding the (proposed) dividend.

Self-financing rate
Cash flow from operating activities divided by gross investments.

Service revenues (external)
External net sales excluding equipment sales.

Total asset turnover
Net sales divided by average total assets.

Total shareholder return
Share price development during the year and dividend, in relation to shareprice at the beginning of the year expressed as a percentage.

Turnover of capital employed
Net sales divided by the average capital employed.

NOTATION CONVENTIONS

In conformity with international standards, this report applies the following currency notations:

SEK	Swedish krona	JPY	Japanese yen	UZS	Uzbek som
DKK	Danish krone	NOK	Norwegian krone		
EUR	European euro	TRY	Turkish lira		
GBP	Pound sterling	USD	US dollar		

ANNUAL GENERAL MEETING 2019

Telia Company's Annual General Meeting will be held on Wednesday, April 10, 2019, at 14.00 CET at Skandiascenen, Cirkus, Stockholm. The complete notification was published on Telia Company's website, www.teliacompany.com at the beginning of March. The meeting will be interpreted into English.

RIGHT TO ATTEND

Shareholders who wish to attend the Annual General Meeting shall be entered into the transcription of the share register as of Thursday, April 4, 2019, kept by Swedish central securities depository Euroclear Sweden AB and give notice of attendance to the Company no later than Thursday, April 4, 2019.

NOTICE TO THE COMPANY

Notice of attendance can be made

- in writing to Telia Company AB, "Årsstämman" c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden,
- by telephone +46 (0)8 402 90 50 on weekdays between 09.00 CET and 16.00 CET, or
- via the company's website www.teliacompany.com (only private individuals).

When giving notice of attendance, please state name/company name, social security number/corporate registration number, address, telephone number (office hours) and number of accompanying persons.

SHAREHOLDING IN THE NAME OF A NOMINEE

Shareholders, whose shares are registered in the name of a nominee, including Finnish shareholders within the Finnish book-entry system at Euroclear Finland Oy, must request to be temporarily entered into the share register kept by Euroclear Sweden AB as of Thursday April 4, 2019, in order to be entitled to participate in the meeting. Such shareholder is requested to inform the nominee to that effect well before that day.

NOMINEE

Shareholders who are represented by proxy shall issue a power of attorney for the representative. Forms for power of attorneys are available at the Company's website www.teliacompany.com. To a power of attorney issued by a legal entity a copy of the certificate of registration (and should such certificate not exist, a corresponding document of authority) of the legal entity shall be attached. The documents must not be older than one year. In order to facilitate the registration at the meeting, powers of attorney in original, certificates of registration and other documents of authority should be sent to the Company at the address above at the latest by Thursday, April 4, 2019.

DECISIONS TO BE MADE BY THE ANNUAL GENERAL MEETING

The Annual General Meeting determines, among other matters, the appropriation of the Company's profits and whether to discharge the Board of Directors and President from liability. The Annual General Meeting also appoints the Board of Directors and makes decisions regarding remuneration to the Board. The Board of Directors proposes that a dividend of SEK 2.36 per share be distributed to the shareholders in two tranches of SEK 1.18 each. April 12, 2019, and October 24, 2019, respectively, be set as the record dates for the dividend. If the Annual General Meeting adopts this proposal, it is estimated that disbursements from Euroclear Sweden AB will take place on April 17, 2019, and on October 29, 2019, respectively.